

**THE ROLE OF CULTURAL DIFFERENCES
BETWEEN NORWAY AND RUSSIA
IN BUSINESS RELATIONSHIPS**

**Application to strategic management
in Norwegian companies**

Doctoral thesis

by

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Preface

This project has been a great learning experience for me, both from professional and personal points of view. Working on it has taught me a lot. I have learnt to appreciate richness and the nuances of Norwegian and my own cultures; I have learnt to pose critical questions and not to take any, especially seemingly obvious, explanations for granted, looking for more profound solutions. I have learnt how excitingly different and how strikingly similar we are.

This work would have been impossible without all the input and help I have got. I would like to thank all the people who participated in the empirical data collection process. The names of the interviewees do not appear in the thesis due to the confidentiality condition, but I keep them with gratitude in my memory.

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Summary

In this thesis I investigate the cultural differences between Norway and Russia and their impact on the business relationships that Norwegian companies establish with Russian counterparts. The emphasis is on how to take these differences into account in the company's strategic management processes. The main source of the data in this study is the interviews with the Norwegian managers who have the experience of business relationships with Russian counterparts. I have also relied on the various publications on the subject.

In the first chapter, I suggest that as soon as the company starts the operations in the other country's market it faces the national culture different from the domestic one: people think, feel and act not the same way. These differences will affect everyday communication and work practices; one of the factors determining the company's performance on the foreign market will be its ability to accommodate the particular characteristics of the national culture. My argument is that the internationally-operating company needs the knowledge about cultural characteristics of the host countries; this knowledge should be integrated into the company's decision-making and strategy development processes. As the increasing number of Norwegian companies is operating on the Russian market, there is a need for the studies that will provide an insight into the cultural characteristics and the societal functioning, will point out the possible areas of the cultural clash, and will suggest some ways to avoid it. These reflections led me to formulate the initial research questions for the study:

- What are the cultural challenges related to Norwegian-Russian cooperation?
- How can this challenges be considered in the company's strategy?

In chapters 2 and 3, I review the theory in order to provide the framework for understanding the role of national culture differences in business practice and the strategic processes. In Chapter 2, I start by reviewing the existing literature in the field of strategic management of the company. First, I introduce the strategy concept, and the intended and emergent sides of the strategy formation process. I eventually suggest that, although the strategy formation is not totally explicit and straightforward process, to a great degree strategy can be developed

and formulated, and then implemented and maintained. Next, I outline the stages of the strategic management development and discuss the traditional strategic management approach - the competitive positioning of the company on the market. I then pose critical arguments concerning its dynamism and flexibility, and suggest that the resource-based approach, focusing on the internal competencies of the company, provides a more sound basis for the strategy formation of the international company. On the basis of this discussion, I suggest that cultural awareness is an essential competence of the international company that should be integrated into its strategy. By cultural awareness I mean the knowledge about other country's culture, knowledge about the risks for cooperation associated with the differences between the culture of the company's country of origin, and active utilization of this knowledge in day-to-day business practice. Next, I focus on the types of knowledge, and emphasize organizational learning as a mean to obtain and develop this competence and the intercultural skills. I also discuss the role that management plays in these processes.

In Chapter 3, I turn to the theory on national culture. After introducing the concept of culture as viewed by different disciplines and existing at different levels, such as organizational, business, and national, I suggest that the organizational culture is influenced by the national culture of the country, and that this diversity is a challenge for the international cooperation. I further assume the crossvergence position, the essence of which is that, since there is a tendency to an integration of influences based on national cultures and common economic and technical values, it is possible to find a common ground between different cultures. I discuss the two basic approaches to study culture: nomothetic one based on the social psychological tradition, and ideographic one with the roots in anthropology. I emphasize the depth of insight and practical orientation of the ideographic qualitative approach adopted in this study. Next, I present some of the well-established models and schemas for describing national cultures. They represent the dimensions and characteristics of culture developed by means of qualitative and quantitative cross-cultural studies. Finally, on the basis of the literature reviewed, I redefine the research questions of the study and formulate the following ones:

- What are the major cultural differences between Norway and Russia, in particular with respect to business relationships?
- What challenges do these differences present for the cooperation?
- How can cultural differences between Norway and Russia be addressed to in the strategy of an Norwegian company operating on the Russian market?

In the Chapter 4, I discuss the development of the research topic, my constructivist position and the research approach. I used the grounded theory for data gathering and analysis. I relied upon semi-structured interviews and used qualitative methodological approach to data analysis. Finally, on the basis of discussing credibility, transferability, dependability, confirmability and the use of reflexive journal, I conclude that this study is trustworthy.

Chapter 5 is dedicated to the data analysis: I provide a comparative description of both cultures focusing on the central categories and issues characteristic for the cultures, and their interplay. I have found that one of the major aspects where Norwegian and Russian cultures differ is the hierarchical structure of society and power distribution. Norwegian society, and thus organizations, tend to have flat hierarchical pyramid based on the ideal of egalitarianism and democracy. Responsibility is actively delegated top-down, and the role of the boss is to facilitate consensus and coordinated team-work. Rules and regulations existing in the Norwegian society are generally believed to bring the order and structure in the society and life, and are thus interpreted by their intention rather than literally. There is the universal approach to applying rules: the interpretation and the application of a rule is not affected by any kind of personal relationships. A contract is considered as definitive: both parties are expected to follow precisely its terms and conditions. People think of themselves in terms of individuals, private life and space are respected. At the same time, team-work is very developed; the relationships within a team, a group tend to be limited to the task. Different spheres of life such as private and work life are separated. There is no large status differences between people; the emphasis is placed on competence, knowledge, charisma rather than on the formal status. Time and actions are usually well-structured, the focus is on planning and order. Efficiency is associated with planning and following pre-established schedule. Time horizon is relatively long.

I suggested that Russian society is characterized by complicated tall hierarchy with large power distance between the levels and the authoritarian and paternalist leadership style. Delegation of responsibility is less common, much of information is concentrated on the top. If responsibility is delegated, it usually takes the form of precise instructions and detailed tasks. There is a great number of rules and regulations that often exist to justify autocratic positions and reflect power distance. The interpretation of a rule very much depends on the context, including personal relations between the parties involved. Contract is more a

statement of intentions rather than a definitive document. The concept of personal relationships, networks, and personal trust are the central ones in the Russian society. The social exchange regulated in Norway by the means of legal, economic and other formal systems is to a large degree regulated in Russia by the personal relationships system. Russians have strong feeling of belonging to a collective, whether it is a work collective, a family, or a circle of friends and acquaintances. There is no strict borders between these collective and consequently between different spheres of life. There are significant status differences between people, that could be reflected differently depending on the current context. Russians are more spontaneous and situational than Norwegians with relation to arranging their time and actions. Efficiency is seen in being flexible and reassigning priorities according to the circumstances and personal relationships among the persons involved. Planning horizon is rather short-term. The years of the Soviet regime still have influence on the quality of service, level of business competence, and attitudes to foreigners. This chapter also demonstrated the problematic issues that are raised by the differences described, and the effects they produce on Norwegian-Russian cooperation.

In Chapter 6, I answer the research questions of the project. I outline the major differences between Russian and Norwegian culture and the impact they produce on the cooperation. I suggest the issues to consider for improved Russian-Norwegian understanding and cooperation. Next, I focus on how the international company can obtain and develop cultural awareness; the main challenges human resource management faces reaching this goal is recognition of the role of cultural awareness, facilitating of its sustaining, development, and deployment. I suggest intercultural training as a mean to enhance cultural awareness and to learn intercultural skills, and discuss its types and characteristics.

In Chapter 7, I draw the final conclusions, focusing on the work fulfilled, the results, and the areas for the further research.

“What sets us against one another is not our aims - they all come to the same thing - but our methods.”

Saint-Exupéry (1953)

Chapter 1 Introduction

1.1 Main research issue

The main focus of this thesis is the differences between Norwegian and Russian cultures, the effect these differences produce on the cooperation, and how can they be considered in the company's strategy.

The research topic developed gradually during the initial stage of my doctoral studies. I was interested in the subject of business relationships between Norway and Russia ever since completing a Master thesis on this topic, and decided to focus on it in my doctoral thesis. During my first study year as a doctoral student, I took a course called Cultural Understanding. This course gave an introduction into intercultural aspects of international business: what differs one culture from another, what consequences this has on the ways people from different countries communicate and work together; it covered some of the theories about cultural differences, and various international management approaches.

Living outside my home country, I was not only conscious but also very interested in the differences between people coming from different countries; in particular, I felt that Norwegian culture differs from the Russian one. Cultural Understanding course both gave me an idea to study the subject of cultural differences and provided me with a theoretical background for studying the subject deeper. By the end of the course, I decided to pursue the subject of cultural differences between Norway and Russia in my doctoral project. At this

stage, I had a number of informal conversations with representatives of Norwegian companies operating abroad, in particular on the Russian market, who have strongly confirmed that the national culture differences is one of the sources of misunderstandings and communicational difficulties in business context. At the same time, the importance of these differences is often underestimated or ignored. The issues that arise because Norwegians and Russians do not always have the same ethic, attitudes, norms are often not seen as such; instead, they are likely to be explained by political, bureaucratic, economic, and other kinds of problems in Russia. Or, worse even, they are explained by the rigidity of the other party. The businessmen I was talking to have also confirmed my idea that a strategy of an international company can not ignore the intercultural aspects. The question was how the strategy can accommodate the cultural differences, and what kind of interplay exists between strategy and cultural factors. On the basis of these reflections, I formulated the following initial research questions for the study:

- What are the cultural challenges related to Norwegian-Russian cooperation?
- How can these challenges be considered in the company's strategy?

Next, I will argue why it is important to study culture and intercultural challenges, in particular in the Norwegian-Russian organizational context.

1.2 Why to study cultural differences in business context

The process of internationalization started long time ago. Its evidence has been around for decades and even centuries, with goods and services being sold abroad, often far from the place where they were actually produced, and with companies establishing production in the foreign countries. In general, though, economic relations among nations developed at a slow pace, majority of economics and companies remained local. Lately, however, the pace of internalization has speeded up dramatically. Companies are becoming increasingly global with offices, production and logistics facilities spread all around the world. A bicycle sold in Norway under the American brand name might have been assembled in Taiwanese factory from the spare parts coming from Japan, France, and Italy. When people buy products or services with a brand name they know well, they might have no idea about the company's country of origin.

There are three major mutually reinforcing trends in the society today that have made this revolutionary transformation possible (Fraser and Oppenheim, 1997):

- the growing scale, mobility, and integration of the world's capital markets;
- the increasing irrelevance of national borders as regulation is liberalized and other economic barriers fall;
- the expanding ability to leverage knowledge and talent worldwide through technology.

Every national culture is unique, and, operating abroad, a company will inevitably meet cultural conditions different from the domestic ones. People in other countries think, feel, and act differently from how they do in the company's home country. National culture is a part of everyday, and thus organizational, life, and is fairly resistant to change. That means that those who participate in the cross-cultural activities are faced with interpreting the actions and attitudes of individuals and organizations operating in contexts quite different from their own. They have to cooperate with groups that have not only different goals but also different methods of reaching them and different expectations of their counterparts' behavior.

Nevertheless, international companies have so far paid attention mostly to such local conditions as laws and regulations, rather than such "soft" ones as culture. Local conditions tend to be obvious, explicit aspects of business operations in foreign countries. Culture-driven social customs, patterns of behavior and culturally-specific societal mechanisms are familiar and unconditional to the local population, but are much less explicit for an outsider. Some companies overlook these cultural differences between their own and the host country. The differences they see – if any - they explain by factors unrelated to cross-cultural mismanagement, such as the type of political, legal, economic systems, or, worse even, by the arrogance and rigidity of the other party. Each country's political, legal and economic system is different and reflects the national culture. The fact of using the same words to describe them: bureaucracy, authority, power, fellowship and so on hides the cultural biases. Other companies might notice differences in cultural features, but choose to ignore them. The last approach appears to be the prevailing one, given the small number of strategies that are used by international companies to adjust to national cultures (Newman and Nollen, 1996). They either believe that the development of national culture-specific human resource practices can lead to the diffusion of the company's culture, and create practical problems for

communication within the company, or think that local employees should forget about their culture and adjust to the culture of the company (Schuler and Rogovsky, 1998).

There are numerous examples of management practices and methods, highly effective in the home country, which, being applied in other countries, turned out to be far less successful (Ronen, 1986; Hofstede, 1980, 1994; Trompenaars, 1993, d'Iribarne, 1980). For example, pay-for-performance has been a failure in Africa because of particular, though unspoken, rules about the sequence and timing of reward and promotions existing there. Matrix organizational structures, that might work well in the Anglo-Saxon context, are much less of a success in the southern Europe: the task-oriented approach challenges the loyalty to the boss and his paternalistic authority (Trompenaars, 1993). Delegation of responsibilities and job enrichment – motivational tools that are quite effective in Norway – might not be regarded as such in Russia, where the boss is delegating much less and the employees are used to clearly defined tasks. Day-to-day communication and work practices within the international company will be continuously affected by such cultural differences; the company's performance on the foreign market will also depend on how well it adapts to its particular characteristics. Thus, knowledge about cultural characteristics of the host country is indispensable for the employees who participate in international activities. However, this is not enough: to be competitive and successful, the company leadership should be culture-aware and consider it in decision-making and in the strategy development.

Learning about characteristics of other cultures is a step towards international success. Norwegian managers and consultants with international experience, with whom I spoke about the subject, have emphasized the importance of knowledge about culture. A top manager said: "It is very important to do a good research. For a Western businessman it is important to understand that you should not only do the things you do at home. When you calculate how to act: do economic calculations, cost analysis, time frame, and so on, you should go deeper and consider more fundamental questions as well... My basic idea is that in order to understand people's behavior you have to know what their values and interests are." A consultant who worked with Norwegian oil companies in Russia, said: "Norwegians would have come further in Russia if they had a better knowledge about Russian context... I think that the companies could have saved considerable resources if they had better knowledge than they do now."

Until a few decades ago, national cultures have been studied nearly exclusively by anthropologists; however, practical application of the studies' results was hardly considered a goal. The tremendous growth in international business over the last two-three decades has led to the similar explosion in the publications on the international organizations and managing across cultural boundaries. These publications stem from various disciplines and perspectives, providing sometimes confusing and even contradictory evidence and advice. For instance, there has been a great deal of work published in the last decade or two on international business strategy. However, in the most of them cultural characteristics of other countries as a strategic issue are mentioned very briefly, if at all, and are not given further attention. The writings on the strategy that do consider culture often focus on the organizational rather than national culture.

Studies that link national culture and organizational context are done within the comparative management perspective. The goal of this approach is to study and compare two or more cultures and to provide the knowledge to design the effective organizational strategy and to make the most effective use of the human and other kinds of organizational resources. The current study is performed within this perspective. Norwegian-Russian context seems to be particularly interesting because, while the relationships between the two countries are developing nowadays at the increasing pace, there is not much research done in this area. In the existing large sample studies of national cultures Norway, Russia, or both are often not present. Probably the most well-known study – this of Geert Hofstede (1980) – provides the scores on four cultural dimensions for Norway, and the estimations of these scores for Russia. This might give a basis for reflection about the relative standing of the two cultures, but can be also considered as an invitation to do a more focused and profound research. Furthermore, there is a number of publications on the Norwegian and Russian business environments, but they tend to provide rather “do’s and don’ts” than an analysis of cultural traits and societal mechanisms. As more and more Norwegian companies are developing their presence on the Russian market, the study that will give the deeper insight in the cultural characteristics and the societal functioning is needed. It is only possible to understand another culture in comparison with your own one: the comparative Norwegian-Russian study provides this basis. It also provides insight in the possible areas of a cultural clash, as well as suggests some ways to avoid it.

1.3 Structure of the thesis

In this section, I outline the structure of the thesis and provide the reader with the brief introduction into each chapter. In Chapters 2 and 3, I review the theory in order to provide the framework for understanding the role of national culture differences in business practice and the strategic processes. In Chapter 2, I discuss the approaches and the elements of strategic management of the company. I emphasize the multiple facets of the strategy concept, and thus of the strategy formation process. I focus on the interplay between the intended and emergent sides of the strategy, and then suggest the view on the strategy and strategy formation in this thesis. Next, I outline the stages of the strategic management development and discuss the approach developed in the 1980s and still very much influential - the competitive positioning of the company on the market. I then pose some critical arguments and suggest the alternative approach – the resource-based view of the company - as more sound basis for a strategy formation of the international company. On the basis of this discussion, I suggest that cultural awareness is an essential competence of the international company that should become a part of its strategy. Arguing that cultural awareness is knowledge, I focus on the types of knowledge, and on organizational learning as a mean to obtain and develop this competence and the intercultural skills. Next, I discuss the types of international involvement of the company, cultural risks, as well as the need for cultural awareness, associated with them. The discussion of the role of human resource management in these issues concludes the chapter.

Chapter 3 discusses the concept of culture as viewed by different disciplines and existing at different levels, such as organizational, business, and national. I discuss the existing theories about interplay between the organizational culture and the national culture of the country, and the challenges that this present for the international cooperation. In this thesis I assume the crossvergence perspective that suggests that it is possible to find a common ground between different cultures as a result of integration of influences based on national cultures and common economic and technical values. Next, I discuss the nomothetic and idiographic approaches to study culture, and argue for adopting idiographic one in this study. Next, I present some of the well-established models and schemas for describing national cultures. Finally, on the basis of the literature reviewed, I redefine the research questions of the study.

In the Chapter 4, I discuss the development of the research topic, my world view and the research approach. I describe the process of the data collection and analysis. Finally, I turn to the question of the quality of the study by discussing the research trustworthiness.

In Chapter 5, I answer the first and the second research questions of the thesis. The chapter is based on analysis of the data collected by means of interviews as well as various publications regarding Norwegian and Russian cultural traits and/ or specifics they demonstrate on international business arena. I provide a description of both cultures focusing on the central categories and issues characteristic for the cultures, and their interplay. I discuss hierarchical structure of society, attitude to rules, question of separation and mixing within the society, relationships between collective, group and individual, the way to arrange time and actions, and the heritage of the Soviet regime. I also demonstrate what problematic issues are raised by these differences and what effects they produce on Norwegian-Russian cooperation.

In Chapter 6, I conclude by summarizing the answers to the first and second research questions given in the Chapter 5, and by answering the third question. I suggest the issues to consider for improved Russian-Norwegian understanding and cooperation. Next, I focus on how the international company can obtain and develop cultural awareness; I discuss the challenges human resource management might face reaching this goal. I discuss intercultural training as a mean to enhance cultural awareness and to learn intercultural skills. Finally, I propose the areas for the further research.

Appendix includes Interview Guide that contains the questions and issues that I discussed with my respondents during interviews. I must note that this Guide was never followed literally; as the purpose of the interviews was to achieve free and informal discussing and to avoid imposing my pre-conceptions on the respondents, it rather served as a reminder for the topics and issues to touch during the interview.

Chapter 2 Strategy in the global company

« Research on multinational enterprises suggests that their future competitive advantage may not reside in their strategy or structure, nor in their technologies or products, but in their organizational capabilities to cope with the multidimensional and complex demands of global business.»

Paul Evans and Yves Doz (1997)

This chapter covers the discussion of the theoretical background in strategic management for the study. First, I present and discuss the concept of strategy and the related concepts. Next, I briefly describe the main milestones in the process of emergence and development of strategic management as a scientific discipline. Next, I present the traditional model of strategic management, which is much used by both practitioners and theoreticians within strategic management, and pose some critical arguments. Further, I discuss an alternative approach of strategic management in the company, and provide the arguments for assuming this approach for the rest of the study. On the basis of this discussion, I suggest that cultural awareness is an essential competence of the global company, and that learning as a mean to obtain and develop this competence as well as intercultural skills. I then discuss intercultural issues with regard to the type of the company's international involvement.

2.1 What is strategy?

2.1.1 The strategy concept

Strategy, narrowly defined, means "the art of the general", and comes from the Greek word *strategos*. The term had to do with stratagems by which a general sought to deceive an enemy, with plans he made for a campaign, and with the way he moved and disposed his

forces in war (Encyclopedia Britannica). As far back as 400 BC Sun-tzu, a Chinese general, set forth 13 principles of strategy. Since then, the term strategy has expanded far beyond its original military meaning. Today, strategy is a multidimensional concept, and it is virtually impossible to provide a single definition for it. The word strategy is used in a wide variety of contexts. It is used by politicians, scientists, military officers to mention just few, and of course, by managers and organizational theorists as well. Every area has its own connotations of the term, but even within each particular one it is difficult if not impossible to find a single definition.

Within the field of organizational studies, or even within the narrower field of strategic management, the number of academic and popular publications is huge, and so is the number of definitions of business strategy. Also, few contest that strategy will, by its very nature, continue to be a changing art.

One of the ways to grasp the concept of strategy, is to consider several definitions, or metaphors, simultaneously. Henry Mintzberg (1987, 1998) suggested five definitions of the concept, which together provide a comprehensive picture. These are:

- strategy as a plan;
- strategy as a pattern;
- strategy as a perspective;
- strategy as a position;
- strategy as a ploy.

First, strategy may be considered *a plan* - "a direction, a guide or course of action in the future, a path to get from here to there". Not every plan, although, is realized exactly the way it was initially designed. The details might change over time, but what often remains constant is the general intention with the strategy. Then it is more appropriate to speak of consistency of behavior over time that leads to defining strategy as *a pattern*. A third way to think about strategy is to think of it as of *a perspective*. Strategy as a perspective is about seeing and doing things in a particular way, characteristic for a certain individual, company, organization, etc. Furthermore, Mintzberg suggests that one can think about strategy as of *a position*, a specific final or intermediate goal to attain. In business context, the goal might be "the locating of particular products in particular markets", to draw an example. The last, fifth

Mintzberg's definition of strategy is rather episodic and suggests seeing strategy as *a ploy*, "a specific "maneuver" intended to outwit an opponent or a competitor". These definitions can be used for various kinds of strategy, business strategy as well, depending on the context they are used in. Together, these five definitions add up to the whole picture. Every organization has all five elements in its strategy, but the degree each of them is represented varies among the organizations.

The number of works on the company's strategy and strategic management that do not provide an explicit definition of the strategy concept is much greater than the number of those that do provide it. Each work, however, is building, explicitly or implicitly, upon a certain notion of strategy and its dimensions. Below, I summarize some of the established ways of looking at the strategy.

- Strategy as a way of explicitly shaping the long-term goals and objectives of the company, defining the major action programs needed to achieve those objectives, and deploying the necessary resources (Chandler, 1962).
- Strategy as a response to external environment with its opportunities and threats with consideration to internal strengths and weaknesses in order to achieve a sustainable competitive positions in marketplace (Porter, 1980, 1985).
- Strategy as a way to define the company's tasks at the corporate, business, and functional levels (Hax and Majluf, 1996).
- Strategy as both appropriate positioning on the market, considering organizational competences and resources as a basis for competitive advantage, simultaneously matching these internal resources to external environment (Thompson, 1967; Andrews, 1971).
- Strategy as a process of incremental adaptation to the changes in the external environment (Lawrence and Lorsch, 1967).
- Strategy as a response to company's internal factors or forces like cognition and culture (Nonaka and Takeuchi, 1995; Weick, 1985; Johnson, 1992).
- Strategy as distinctive and continuous, but not necessarily explicit or intentional pattern of actions (Mintzberg, 1987, 1998).

Analytically, one may distinguish between the content of the strategy (or just strategy), i.e. the issues that are considered strategic, and the processes of strategy formation (or strategic

processes), i.e. how the strategy evolves. In practice, this division is only partly feasible, because the difference between these two aspects of strategy is evasive.

2.1.2 Strategy: an intended plan or emerging pattern?

As we see, there are many definitions of strategy, with each view based on certain assumptions regarding who or what stands behind the strategy formation process, and the degree to which this process can be controlled and directed. Mintzberg's (1987) description of strategy formation provides a rather broad picture. He suggests that the plan represents a deliberate, or intended, part of the strategy in case it is realized. There is also a second component: an emergent strategy - the strategy which was never explicitly planned but emerged "by itself", for example by the organization taking decisions by one at a time. These decisions will probably be taken in accordance with the pattern of actions and the perspective the organization is following. Thus, the strategy that has been implemented by an organization, or realized strategy, as Mintzberg calls it, may not exactly correspond to the plan the company initially had.

Various strategic management theorists put different weight on intended and emergent sides of strategy. In many works, the deliberate side is considered almost exclusively: the strategy is seen as a straightforward and controlled process. The writings advocating competitive positioning - one of the largest and well-established approaches within strategic management that I will discuss later in this chapter - present the strategy in this light.

The opinions about management's role in the strategy formulation and implementation process vary. Some adopt rather extreme position, close to those of Schumpeter (1934), that an entrepreneur, i.e. a leader, has ideas and develops the strategy accordingly. Some, in particular earlier writers, advocate specific strategic planning unit in the company, usually including top management (Steiner, 1969; Malmlow, 1972). In later writings, the planning function appears less formalized, but planning as a concept is rather strong, and the role of the CEO and top managers is considered crucial. The latest writings on organizational theory and strategic management, in particular those belonging to the resource-based theory (e.g. Wernerfelt, 1984; Ghemawat, 1991; Peretaf, 1993; Hamel and Prahalad, 1994), do not formalize strategy-making to the same degree, though still considering formulation of the

strategy and subsequent implementation of developed strategy a feasible and important management's task.

On the other side of the continuum, writers such as Olsen (1976), Mintzberg (1978), Mintzberg and McHugh (1985) argue that strategic changes may be bottom-up driven, emergent, and incremental, rather than formulated and implemented. March and Simon (1958) state that strategic decision making is hardly rational, since the world is big, and person's brain is limited. Makridakas (1990) takes their argument further, saying that more information do not increase the accuracy of decisions, since it only complicates already complicated process, and that abandoned information do not necessarily mean right decision, because some essential pieces may still be missing. Some suggest that people do not take decisions at all: they act, and then interpret and update their past actions (Weick, 1985). Naturally, under such conditions strategy development seems either impossible, or in the best case limited. The extreme conclusion is that organization is able to take decisions, but unable to make strategies (Cyert and March, 1963). Less extreme approaches see strategy as an overall perspective, where the manager should encourage initiatives, but leave the content to emerge (Mintzberg, 1985). Put differently, strategy can be seen as a pattern of actions, and a dedicated strategist is rather a harm than a benefit for the company (Miller, 1996).

2.1.3 Strategy concept in this project

What is the view of the strategy in this thesis? I believe that seeing strategy as emerging and incremental changes may offer some interesting insights into the organization functioning, but it is a rather weak standpoint for a practitioner. Since the purpose of this thesis is to eventually come up with suggestions regarding strategic management in the international company, this point of view does not seem fruitful for reaching this goal. If we believe that strategy can actually be improved, we need a more active position than assuming that it basically emerge by itself, whether it follows some pattern or not. Moreover, there are the companies that succeed and sustain superior performance over time. My persuasion is that this fact shows that, regardless of the degree of explicitness of these companies' strategy, there is more than a mere coincidental interplay of internal and external circumstances behind their performance. They do have a strategy that leads them to success, even if some of them might not articulate it. Thus, this thesis is written with the idea that strategy can be developed and formulated, and

then implemented and maintained more or less consciously. I do not deny the existence of intended and emergent sides of strategy, but I do suggest that the realized strategy can be reasonably close to the intended one, and that it is the management's task to ensure it.

2.2 Development of strategic management as a scientific discipline

In the following section, I will provide a brief description of development of strategic management as a discipline. The discussion covers evolution of the field, from long-term planning to the contemporary approaches within strategic management.

2.2.1 Emergence of strategic management

Strategic management is a relatively young discipline. Although its roots can be traced back to as early writings as those of Adam Smith (1776), and then of Marshall (1920) and Schumpeter (1934), it took its shape as a sole field of organizational and business studies only in the late second half of the twentieth century. Thus, it is useful for the further discussion of the contemporary approaches in strategic management to have a brief look at the development of the field: what milestones it passed throughout its development, and how it reached today's state-of-the-art.

Strategic management started to emerge as we know it now during the period of the 1960s-1970s. Companies were becoming more and more engaged in the long-term planning based on future forecasts. This was not an unproblematic approach, though. Gradually, largely due to the technological progress and internationalization, the complexity of the environment was increasing, making it more difficult to create reliable forecasts. Planning also tended to become over-bureaucratized, especially since companies usually had separate units taking care of planning. It was not uncommon that these units rapidly acquired too much responsibility and power, and eventually almost lost contact with the rest of organization. Under such conditions, planning was becoming less effective, and companies started trying to make it less bureaucratized and more connected with everyday reality. At the same time, technology, transportation and communication modes were rapidly becoming more advanced and complicated; competition increased. Planning had to become more focused on

profitability and competitiveness.

At this point, we can speak about the next phase: strategic planning (Bengtsson and Skärvad, 1988). Companies realized that they are better off with *ad hoc* planning, also varying among different parts of the company. Although gradually, the planning pattern started to change. In the 1980s, for the company's strategy to be successful, it had to be flexible but tightly linked to changing environment; one also needed focused attention to day-to-day practical issues. The answer to the crisis of strategic planning and today's turbulent environment was evolvement of strategic management, a flexible and pro-active mode of strategic thinking (Bengtsson and Skärvad, 1988).

The process of strategic management development is well described by Holbek (1984). He presented the process as a continuous transformation through several stages. He argued that each stage is characterized by a certain paradigm. In the widest perspective paradigm is a worldview, or spectacles through which we see reality, as Holbek calls it. In the narrower sense he uses Hofer's (1980) definition of a paradigm: "a basic and dominating set of concepts and assumptions serving as a basis for theories, models and problem-solving procedures within a discipline".

2.2.2 Strategic management development as paradigm change

Holbek (1984) developed a comprehensive framework that includes paradigms, their environmental triggers, and organizational reactions. His basic argument is that new phenomena lead to the emergence of the new paradigms, and that, consequently, lead to the changes in the organizational behavior and development of new organizational reactions. Holbek suggests four basic paradigms within strategic management: policy paradigm, planning paradigm, strategy paradigm, and capability paradigm.

The first paradigm, dominating during the period between the beginning of the twentieth century and 1930s, is the policy paradigm. It emerged as a consequence of the growth of companies and increased internal complexity: growing number of products and customers in the new geographic areas led to the necessity to formalize the decision-making. Hence companies formulated policies for integration and coordination of their activities. Top leaders

are assumed to be the main policy-makers during that period. 1930s and 1940s with the depression, the Second World War, and following growth in the USA were the age of increased complexity and turbulence in the environment. Reactive, ad hoc reactions had become not sufficient any more, companies needed planned, proactive reactions to survive not to mention to be profitable.

That led to the emergence of the second, planning paradigm. Rather sort-living (till the 1960s), this paradigm is characterized by companies' involvement into long-term planning and strategy formulation. Holbek argues that planning paradigm was gradually replaced by the next, strategy paradigm, because it failed to respond to certain trends of the time, in particular diversification. The companies faced a new problem: the changed environment required revision of companies' reactions, and posed a question: how can business strategy be formally and explicitly formulated? The central assumption of the strategy paradigm is that tomorrow's environment is so different from today's one that tomorrow's strategy should differ from today's strategy. This assumption is built on another rather basic assumption that company's survival and competitiveness in the long run depend on its interaction with the environment. This interaction is determined by the company's strategy, the ultimate goal is to position the company more advantageously than the competitors (the so-called traditional approach to strategy formation discussed in the next section).

The latest paradigm - capability paradigm - can be dated back to 1980s, when the increased uncertainty in the turbulent environment have been gradually more acknowledged. Social and political factors were becoming more and more important, sometimes even outweighing technical and economic factors. The market ideology started to shift as well: companies began to see other companies not as rivals but as partners. Capability paradigm assumes the increased external capability, i.e. company's ability to cooperate with others. At the same time, company's external capabilities are closely connected with its internal capabilities, and these two should be developed simultaneously.

Although the capability paradigm started to emerge as early as in the 1980s, the previous one, strategy paradigm, is still very much alive, with its philosophy is widely used and referred to. In the next sections, I will characterize this later paradigm. I have chosen to refer to it as the traditional strategic management theory due to its "classical" status. Next, I will raise some

critical arguments with regard to this approach, and consider an alternative one that has much in common with Holbek's capability paradigm - the resource-based view of the company.

2.3 Approaches within strategic management

2.3.1. Traditional strategic management theory

In the mid-1960s and early 1970s, Chandler (1962), Ansoff (1965), and Andrews (1971) were the first to give the discipline of strategic management a separate profile. Reaching a good fit between the company's internal opportunities and its external environment has become a central guideline of the traditional theory. It is done through the analysis of company's strengths, weaknesses, opportunities and threats (SWOT). The strengths and weaknesses of the company are then mapped together with the opportunities and threats existing on the market, resulting in number of strategies, from which the best one is eventually chosen. Some of the researches suggest even more formalized approach: using checklists and later scenario building to monitor strategy implementation.

Within the traditional theory, the aim of strategy is to competitively position the company on the market. Later approaches within the field strive to attain this goal by drawing on economics and economic concepts. The most pronounced one is building on the microeconomic model of the industry including exogenous forces like technology and regulations, and endogenous ones like buyers, suppliers, industry competitors, substitutes and new entrants. Starting to emerge in the 1960s, this model was given a wide appreciation after Porter's works in the 1980s (Porter, 1980, 1985, 1990). With some variations and sometimes under different names, it is still widely represented in the strategic textbooks and still often referred to, with its instrumental apparatus used by corporate strategists. According to this approach, the strategy then is seen as "the act of aligning a company and its environment" (Porter, 1991). The external environment is in the state of a constant flux, and the task of the strategy is to maintain the balance between the external conditions and the company's actions. The firm's task then becomes to position itself most advantageously with regard to these forces. Moreover, ultimately prescriptive approach to strategy formation process is a very common attitude. Some theoreticians state that there is only a few key strategies are desired in

every industry. An example is Porter's three generic strategies: cost leadership, differentiation, or focus, with no "middle way" available. Porter argues that the company has to stick to one of them. If the company would try to achieve both, it is bound to mediocre performance, never able to operate in a superior way.

The traditional strategy model is based on two tacit assumptions originating from neo-classical theory. First, a market consists of a set of unrelated actors: buyers, sellers, and competitors that act at the arm's length. Second, the uncertainty is relatively low, and a company can predict future behavior of the above-mentioned actors and future market development, and choose a strategy accordingly. These assumptions can be traced back to Adam Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776) and Marshall's *Principles of Economics* (1920). During the last decades they were among the founding assumptions, explicit or tacit, of the neoclassical theory of the firm (e.g. Friedman, 1953; Baumol, 1959).

2.3.2 Critique of traditional theory

Survival and profitability of the business are believed to depend on its ability to create structural advantage, i.e. to position yourself advantageously on the market, and create barriers against competitors and potential entrants. The traditional strategic model is then more or less restricted to the situations corresponding to these two assumptions. The realism of the assumptions of arm-length relationships and "transparent" markets with low uncertainty levels have been subject to considerable criticism, regarded as too unrealistic and restrictive (Coase, 1937; Williamson, 1990).

This critique is particularly relevant in the case of the international company. There are numerous factors in the global environment that are contrary to the above-mentioned assumptions. Presence of domestic and global alliances and networks within industries and across them; privileged relationships among companies based on, for instance, the common history, traditions, loyalty; governments' and other authorities' actions are just few examples. In the situation when the company faces international challenges, at least one of, and more likely, both assumptions do not hold. First, rather than meeting unrelated actors, the company meets various structures such as partnerships and alliances on the host market. Some of them,

such as specific groups of companies like Korean *chaebols*, Mexican *grupos*, Japanese *keiretsus*, are explicitly country-specific. Furthermore, partnerships and alliances might take various forms depending on the country context, affected for example by friendships, family relationships, trust, or ethnic loyalty. Market actors can not be considered independent due to the specific interrelationships like e.g. specific bonds and dependencies between bureaucratic, political, legislative systems and organizations, friendships, family relationships, and loyalty to fellow citizens. As far as the second assumption is concerned, uncertainty inevitably increases on the foreign market, nonetheless due to the above-mentioned factors. The situations may vary from potentially predictable to absolute ambiguous. Under such conditions, company's success depends to a great degree on its ability to develop and sustain competencies that will allow this company to operate in a different cultural context.

The conclusion that follows from this discussion is that operating on international market, the company can not restrict its strategy only to the traditional competitive positioning on the market. Furthermore, due to the continuous development within technology, communication, and infrastructure, resources increasingly become more and more available to everybody. As a result, the source of competitive advantage shifts from market forces and acquiring external resources towards the company's internal resources and capabilities. That is what makes company exclusive, different from other companies, and gives it a potential for superior performance. Thus, it becomes essential for the company to develop and maintain resources and competencies allowing it to operate successfully. This requires new thinking, methods, and approaches within strategic management. In the following section, I will discuss the emerging approach that aims to competitively position the company's in the market, simultaneously considering its internal resources and competencies, and their match with environmental opportunities to be a success key. This approach, I believe, provides a much more sound basis for development of the international strategy.

2.3.3 Alternative approach: competence and learning

The idea that the company's resources and capabilities are central for its competitive advantage appeared already in the 1980s (Wernerfelt, 1984; Aaker, 1989). One of the cornerstones of the approach was Hamel and Prahalad's (1990) article *The Core Competence of the Corporation*, where they developed the concepts of core competence, stretch, and

strategic intent. In the 1990s, resource-based view has become one of the major developments in organizational sciences, generating a large number of publications (e.g. Barney, 1991; Ghemawat, 1991; Grant, 1991; Peretaf, M, 1993; Hamel and Prahalad, 1994; Petts, 1997).

The resource-based view of the firm helps to explain why some firms perform consistently better than others in the same market with similar resources. Most studies show that differences in profit within industries are much more important than differences between industries. Although the competitive literature has tended to emphasize issues of strategic positioning in terms of choice between cost and differentiation advantage, and between broad and narrow market scope, fundamental of this choice is the resource position of the firm (Nelson, 1994; Petts, 1997). The fact that some companies show superior performance in the market suggests that competitive advantage is based on the company's internal resources and competencies, and the external environment is not the ultimate source of inter-firm performance differences. The source of the competitive advantage becomes then the focus of attention.

Thus, while the traditional approach concentrates mostly on the company's external environment, the resource-based one is occupied with the company's internal processes and complexity. The idea behind the resource-based view of the company is that when the external environment is continuously changing, the company's own resources and capabilities may be a much more stable basis on which to define its identity and which should provide the basic direction for the company's strategy (Grant, 1991). External conditions are certainly not ignored, but much stronger emphasis is placed on the interplay between them and the company's internal resources, competence, and capabilities. Moreover, this approach is not reserved only for the situations corresponding to relatively unrealistic assumptions as the traditional one. For the international company, such an approach is much more promising and perspective than just competitive positioning. In this thesis, I assume this approach as a basis for the strategy formation for an international company.

2.3.4 Competencies, capabilities, and resources

Before continuing discussion of the possibilities the resource-based approach provides, I will give a brief characteristic of its central concepts. There is a clear distinction between

resources, capabilities, and competencies. Resources are inputs into the production process. Generally, resources can be classified into six major categories: financial resources, physical resources, technological resources, organizational resources, human resources, and reputation.

A core competence is a unique combination of technologies, knowledge and skills that are possessed by one company in a market (Petts, 1997). Its intangible nature makes it invisible to the external observers and difficult to analyze. A core competence is usually the basis for the whole variety of products and services, both now and in the future. There is no extensive list of the possibly existing core competencies and capabilities, and it is not my goal here to provide an exhausting description. What is important though, is to list the key attributes of a core competence. The characteristics usually listed in the literature are presented below:

- complexity: it is possessed by a group of individuals using diverse technologies;
- invisibility: it is not easy to identify;
- inimitability: it is not easy to copy;
- durability: it lasts longer than products;
- appropriability: only the owner can exploit it;
- non-substitutability: it cannot be replaced by an alternative competence;
- superiority: it is better than similar competencies of others.

As far as core capability is concerned, there is a discussion about the relative standing of these two concepts (core competence and core capability) against each other (Stalk, Shulman and Evans, 1992; Hamel and Prahalad, 1994). I will not join this conceptual discussion in this work, assuming instead a broader view of the core capability as the company's ability to deploy core competence. Capability depends on the capacity of the team of resources to perform some task or activity. While resources are the source of the company's capabilities, capabilities are the main source of its competitive advantage. A capability can be seen as a routine, or a number of interacting routines. According to Nelson and Winter (1982), an organizational routine is a regular and predictable pattern of activity which is made up of a sequence of coordinated actions by individuals. Organization is a huge network of routines, including strategy formulation one. Routines are to the organization what skills are to the individual. Just as the individual's skills are carried out semi-automatically, not necessarily with conscious coordination, so the organizational routines involve a large component of tacit knowledge. That implies that there are limits to the extent to which the organization's

capabilities can be articulated. Another consequence of similarity of an individual skill and an organizational routine, i.e. capability, is that as the individual skill is fading if not exercised, it is difficult for the organization to sustain the capability that it uses only rarely.

Once we have chosen the resource-based approach as a basis for strategy formation in the global organization, the following questions arise:

- What is the relationship between the company's resources and capabilities?
- What competence is essential for the global company in contrast to the national one?
- How can this competence be acquired? What resources are required to develop this competence?

The existing research suggests that the key issue in the relationship between resources and capabilities is human resource coordination within the organization. The organizational culture: style, values, traditions, and leadership are the critical ingredients for achieving motivation, commitment, and cooperation among its members. In order to obtain greater capabilities, the organization should train, develop, and motivate its people (Grant, 1991). Hamel and Prahalad (1990) also emphasize the importance for the management to remember that people critical to the core competence are corporate assets to be deployed. In other words, the role of human resource management in development of organizational competencies and capabilities seems crucial. This, and particularly the role of human resource management in shaping the international strategy, will be discussed later in this chapter.

Most competencies are not directly related to the company's global status, but there still might be certain dependency. For instance, Sony's "miniaturization" or Nestlé's reputation of a quality producer does not have particular international character, although they certainly contribute to their global success. However, one competence is directly related to the international nature of the company and is essential for its success: cultural awareness. Cultural awareness is two-fold: first, it is the active knowledge about cultural characteristics of other countries, such as their values, norms, societal and organizational structure and functioning, the ways to organize time, traditions, and so on; second, it is awareness of the strategic risks associated with the differences between these characteristics of the home culture and the other cultures. However, the importance of such knowledge is not always obvious; moreover, this knowledge is not easy to identify, and thus not easy to create, copy,

maintain, and develop. So many international projects owe their failure to the lack of knowledge about other culture or to underestimation of its importance. The following example of a French-Quebec project studied by Segal (1991) demonstrates this point.

The aim of a cooperation between French and Canadians was to construct a state-of-the-art electro-metallurgical factory in Quebec. The French side was to deliver technology and know-how, as well as to educate local Canadian personnel. Thus, during construction and the initial stages of the factory operation, the two sides worked closely together. The project turned out to be a success and a disaster at the same time. From the technical and financial points of view, the project was a total success: the new factory performance was excellent, and the construction budget was respected. However, the price of these results seemed to be the deterioration of the working climate between the French and the Quebec: the credit of the French executives was undermined, and the Canadians could not wait for the French to leave the factory. At the final stages of the project, the social side of the factory activities was totally determined by the Canadians, while the technical side of operations was governed almost exclusively by the French. As a result, the Canadians felt intimidated by the imposition of the French style on “their” factory. Moreover, the training of the local Canadian personnel that was to be conducted by the French was delayed, contributing to the Canadians’ dissatisfaction.

What is particularly interesting in this case is that the both sides were conscious of possible intercultural tensions, and even tried to prevent them. On the outset, the Canadians did not take a somewhat traditional stand against “the arrogant French”, and the French were particularly careful due to the previous intercultural tensions experienced by the company and the awareness of general Canadian rejection of any kind of external, and particularly French, domination. From the beginning, the French side adopted the diplomatic approach: the expatriate executives and engineers, chosen carefully for this mission, were put under persistent pressure to stay moderate and tolerant towards the local staff. Each French executive was working together with a Quebec one, with the latter caring all the hierarchical responsibility. From the Canadian side, one could clearly see the intention to reach the best possible contact and communication with the French. The French expatriates were proposed a training in order to get familiar with the new work context; during the training each expatriate was to work in a “dyad” with a Quebec. The dyads was offered assistance to deal with the

delicate question of sharing competence and responsibilities. Considering all the above-mentioned measures, it is difficult to imagine the total failure of the social side of the project.

However, a number of factors contributed to the project's outcome. First, the objectives of the two sides were different. One of the major complaints of the Canadian side was that the French did not even try to socially integrate with them. Indeed, the prime purpose of the French was to make the factory operative as quickly and as efficiently as possible, and this was successfully achieved. The second purpose was to train the Canadian personnel; as the priority was given to the first goal, the training was delayed leaving the Canadians feeling left behind and deprived of knowledge and thus, responsibility. Second, even though French managers were formally discharged of power, the professional rivalry very much existed between them and the Canadian managers. Moreover, the management styles, in particular at the workshop level, were quite different. While Canadians seemed to be "too often" a the floor level, French rather stayed in their offices, dealing with the administrative issues and failing to conform the Canadian ideal of participative management. For a French manager, the best training he could provide to the Canadian counterpart (whom he saw as a rival), was giving an example of an excellent work; Canadians, in turn, expected tutoring and gradual delegation of power and responsibilities from the French.

Thus, despite of the both sides initial determination to overcome intercultural differences and the precautions taken, the outcome was rather negative. One explanation is that the determination to deal with cultural differences was somewhat superficial: the hope was that the previous international experience would allow the expatriates to deal with the situations without investing into any specific knowledge and reflections on the case. Moreover, the French side was not prepared to change their methods, they rather hoped to "leave quickly". The impact of the symbolic attempts of the top management to harmonize the cooperation had its limits.

This case demonstrates a number of points. It shows that cultural awareness is more than an acknowledgement of the fact the cultural differences can affect cooperation. It is more than a knowledge about cultural characteristics of the host country: cultural awareness involves a knowledge about the risks associated with the cultural specifics of the country that the company will run during the cooperation. Symbolic or superficial attention to the intercultural relationships is not able to prevent and solve intercultural tensions; there is a need for the

specific target knowledge. The case also points out that the previous international experience might not bring about the cultural knowledge and skills that can be applied elsewhere: the knowledge acquired and needed depends on the type of the experience; for instance, managing a joint venture, a multinational team, and marketing a product abroad all require different types of skills and knowledge. Another question the case brings up is who in the company should possess cultural awareness: as one can see from the case, awareness of the top management in the head-quarter of the possible tensions, however essential, could produce only limited effect on the course of the events. The type of international cooperation defines which groups within the company - senior management, engineers, sales department, marketing department, human resource management, and so on – should possess this knowledge, as well as the size of investment into cultural awareness. Cultural awareness will be in the center of attention of this thesis; my empirical data proves the great importance of this competence in international business.

2.4 Cultural awareness as strategic knowledge

The last question posed in the previous section was: How can the competence be acquired? Till now, I referred to cultural awareness as knowledge, and I did not do it unconsciously. The argument of this thesis is that cultural awareness is strategic knowledge for organization, and learning is the way to acquire it. Thus, before turning to this question, I will discuss different types of knowledge, knowledge creation, and organizational learning.

2.4.1 What is knowledge?

The first question is: what is knowledge? And: is there distinction between different types of knowledge? Schön (1983) gives a brilliant definition of knowledge: our knowing is in our action, he says. Each of our actions exhibits our knowledge in a certain way. People often can not say exactly what they know, and there are the limits of their knowledge, but they do know how to act, and they usually know more than they can say. Here lies the difference between knowledge and information. Polanyi (1966) says: "Human knowledge is of two kinds. What is usually described as knowledge, as a set of written words and maps, mathematical formulae, is only one kind of knowledge; while unformulated knowledge, such as we have of something

we are in the act of doing, is another form of knowledge." The first type is explicit knowledge, and the second is tacit one. The principle difference between these two is that it is possible to reflect on something that is explicitly stated, while people can not reflect on what they know without being aware of this knowledge. Explicit knowledge can easily be articulated in formal language and transferred to others, it can be processed by computers, transmitted and stored electronically; it can be shared in words, numbers, mathematical expressions, specifications and manuals. Tacit knowledge is a personal and context-specific knowledge, which makes it difficult to formulate, formalize, and communicate (Nonaka and Takeuchi, 1995). Nonaka and Takeuchi (1995) present the following model of types of knowledge:

Explicit knowledge	Tacit knowledge
Knowledge of rationality (person's mind)	Knowledge of experience (body experience)
Sequential knowledge (with regard to events and objects there and then)	Simultaneous knowledge (created here and now)
Digital knowledge (theory)	Analog knowledge (coming from practice)

Table 2.1 Two types of knowledge (Nonaka and Takeuchi, 1995).

Cultural awareness will exist as explicit knowledge, but a large share of it will also be in a tacit form. Very often even people with extensive experience of successful work with partners or customers from another country are not considering their skills and knowledge as related to the cultural characteristics of this country. They just know that things are not exactly as at home, and that certain approaches will work better than others. They might have not thought about this explicitly: they own tacit knowledge, without being aware of it. Once they start discussing it with colleagues or newly assigned to the similar job, their knowledge will become more explicit and visible. This is the reason that such knowledge is not easy to copy and exploit for competitors. First of all, they have to recognize the existence of this knowledge, and then to try to reproduce it. One obvious way is to rely on the secondary sources like publications and consultant services. This is a good beginning, but the tacit part of knowledge will still have to be acquired through experience, and that will take more time and costs. Once acquired, though, this is a long-lasting knowledge, but the challenge is to maintain and develop it continuously: the price of being superior to the competitors.

Knowledge, and knowledge about different cultures as well, exists at both individual and collective level. This dimension of knowledge was suggested and discussed by a number of researches (e.g. Nelson and Winter, 1982; Spender, 1996; Nonaka and Takeuchi, 1995). This relates to the ownership of knowledge: whether it is possessed by individuals, groups within the company, or by the company as a whole. Considering the two dimensions of knowledge: tacit - explicit and individual - collective gives an interesting representation of knowledge in organization. This is not to say that it is possible to clearly distinguish between the four types of knowledge, since there is not clear borders, and there is always interplay between different types. However, this classification provides interesting insight into organizational knowledge.

Explicit individual knowledge appears to be one of the easiest types to identify. It is embedded into personal methods and theories of action; for example, one may know in which situations it is appropriate to shake hands in the other country, what is a dressing code, and how one should relate to the management. Knowledge of a language of the foreign country where the company operates also belongs to this category. However, local language spoken by every member of the company can be referred to as explicit collective knowledge. This type of knowledge differs from the previous one in that it is possessed by the whole organization or at least a group. Knowledge about how to perform a standard operation practice, for instance a certain production process, also belongs to this type, as well as certain formalized routines, common concepts and methods. The group negotiating a contract with foreign counterparts knows what are the negotiation stages, how long they usually take, what information should be included and approximately how detailed a satisfactory contract should be.

Some knowledge might be owned by everyone in the company, but not clearly articulated. Everybody has some idea about what qualities and behavior are appreciated in the company, in other words, what are the organizational values and norms. This knowledge might be explicit, though often people would just remember a story about some employee or boss who, behaving in a certain way, gained everybody's respect (or otherwise), and would make implicit conclusions. Certain organizational rituals, like awarding ceremonies, events related to promotion and retirement, and so on, also enhance shared organizational culture without stating anything explicitly. Nelson and Winter's (1982) notion of organizational routines falls into the same category: organizational routines is a collective equivalent of individual skills.

When a person possesses certain skills allowing them to perform some work, motor skills in particular, one can speak of individual tacit knowledge. Another example of this type of knowledge is a person's intuition, gut feeling. To draw an example, one might just "know" that this type of conducting a meeting, a conversation with a particular counterpart will be successful, while another would lead to a disaster. The person possesses a mental model that he might have never articulated to himself and others, but that enables him to drift through difficult situations.

I have earlier defined cultural awareness as the knowledge about cultural characteristics and the other country, the knowledge about the risks for international cooperation associated with the differences between home and host cultures, and active utilization of this knowledge. Considering the classification of knowledge above, we can see that cultural awareness requires an explicit knowledge, individual and collective. There is no doubt that tacit individual knowledge about the cultural traits of another country can be useful and help the person to avoid making mistakes and can even lead the person to the most appropriate action in the given situation without consciously thinking of it. For example, an expatriate manager who had not consciously given much thought to the power distribution and responsibility delegation, might subconsciously change his behavior and become more of a democrat working in the country with egalitarian and democratic ideas. Collective tacit knowledge, embodied in the organizational rituals, can also facilitate cultural exchange. The company participating in many international projects, for instance, might develop moderate and considered way of conduct, which will have a positive effect on its further projects. However, this kind of cultural knowledge is not sufficient for establishing successful international cooperation. Tacit knowledge is by definition hardly visible and thus difficult to manage and to develop. Development of the international strategy, however, requires not only subconscious awareness about characteristics of other culture – tacit knowledge, but also the articulation of the risks associated with them, and thus explicit knowledge.

2.4.2 Learning: the way to knowledge

After discussing the types of knowledge, the next question to ask is: how knowledge can be obtained, shared, and created? The process of knowledge creation is often referred to as learning. In their much-pronounced work, Nonaka and Takeuchi (1995) associate their

typology of tacit and explicit knowledge with four modes of knowledge creation (knowledge conversion):

- socialization: from tacit to tacit knowledge;
- combination: from explicit to explicit knowledge;
- internalization: from explicit to tacit knowledge;
- externalization: from tacit to explicit knowledge.

These concepts are also related to the level of knowledge: individual or collective. Socialization is a process of creating tacit knowledge through shared experience of a group of people, for example a group within the organization that is working on certain project. If a number of people in the organization are working with the partners from the other country, or with the foreign market, they will develop skills, which allow them to be effective and efficient. They will develop some methods and approaches that are different from what is common in their home country, but that work well abroad. But these skills, methods and approaches might not be discussed or explicitly stated. The members of the group can take them for granted, and not notice their existence. This type of knowledge will facilitate, for instance, day-to-day operations for the people working directly with the foreign counterparts.

Another share of the group's knowledge about the foreign country's culture and business traditions will come from secondary sources of information rather than from own experience. If the performance is not as good as expected, and members of the group feel that they encounter difficulties and problems where at home things would go smoothly, they might seek some help. The management might be aware about possibility of a cultural clash in a given project, and would like to identify the possible risks, evaluate them, and take the proactive measures. In the situation where the company has some explicit knowledge about the cultural traits of the host country, it is aware of some of the risks it is running. Other risks, however, are more difficult to identify and evaluate even on the basis of the knowledge about the culture. Thus, the company has to search for additional information. Some information can be obtained from the publications about the country in question or by speaking with colleagues from other companies. The management can also seek help of the consultants who have knowledge, and perhaps also experience in the country's market. Alternatively, if some information and knowledge about the foreign country's market already exists in the group, the new members can acquire it through dialogue with "old" members. This process of obtaining

explicit knowledge from other sources, "transfer from explicit to explicit" is referred to as combination.

Possessing some explicit knowledge about the culture can improve the group's interaction with the foreign counterparts, and thus the company's performance on that market. What happens basically is that while newly obtained explicit knowledge facilitates operations, people gradually internalize it. Nonaka and Takeuchi define internalization as conversion of explicit knowledge to tacit knowledge. Knowledge that the group has acquired about another country culture becomes more and more unconscious part of their actions and work routines, it assimilates, and is increasing with time. This process is often called learning by doing.

At this stage, the knowledge is possessed only by the people directly related to the international tasks. However, the company might experience the need to diffuse this knowledge further, especially if its level of international involvement is significant or increasing: then this knowledge has to become more than just a tacit knowledge shared by a few people. The externalization of knowledge is about conversion of tacit knowledge into explicit knowledge. This process happens at both group and organizational level. The group members have to start a dialogue, as Nonaka and Takeuchi call it: they first acknowledge the existence of specific knowledge about other country's cultural characteristics and specific features, and then try to make it explicit, to share with the organization. This is the way to clarify, to articulate and to evaluate intercultural risks and to integrate them into the company's strategy.

2.4.3 Learning to learn

How to move from recognizing knowledge as a strategic asset to embedding it into the company's strategy? It is becoming more and more recognized that relationship between knowledge and strategy is a dualistic one: knowledge possessed by the company enables it to create an effective strategy, and that one of characteristics of such a strategy is continuous search for new knowledge. This can be considered as definition of the learning company (Itami and Numagami, 1992). So what distinguishes the company that learns from the one that does not? What are the qualities and conditions that make for a learning company? In the literature, we find three probably most pronounced contributions in the area, discussing the

characteristics of the learning organization: those are of De Geus (1988), Senge (1990), and Nonaka and Takeuchi (1995).

Senge (1990) suggested the five disciplines making a learning company. *Personal mastery* involves visioning, exploiting creative and emotional tensions, confronting unempowering beliefs. The second one is *team learning*: collective intelligence and alignment, balancing dialogue and discussion, overcoming defensive routines. *Shared visions* are built through fostering commonality and partnership. *Mental models* includes planning as learning, love of truth and openness, strive to balance inquiry and advocacy, to challenge the underlying beliefs. The last discipline is *systems thinking*: the organization should try to create and maintain holism and interconnectedness, to balance processes, to reinforce feedback, and to understand causalities and underlying patterns.

According to Nonaka and Takeuchi (1995), there is a number of conditions enabling the learning organization. *Fluctuation and creative chaos* signify open attitude towards the environment, periodic breakdown of routines and frameworks, purposeful ambiguity and reflection in action. *Redundancy* is achieved by intentional overlapping of information, functions and project stages, regular sharing of frameworks, and job rotation. Learning organization also demonstrates collective commitment to organizational intentions and vision, both value-laden. *Requisite variety* assumes internal diversity in backgrounds and approaches, multi-skilling, equal access to information. Finally, the organization should support and encourage *autonomy* within individuals and groups.

De Geus (1988) argues that there is a number of basic characteristics distinguishing the learning organization. Learning organizations are *sensitivity and adaptive*: they perceive the signals of change, they are committed to change, playing and simulations. They are also continuously in the state of *evolution*, mainly due to maintaining redundancy in order to exploit new opportunities. Another characteristic of learning organization is *cohesion and identity*: a company's ability to build a community and a persona for itself, managing for longevity, building trust and common values. *Step-wise growth and tolerance* for new and ambiguous are also seen as crucial for ability to learn.

Each of these three contributions has its own distinctive focus, and emphasizes certain organizational characteristics enabling the organization to learn. Senge's concept and

discussion of systems thinking is a notable contribution to the field. He also offers strong argumentation regarding the importance of overcoming barriers to learn. Nonaka and Takeuchi were among the first to point out the role of redundancy in organizations. They argue that redundancy is essential at all levels and in all forms: in information, functions, skills, etc. De Geus offers an insight into the role of the organization's ability to build a community and a persona for itself.

However, these contributions have a lot in common, and if we look at the repeating themes, a distinctive pattern emerges. All three agree that open-minded attitude, sensitivity to changes in the environment, stepwise learning through experimentation, and confronting established views are essential for organizational ability to change, grow, and learn. Learning is both individual and, what is emphasized by all of them, a collective phenomenon that requires shared vision and shared commitment to change. Another common theme is a benefit of redundancy: sharing and overlapping of information, multi-skilling, diversity in functions and backgrounds, organizational decentralization and autonomy, and delegation of power.

Till now, I was discussing strategic management in the international company and the role of company's competencies, in particular of cultural awareness, in achieving competitive advantage. I have suggested that cultural awareness is knowledge about both cultural characteristics of another country and about the strategic risks related to them. Depending on the company's international status and activities, the degree of intercultural risk and the types of risks the company runs will vary. Below, I discuss the types of company's international involvement and the cultural risks associated with them.

2.4.4 International involvement and cultural risks

The concepts international company, home country, and host country are widely used in the text on international management, and the present one is no exception. The number of publications on the subject increased dramatically during last decades, as the pace of globalization has speeded up dramatically. With the companies becoming increasingly global with offices, production and logistics facilities spread all around the globe, it is becoming more and more difficult to give a national identity to the international company and to use the concept of home and host country. Let us just consider that a bicycle sold in Norway under

the American brand name might have been assembled in Taiwanese factory from the spare parts coming from Japan, France, and Italy. When people buy products or services with a brand name they know well, they might still not know the company's country of origin. Nestlé is one example. Roland Meyes, CEO of Nestlé Brazil, said in his interview with McKinsey: "...few consumers in Brazil know we are Swiss. They think we are Brazilian or American." Moreover, this Swiss company was actually for a certain period run by a German, Helmut Maucher, as well as the American Heinz was run by an Irishman Tony O'Reilly, and another American company, Ford, is being run by a Scotsman Alex Trotman, to name just a few. Each of these companies employs people and sells products in about 200 countries and regions.

This thesis deals with Norwegian companies present in Russia market; thus, the question of national identity is less pertinent here. Most of them are at the early or experimental stages of involvement with the intention to develop their presence on the market. From the earliest stages of involvement in the foreign market, the company encounters cultural risks and challenges; as the degree of this involvement change, the risks and challenges change as well. As the company's strategy deals with the opportunities and risks, cultural risks become an important strategic issue. Below I discuss the forms of a company's international involvement. As this project focuses on the Norwegian companies, I will start with the Scandinavian view of internationalization process.

Nordic countries have long history of studying internationalization process of firms and industries, as well as strategy and management of an international firm. The economic characteristics have certainly influenced the direction of business research in the Nordic countries. They all are small open economies with high dependence on international trade and investments. Therefore international business research is of particular importance for all of them, and therefore it also is quite homogeneous within the region. The characteristic feature of Nordic internationalization research is that it often holds a silent assumption that a question of internationalization is a question of export, since export is usually the relevant form of internationalization there (Strandskov, 1995). Another possible international activity is production abroad. Typical model of the company's internationalization process includes the following stages, with some variations (Mattson and Wiedersheim-Paul, 1977; Johanson, 1977; Khan, 1978):

- no permanent activity on the export market with possible responses to unsolicited orders;

- occasional export, later export via agent;
- export via sales subsidiary;
- production in a foreign subsidiary.

More recent, in particular the North-American research, suggests, with some variations as well, the following classification of international organizations (e.g. Ronen, 1986):

- joint venture;
- alternatives to joint venture (export and supplier agreement, trademark agreement, licensing agreement, franchising, minority holding);
- national subsidiary structures;
- international divisional forms;
- global format.

Using these two classification as a departure point, I will next discuss the types of international involvement, the intercultural tasks, risks and the need for cultural awareness associated with them.

The low-engagement forms as export via agent, export or supplier agreements (exclusive rights to distribute or supply), trademark and licensing agreements (use of trademark or technology in return for royalties), franchising, and silent partner approach allow to reduce economic risks. Possible problems with these approaches include loss of control over technology, product quality, and thus loss of local reputation; there is also a possibility to lose profit when new and growing markets emerge. The major source of cultural risks is failure to adapt the product, technology and/ or marketing strategy to the market. Many heard the anecdotic story about Pepsi translating their famous line “Come alive with Pepsi” into Taiwanese as “Pepsi brings your ancestors back from the grave”. Another example is an ad for a painkiller in an Arabic newspaper: on the picture on the left, there was a person obviously suffering from pain; on the picture on the right, he was cured and happy. The single problem was that in Arabic one reads from right to left! However, this kind of cultural risks is less significant and easier to deal with compared to the risks in other types of international cooperation. Not all products require cultural adaptation or marketing champagne; even if they do, an investment into information about country-specific needs at the initial stages and cooperation with the local distributor or marketing agency can help to avoid cultural *faux pas*.

Joint venture is much more demanding in terms intercultural cooperation. According to meta-analysis of past 12 studies of joint ventures (Beamish and Delios, 1997, cited in Beamish and Fay, 2001), performance of between 32 and 61 percent of the joint ventures was unsatisfactory, mainly due to the difficulties between the parties. Still, joint venture is a popular form of international cooperation. There is a number of reasons why joint ventures are attractive: they allow easier access to the market, at the same time addressing economic nationalism; they are easier and faster to accommodate the foreign market differences and specific needs; they limit economic risks and capital investment. To operate successfully, a joint venture requires acknowledged interest by the partners to share management and control, and the agreement on the equity possessions. Problems of independence and the responsibility sharing arise quite easily in joint ventures. Cultural risks arise from the parties having different notions about power and responsibility delegation, different management methods, business norms, ways of negotiating and conflict solving (or avoiding), etc. As a board of directors serves as the highest policy maker in a joint venture, it is carrying the primary responsibility to identify possible problems and cultural risks and to deal with them, what requires awareness and knowledge about both cultures. While top management plays principle role in accommodating intercultural issues and setting intercultural policy, general cultural awareness is essential at all the levels of the company.

European companies tend to use national subsidiary structure rather than a system of international divisions. National subsidiary reports directly to the top; subsidiary in each country is treated separately, and has a “mother – daughter” relationship with the home company. This structure allows for significant degree of autonomy of a subsidiary, which facilitates flexibility, strong ties with the host country market, and thus the quicker reaction to the changing environment as well as long-term responsiveness. Another advantage is that top management is directly involved into day-to-day operations and strategic processes. Such company encounters the greatest intercultural risks at the establishment stage: new market represents cultural challenges, and even possessing some information about the host culture the company will not be able to forecast all the possible risks. Some external advice will be of help in this situation; at the later stages, new expatriates might also experience need for cultural knowledge and skills. In the national subsidiary, as in joint venture, the locals and the expatriates work closely together, with the expatriates often holding higher management positions. Thus, there is a possibility of the same tensions as in the case of a joint venture

described just above: communication within the national company and with the mother enterprise, questions of responsibility and delegation, different management techniques and so on. Moreover, while the strategy is determined to a large degree by the expatriate managers, they need to rely on the locals' knowledge about the market's specifics, as well as on their relationship network. A large part of my respondents worked for this kind of the company or for a joint venture in Russia, and this point will be demonstrated and discussed later in the thesis. An American alternative to the international subsidiary structure is an international divisional format. The international division is a part of the domestic structure and it groups all the international activities into one division. In terms of cultural knowledge, international division faces the risks and experiences needs similar to those of national subsidiary. It might though be more difficult for it to get necessary resources as the international division often has low priority compared with better established domestic divisions (Ronen, 1986).

As international activities of companies develop, national subsidiary and international division structures evolve into worldwide, or global, format organization. There are three basic types of a global format: functional, product, and geographic. Transition into global format requires strategic planning on the consistent worldwide basis, changes in the structure to provide reliable intra-organizational links, and the increased number of international managers. Worldwide functional format is more common for European companies than for the USA ones. Each division, such as manufacturing, marketing, finance, and so on, is responsible for worldwide operations in its own functional area. This structure does not facilitate adaptation at the country level; to achieve this, the top management continuous attention to the cultural factors, and investment into cultural awareness are essential. The senior management attention, however, should not take a symbolic form, and should also encourage the same attitudes of the middle management. The same is true for the worldwide product format, where each division is responsible for producing and marketing a particular product or a group of products. As this format is often used by the companies producing complex or consumer products, cultural adaptation is important at the designing and marketing stages. Therefore, there might be a need for a team working on this questions in each division. Worldwide geographical format, where activities are grouped by geographic areas with regional managers, is an attempt to achieve local coordination and to accumulate the regional knowledge. This format is more flexible in response to local conditions, and allows for greater product adaptation. As the personnel of each division tends to be local,

there is little place for intercultural conflict within a division. There is, however, a possibility of clash of the management and planning methods between the headquarter and the divisions. To avoid this conflict, the head office sometimes takes on polycentric approach, allowing each regional office to retain their own style and methods.

To sum up, cultural component might be present in the variety of activities and tasks: product development and marketing, control and management tools, communication issues, etc. The relative importance of these issues, and thus cultural risks, vary according to the type of the international involvement of the company. Another factors determining the risks encountered and the type of cultural awareness needed are the level of the technology and product sophistication, the type of customers, and whether the market for the product purely local or international. The age of the project is another issue to consider. Furthermore, these factors will affect the answer to the question who in the company needs to possess intercultural skills and knowledge. The size of the company's investment into cultural awareness will then depend on the answers to all these questions.

Earlier in the chapter, I have argued that human resource management plays an important role in the development of company's competencies, including cultural awareness. Below, its role is discussed in more detail.

2.4.5 Human resource management in the international company

There are different perspectives of looking at the role of management in a company or, more generally, what management is or should be. The conceptualization spans from dealing with individual characteristics of the manager, via administration of stable organizations, to the proactive strategy development. I assume a view of management as an activity aimed at developing possibilities for long-term development of the organization (David, 1993; Cummings and Worley, 1997; Levin, 1997). Levin argues that given this proactive position, management changes are two-fold. Firstly, it is important for the management to understand the interplay between the different resources that the organization possesses. The second important factor is to act to develop resources to be able to pursue the desired goals.

Each company possesses various resources. It is common to distinguish between six major categories of resources: financial resources, physical resources, human resources, technological resources, reputation, and organizational resources (Grant, 1991). Speaking about cultural awareness in the company, there is one category of resources that is related to this competence much more directly than others: human resources. People create, maintain, and develop knowledge and skills that are necessary for cooperation with international partners and for doing business in the foreign markets. And this knowledge will become a building block in sustaining the competitive advantage.

To attain competitive advantage, it is not enough for the company to possess a competence; the company should also possess a capability, that is, the company should be able to actively utilize its competence. This organizational ability can be increased if people working in the organization are motivated, and are continuously learning and developing their knowledge and skills through training. Human resource management plays the central role in these organizational processes. In the light of the previous discussion then, one of the tasks of human resource management of the international company is to recognize the importance of cultural awareness for the company performance and competitiveness, and to facilitate its development and deployment through human resource coordination enhancing organizational learning. The best results can be achieved if these processes become the part of the company's strategy. The practical steps to achieve this goal will be suggested in the last chapter of the thesis.

Chapter 3 Culture and international management

“Culture is the medium evolved by humans to survive. Nothing in our lives is free from cultural influence. It is the keystone in civilization's arch and is the medium through which all life's events must flow ”

Edward T. Hall (1977)

In the previous chapter, I have argued that operations of an international company abroad will be affected by the national cultures of the host countries, and therefore cultural awareness is an essential element of an international company's strategy. I also pointed out that organizational learning is a mean to obtain this capability. In this chapter, I will continue the discussion, turning to the concept of culture, the approaches to study national culture, and the ways to describe it.

3.1 Studying culture

3.1.1 Concept of culture

The word culture originates from Latin word *cultura*, which means "to work upon", as *agricultura* means "to work upon soil" (Hampden-Turner and Trompenaars, 1994), and is related to Latin *cultus*, cult or worship. In contemporary language conception of culture is very broad, but generally two broad meaning prevail. One refers to the refinement of the mind, manners, taste, or the result of this, based on education and upbringing. Another meaning of culture, that is much more relevant to this study, involves the characteristic features, such as ways of thinking, values, attitudes and so on, that are common for a certain human group. This conceptualization of culture comes originally from anthropology.

Anthropologists are usually not very insistent on giving a short and explicit definition of culture, since they believe that any attempt to define culture is bound to be biased due to the culture of the anthropologist. Speaking broadly, one can say that under the concept of culture anthropologists typically mean "...a unit of tradition, social customs and attitudes, values, religion, language or a combination of any of these elements" (Ajiferuke and Boddewyn, 1970). Samovar, Porter and Stefani (1997) suggested another definition in the anthropological tradition: "Culture is the deposit of knowledge, experience, beliefs, values, attitudes, meanings, hierarchies, religion, notion of time, roles, special relations, concepts of universe, and material objects and possessions acquired by a group of people in the course of generations through individual and group striving". This definition has two important features: first, it is comprehensive enough without being too broad; and second, it captures "long-term" nature of culture, i.e. it maintains that the present culture is a product of historic development.

However, one should be careful with anthropological definitions of culture: the possible problem is that anthropology conceptualized culture within the context of simple societies, and as such the concept might not be fully capable of explaining or even describing the cultural phenomena that are emerging in the complex societies (Baba, 1997; Chapman, 1997). Departing from anthropology, we find other definitions of culture. For instance, sometimes it is equated to communications, that is, as Hall (1977) put it, "culture is communication, and communication is culture". Birdwhistell (1970) believed that culture, though, focuses on structure, while communication focuses on the process (in Ronen, 1986). Hofstede (1980) defined culture as "the collective programming of the mind which distinguish the members of one group or category of people from another".

3.1.2 Layers of culture

So far, I have been discussing culture as something that all people in a group or society have in common, that is an attribute of every person in the society. However, within a single society, every person belongs to different groups at the same time according to their social status, upbringing, education, etc. Thus, a person inevitably carries several layers of culture. Hofstede gives some examples of cultural layers:

- a national level according to one's country (or countries);
- a regional/ ethnic/ religious/ linguistic level, since most nations are not homogeneous in these respects;
- a gender level, since boys and girls are raised differently;
- a social class level, associated with educational opportunities and profession;
- an organizational level according to the way an employee has been socialized into their work organization.

These are just examples of the major layers of culture, and it is not difficult to continue this list. These examples demonstrate that within a single national culture there is a vast variety of subcultures. Moreover, the layers do not necessarily need to be in harmony for a person. On the contrary, in complex modern societies and with people migrating geographically, they are often in conflict. Therefore, it is difficult to predict the response and behavior of a person under new circumstances. For instance, young Japanese businessmen sometimes behave very "tough" and assertive while doing business with their American colleagues. Americans, who are known for their somewhat pushy and straightforward attitudes in business, found Japanese much more so to their great surprise, since they knew that Japanese culture is rather subtle and polite. Americans were faced with a typical example of layers of culture: they correctly judged that national Japanese culture carries the value of being polite and obliging to other persons. However, these Japanese businessmen obtained an MBA degree in the USA, and learned American standards of doing business, perhaps even their somewhat exaggerated stereotypes. Thus, their education suggested a behavior different from that prescribed by the national culture.

This discussion leads to the question: how do we define the unit of culture then? And for this study in particular? Since the subject of the study is Norwegian and Russian cultures, it is natural to suggest national culture as a unit. In cross-cultural research, it is common to use nation-state as a unit of analysis (Adler, 1984; Ronen, 1986). However, this approach is not totally unproblematic. Many countries have more than one culture: consider Spanish Basques and Andalusians, Celtic culture in French Brittany, the republics of the former Soviet Union. On the other hand, one culture can be divided into several states, as in some African states since colonial times. Obviously, nations should not be automatically equated to societies. However, many cross-cultural studies consciously use national borders to separate one

cultural group from another (Adler, 1984). Ronen (1986) offered a number of reasons to do so.

- From a historical standpoint, nations are political expressions of cultural similarity. If a nation survives as such over time, there must be values binding it together.
- Nation and culture are defined in terms of similar variables. Political system and government, religion, language, geography, common, mass media, an educational system, a national army, economic system are some of the variables associated with both.
- From organizational point of view, the workforce is primarily national in nature. Since the majority of employees come from the host country, the organization must design its system with the national context of the work force in consideration.

Hofstede (1994) also noted that the strong reason for collecting data at the level of nations is that one of the purposes of the research is to promote cooperation among nations.

While national culture deals with the vast field of the societal characteristics described above, political culture focuses on its particular one. D'Iribarne (1998) defines political culture as a way people organize their communal life, in the society as well as in the organization. Studying political culture is not only studying the particular forms of power and authority, of organization and conflict management, and cooperation, but also studying rational and historic side of the myths that justify these forms. One has also to understand the precise meaning of all the key concepts, such as agreement, fair, dignity, in each cultural context. As d'Iribarne (2000) notes, though French, Americans, and Mexicans all dream about equality, they have different conceptions of what it means to be equal.

Another large layer of culture is business culture. It represents many of the same characteristics as national culture does: economic, political, educational features shape business culture as well as they shape national one. Largely speaking, business culture reflects all the aspects associated with business operations: management style, relationships with clients and partners, business etiquette, and so on. It can also represent specific culture of a profession, such as medical or legal culture.

Organizational, or corporate culture is yet another phenomenon. The term refers to the specific holistic culture within a particular organization, reflecting organizational history, values, symbols and rituals. Shared perceptions of daily organizational practices are considered to be a core of organizational culture. At a superficial level, there are obvious signs, such as the informal dress worn in many software companies - an expression of the belief that creativity is not compatible with shirts and ties. At a deeper level, the relationship between interpretations and activities is more complicated. The managers of Toyota or Hewlett Packard can certainly recite the official credos that are supposed to represent their cultures (such as seven point "HP way"). But that would be much more difficult for them to describe in detail the nature of their culture and how it impacts on their behavior (Mintzberg, 1998). Mintzberg suggests that the strength of a culture may be proportional to the degree to which it eludes conscious awareness. Organizations with strong cultures are characterized by a set of taken for granted assumptions, which are protected by a web of cultural artifacts: the way people behave towards each other, the stories about the organization they tell, the language they use, etc. Organizational culture is not easy to change, which found its reflection in the discussion about whether it is something an organization has, or something what an organization is (Hofstede, 1994).

3.1.3 Convergence or divergence of cultures?

Organizational cultures within one nation may deviate from each other in terms of norms, and derive competitive advantage from their originality. Many writers however agree that organizations are representative of their societies, thus nations (Tayeb, 1988; Graen and Hui, 1996; Schuler and Rogovsky, 1998, d'Iribarne, 1998). An organization is a group of people, each of them carrying values and attitudes determined to a certain degree by his culture. Even though the organization has its own values and practices, the members' ones will affect them. Such research attitude is referred to as the divergence approach to studying culture. At its extreme end, this approach suggests that organizations are national-culture dependent, and that there are no culture-free effective methods to manage a company. National culture rather than economic ideology is believed to drive values, and management and organizational practices are regarded as unique in each country.

Conversely, convergence approach affirms that organizational characteristics and practices are driven by economic ideology. Culture is believed to have no impact on the effectiveness of managerial practices and on organization's functioning - they assumed to be universal among countries. This approach did not gain as much support as the divergence approach; much evidence in a number of cultural studies suggested that culture does matter when it comes to organizational characteristics.

The convergence and divergence viewpoints were developed decades ago, and this discussion has been going since. These two are polar extremes. A more recent approach, crossvergence, has argued that neither of these views are adequate to explain the dynamic interaction between national and organizational characteristics. Crossvergence provides an integrative alternative that might be characterized as the melting pot philosophy of value formation. Its proponents believe that there will be an integration of influences based on national cultures and common economic and technical values (Ralston, Holt, Terpstra, Kai-Cheng, 1997). Crossvergence was initially defined as a value set "in between" the values supported by national culture and economic ideology. A broader and more recent definition states that crossvergence occurs when individual incorporates both national culture and economic ideology synergistically in order to form a unique value system that is different rather than being "in between" (Ralston, Holt, Terpstra, Kai-Cheng, 1997).

3.2 Describing national culture

3.2.1 Perspectives on studying culture

Nowadays, culture is studied from many perspectives: political, geographical, psychological, sociological, and organization theory perspectives, to name a few, with every discipline holding its own view on what culture is (Ajiferuke and Boddewyn, 1970). However, traditionally, culture was studied from two perspectives: anthropological and social-psychological ones. Of these two, an anthropological tradition has the longest roots, and all the following traditions are much influenced by its terms and methods.

The goal of anthropology is understanding a man within the society. It focuses on culture at the societal level, and searches for wider theories of human behavior that provide knowledge on how and why cultures take the forms that they do (Ronen, 1986). Culture is a single study object, and reporting and analyzing cultural phenomena is seen as the ultimate goal. While possessing a deep experience of cross-cultural analysis, social anthropology was for a long time more or less ignored as a source of inspiration. Its ethnographic style was not easily built into the positivist models that dominated business and management studies; its concentration upon single examples did not easily lead to generalizing or predictive conclusions. Moreover, social anthropology had made only limited attempts as a subject to find practical applications of its findings. Thus, the business scope was rather outside its concern, at least it was until recently, when the interest on the part of anthropological school to organizational issues started to grow (Baba, 1997).

Anthropological point of view is reflected in the idiographic (or emic) approach. This approach tries to analyze the internal coherence of some examples and make sense of them, giving less general but more detailed picture. Here, an attempt to define culture is believed to be tied to the cultural context from which it came and would need to be understood in this context (Chapman, 1997); hence, one does little operationalization and uses qualitative methods. One of the first steps in the field was to identify what problems were common for all societies, through conceptual reasoning and reflection on field experience, as well as through statistical studies (Hofstede, 1994). Thus, one way to describe culture, rooted in the anthropological tradition and common for the followers of the idiographic approach, is to develop a number of issues representing common human problems worldwide, shaping functioning of societies and those members. Culture is described in terms of dilemmas, categories, or dimensions; the goal is to provide elaborate descriptions of societal characteristics and mechanisms without trying to measure quantitatively suggested categories, issues or dimensions. Another way of picturing differences between cultures without using quantitative measures is through typologies. A typology describes a number of ideal, or extreme, types that might not fully correspond the reality.

The second perspective, social psychology, adapts nomothetic (or etic) approach. It treats culture as more or less psychological phenomenon; one speaks of studying “influence of culture on behavior” or “the effect of cognition on the behavior”. This is largely quantitative approach requiring clear definition, measurement, and operationalization. The aim is to

establish general laws of society functioning; it attempts for universal laws governing large numbers of examples (Hofstede, 1990). Cross-cultural management studies, as they developed, were strongly influenced by the social-psychological models that lay behind monocultural management studies. As social psychology was originally a monocultural subject born out of and concerned with North American thought and life, it was ill-prepared for the exercise of multicultural or cross-cultural analysis (Smith and Bond, 1993, in Chapman, 1997).

One of the most known contemporary researchers in the cross-cultural area, Geert Hofstede called his position at the University of Limburg "chair in organizational anthropology". While using term "anthropology", he admitted though that his approach is hardly anthropological. It does borrow the concepts from anthropology, but at the same time from comparative organization psychology, comparative organization sociology, and macroeconomics as well (Hofstede, 1980). Social psychology is the discipline that directs the study; Hofstede adapts quantitative nomothetic approach. His study seeks to determine the behavioral and attitudinal differences among cultures, and their impact on economic or/ and organizational processes. The emphasis is on practical applications of the findings within organizational context. Another close approach is to study culture of a single organization, often under the assumption that organizational culture is shaped by the national culture to a degree. The results of such studies are increasingly applied by both consultants and managers.

One of the most common and widely recognized methods within the nomothetic approach is to describe cultures in terms of dimensions. People within one culture tend to have common values and attitudes that might be different from those people have within another culture: these are considered as a base for comparing cultures. A difference relative to the idiographic approach is that nomothetic approach uses statistical methods to measure cultural dimensions: a cultural dimension then is an aspect of a culture based on the trends within societies that can be measured relative to other cultures.

There are certain advantages and disadvantages with these approaches. Describing culture in terms of quantitative dimensions allows the qualitative examination of the specific ways in which cultural values are different (Schuler and Rogovsky, 1998). One can compare the scores of the country on each dimension, as well as apply various statistical methods in order to find deeper dependencies and trends. The critics often note, however, that it appears

difficult, if not impossible, to provide a picture of such a complex entity as culture in terms of few figures. Opting for major trends and average values implies a danger of overlooking finer but possibly important phenomena. On the contrary, qualitative dimensions and categories allow to go into depths of the societal features and to provide the detailed descriptions and profound insights. However, they are not easily generalizable across the societies and thus are more difficult to compare. As far as typologies concern, they have a potential of relatively detailed description, they are illustrative and easy to envisage, and are less deterministic than quantitative dimensions. At the same time, real cases rarely fully correspond to one or another typology, and the choices regardless their placement a typology has to be made on the basis of arbitrary rules: the lack of rigor is one of the most common critics' argument.

Idiographic and nomothetic are the two basic approaches in cultural research; there are various types of studies within each of them. There is a number of ways to further categorize cross-cultural studies. One of the most known categorizations of cross-cultural management studies is that of Nancy Adler (1984). She categorized cross-cultural management research according to the approach to universality, type of study, primary question, theoretical assumptions and methods used. She suggested six types of research approaches.

The parochial approach deals with the research conducted in a particular culture by members of this culture. This research assumes similarity and universality of culture. The primary research question is: What is the behavior of people like in work organization? Although it treats a single culture, it assumes that the results are applicable in other cultures as well. Studies of this type apply traditional research methodology, that is all of the traditional methodological issues concerning design, sampling, instrumentation, analysis and interpretation without reference to culture.

The ethnocentric approach attempts to replicate a study already conducted in one culture in the second country. It searches for similarities between two, usually national and host cultures, but questions cultural universality. The typical research question is: Can the theory applicable in one culture be extended to another one? In other words, is it possible to use domestic theory abroad? The methodology is aimed at standardization of research across the cultures, using literal translation.

The polycentric study, on the contrary, puts emphasis on the cultural uniqueness. This research studies each culture separately, with the goal to find the ways of managing in each of them, denying similarity. These are usually domestic studies attempting to produce a theory applicable in the country in question. The research questions are: How do managers manage and employees behave in the country in question? What is the pattern of organizational relationships there? The main methodological issue is description. It aims to study the host country without applying domestic theories, and without using obtrusive measures. The focus is on inductive methods and unobtrusive measures.

The comparative research contrasts two or more cultures, searching for both similarities and differences among them in hope to identify some universality. The balance between culture-specific and culture-general characteristics is not an initial assumption, it is expected to come out as a research result. The research raises the questions: How are management and employee styles are similar and different across cultures? Which theories hold across cultures and which do not? The methodological issues focus on the equivalence. One asks whether the methodology is equivalent at each stage of the research process? Are the meanings of key concepts defined equivalently? Has the research been designed such that samples, instrumentation, administration, analysis, and interpretation are equivalent with the reference to the cultures included?

The geocentric approach applies to studying multinational companies. It implicitly searches for similarity across cultures, assuming that there are universally effective approaches to organizing and managing. The research question is typically: How do multinational organizations function? All the traditional methodological questions are relevant, with the added complexity of geographical dispersion. Translation is less of a problem since multinationals usually have a common language across the countries where they operate. The primary question is to develop an approach for studying the complexity of a large organization. Culture is frequently ignored.

The synergistic studies try to understand the patterns of relationships that develop when people from different cultures interact in a work setting. The aim is to establish the laws of interaction, using discovered differences and similarities as a resource to create well-balanced management systems. The research questions are: How can the intercultural interaction within an organization be managed? How can organizations create structures and the

processes that will be effective in working with members of all cultures? The methodological issues include searching for effective ways to study cross-cultural interaction within organizational settings. How can universal and culturally specific patterns of management and organizational processes be distinguished and balanced? How can the proactive use of cultural differences to create universally accepted organizational patterns be studied?

3.2.2 This study perspective

Concluding the discussion above, in this section I will clarify the view of culture and the research approach in this study. Already the initial results of interviews, and even pre-study conversations have shown that there are significant differences between business practices of the two countries. The important question is whether these difference will persist, in particular in the organizational context, or there will be a tendency towards a common perspective. Reviewing the studies on convergence and divergence of culture, one can notice that studies that focused on the structural and technological sides of organizations tended to show the tendency toward cultural convergence, while the studies that focused on the people's behavior tended to conclude the opposite. Indeed, the answer to this question depends on what level one studies culture.

As this study is of exploratory nature, I chose to focus on the differences between Norwegians and Russians. I believe that the basic principles and mechanisms of a society are stable and are not changing easily. One has first to understand this inner logic of the societies, which implies being clear about what is different (and what is not) between them. Another question is to find which dimensions are likely to change under the influence of economic and technical factors or the external influence, and which are of a more permanent nature. Only as a next stage one can use this understanding to find a common perspective, particularly in the organizational context. At this stage the task is to find common solutions and improving cooperation between the companies originating from different countries. This study is the first step towards this understanding; as the Russian society now is in the state of the great transition, a longitudinal study is in the best position to solve the convergence-divergence dilemma. Nevertheless, analyzing cultural clashes between Norwegians and Russians and thus the differences between these two cultures helps, I believe, to deepen the common understanding, and to create the basis for further research.

This study focuses on cultural issues in business-related context, and is performed under the basic assumption that organizational culture reflects national culture to a degree - the idea supported by many researchers (e.g. Hofstede, 1980, 1994; Trompenaars, 1993; Schein, 1999). Some authors go even further and say that culture is "a state of mind - personal, corporate, national - which construes a model of the world made up of *a basic assumption about the nature of relationships between people* (at work) which is supported, sustained and changed by the advent of social-economic institutions, the labor market, the traditions of industrial relations, key public attitudes and pertinent legislation" (Gatley, Lessem, and Altman, 1996). While the majority of respondents work with different organizations, all of them are of Norwegian nationality: they share the same cultural background. Thus, the discussion will be held in terms of national culture, but often within organizational context. The unit of analysis will be national Norwegian and Russian cultures.

Territorially, Norwegian culture is rather homogeneous, but the homogeneity is more difficult to assume for the vast area of Russian Federation. I will not attempt to do that; the majority of my Norwegian respondents said that their experience of contacts and business relationships with Russians is limited to the Baltic and Central regions of the country. Therefore, in this thesis, under the concept "Russian culture" I understand the culture of Baltic and Central regions of Russia; the results of the study are limited to these regions.

The study applies the idiographic qualitative approach that is similar to the comparative management studies approach in its practical orientation. I believe that this approach provides a deeper insight than the other one even if it produces less general (at least at the global level) results. While necessarily involving smaller samples, it leads to more precise understanding of the societies under investigation (d'Iribarne, 1997). It is true that it does not give the same impression of objectivity as the nomothetic approach, which uses quantitative methods, providing appealing in their generalizability and logical minimalism results, with the reality elegantly described in terms of a few key indicators. However, this happens due to the fact that the considerable subjectivity of the choice of the questions used in quantitative approaches is more easily concealed under the apparent objectivity of the figures (d'Iribarne, 1997).

As Hofstede (1994) noted, idiographic models, nomothetic models and typologies are not necessarily mutually exclusive: in practice they can be considered as complementary. As I adopted idiographic approach and used grounded theory methodology, I did not take the categories, dimensions and indexes established by the previous research for granted. However, some of the concepts, such as for instance individualism or time horizon, are used repeatedly in both anthropological and social psychological texts, and it would be pointless to deny them. I did not try to do that; instead, I applied these concepts to the Norwegian-Russian context in order to see what form they take. The study's purpose is to identify the major differences between Norwegian and Russian cultures, and their impact on business operations. To conclude, I make suggestions regarding developing cultural awareness and integrating it into the organizational strategy.

In the following section, I will discuss some of the well-recognized models and approaches for characterizing national cultures. They represent the dimensions and characteristics of culture developed by means of qualitative and quantitative cross-cultural studies. These theoretical contributions have directed my study at the stage of research questions development, as well as during the analysis of the empirical data. Finally, I present the redefined research questions of the study.

3.2.3 Describing cultural diversity

Kluckhohn and Strodtbeck's value orientations

The classic example of anthropological (idiographic) approach to describing cultural diversity is Kluckhohn and Strodtbeck's (1961) value orientations. Kluckhohn and Strodtbeck define value orientation as "complex but definitely patterned ... principles... which give order and direction to the ever-flowing stream of human acts and thoughts as these relate to the solution of common human problems" (Kluckhohn and Strodtbeck, 1961). They formulate value orientations as five general problems to which they believe each culture must find more or less common solutions:

- What is the character of human nature? - human nature orientation.
- What is the relation of man to nature - man-environment orientation.

- What is the temporal focus of human life? - time orientation.
- What is the modality of human activity? - activity orientation.
- What is the modality of man's relationship to others? - relational orientation.

The primary characteristic of human nature orientation is the assumption that the character of human beings is innately either good, evil, a combination of good and evil, or neutral. Human being can also be changeable (mutable) or unchangeable (immutable). The combination of these six criteria result in human nature being good and mutable, good and immutable, evil and mutable, evil and immutable, a mixture of good and evil, and neutral.

The relation between humans and environment is subcategorized into mastery-over-nature, harmony-with-nature, and subjugation-to-nature orientations. Mastery-over-nature implies that all natural forces can and should be overcome and/ or put to use by humans (e.g. the USA culture). The harmony-with-nature orientation draws no distinction between human life, nature, and the supernatural - each is an extension of each other (e.g. Chinese culture). Subjugation-to-nature is based on the belief that nothing can be done to control nature, and the fate must be accepted (e.g. traditional Spanish-American culture).

The temporal feature of human life concerns past, present, and future orientations. Cultural systems that value traditions highly are said to have past orientations (e.g. Chinese culture). Societies with present orientation pay relatively little attention to traditions, and to what might happen in the future (e.g. Spanish-American culture). The future orientation predominates where change is valued highly (e.g. the USA culture).

Activity orientation includes three modes of self-expression in activity: being, being-in-becoming, and doing. In the being orientation, the activities performed are "spontaneous expressions of what are conceived to be given in the human personality" (Kluckhohn and Strodtbeck, 1961). An example is the Mexican fiesta, which reveals pure impulse gratification. Being-in-becoming orientation is concerned with who human beings are, not with what they have accomplished. The focus is on striving for an integrated whole in the development of the self. Zen Buddhist monks, who spend their lives in contemplation and meditation to fully develop themselves, is the best example. In the societies with the doing orientation, there is "a demand for the kind of activity which results in accomplishments that

are measurable by standards conceived to be external to the acting individual" (Kluckhohn and Strodtbeck, 1961). A prime example of this orientation is the USA.

The relational orientation is based on the assumption that humans' relations to other humans can be linear, collateral, and individualistic. The linear principle takes into consideration the fact that individuals are related to each other through time biologically and culturally. Collaterality is found in the societies where individuals are not considered human except as they are part of social order. The typical collateral relationship exists between biologically related individuals: brother-sister, aunt-uncle, etc. In individualistic societies, member's goals have priority over the goals of the group. Individual goals are also independent of the groups' ones: an employee can cooperate with the coworkers in accomplishing the company goals, but at the same time he is free to leave the company if he wishes so.

The main problem with this classification is that it is empirically supported by field research within a region of a single nation state among five small communities. To assume that findings from such a limited sample can be extrapolated to all human societies as cultural universals must be regarded with suspicion. However, the value of the study is in showing that some general characterizations of cultural groups were possible using standard values measures (Gatley, Lessem, and Altman, 1996).

Hall's dimensions

High-context and low-context communication

Hall (1977) differentiated cultures on the basis of their communication pattern, distinguishing between two types of communication: high-context and low-context. In high-context countries most information is either in the physical context or internalized in the person, while very little is in the explicit part of message. In low-context communication, in contrast, most of the information is expressed in the explicit code. While no culture is at the either end of low-high-context continuum, The United States are placed towards the lower end, slightly above the German, Scandinavian, and Swiss cultures. Mediterranean culture, most Asian cultures, like Japanese, Chinese, Korean fall towards the high-context end of the continuum. Hall suggests that the level of context influences all aspects of communication: "High context cultures make greater distinction between insiders and outsiders that low-context cultures do.

People raised in high-context systems expect more of others than do the participants in low-context systems. When talking about something that they have on their minds, a high-context individual will expect his interlocutor to know what's bothering him, so that he doesn't have to be specific. The result is that he will talk around and around the point, in effect putting all the pieces in place except the crucial one. Placing it properly - this keystone - is the role of his interlocutor."

Level of context affects virtually every situation and every relationship, including business-related situations. High-context societies are usually characterized by well-developed, extensive communication networks. Hall and Hall (1990) provide an example of information exchange at the top-manager level. In the USA or in Germany, both low-context countries, a top executive works in the office that is a "refuge" from day-to-day office interactions, and receives a normal quota of visitors, usually one at a time. His information comes in a steady but slow flow brought by visitors, or originates from what the executive reads. In contrast, in high-context countries as Japan and France, information flows freely and from all the sides. Not only are people constantly coming and going, both seeking and giving information, but the entire form and function of organization is centered on gathering, processing, and disseminating information. Everyone stays informed about every aspect of the business, and knows who is best informed on what subjects. Interaction between people coming from countries with different context levels might be a communicational challenge. High-context people may become impatient and irritated when low-context people insist on giving them information they do not need. Conversely, low-context people are at loss when they feel they are not provided with enough information. The challenge is to find the appropriate balance. However, if this happens nearly automatically in one's home country, it requires certain experience otherwise.

Polychronic and monochronic time

Hall also distinguishes between polychronic and monochronic cultures with regard to their relation to time. Generally, people in cultures that use polychronic time do several things at once, while those in cultures that use monochronic time complete one thing before starting another. People in polychronic countries prioritize people and completion of transactions rather than following preset schedules, as it is common in monochronic cultures. Future plans may be changed as soon as something relatively more important arises. In the monochronic

cultures, on the contrary, people are attuned to time and scheduled activities, which coordinate their relations with others. Time is perceived as something almost tangible that can be "spent", "saved", "wasted", or "lost". It is also used as a classification system for ordering life and setting priorities: "I don't have time to see him". In other words, polychronic cultures are more oriented towards people, human relations, and the family, while monochronic cultures are oriented towards tasks, schedules, and procedures. In a way, monochronic time "seals" people from one another, and puts limits on their communications. For instance, a conversation (i.e. information exchange) might be cut before its natural conclusion if one party has the next appointment due. In polychronic culture, the conversation would be more likely to continue, perhaps even with involvement of the third party if possible, which would eventually lead to more efficient information exchange.

Through the communication and information-sharing pattern, Hall brings the parallel between his high- and low-context cultures, and polychronic and monochronic cultures. Naturally, monochronic cultures tend to be low-context and "needing information", while polychronic cultures are high-context and "already having information". In the business context, these two opposing perspectives often show up during meetings. Polychronic/ high-context people dislike rigid agenda; the purpose of the meeting is to reach consensus. Information flow is high and intense, and one is expected to "read" other's thoughts. A fixed agenda and explicit information is considered as an insult to one's intelligence. Moreover, business appointments and commitments are considered as goals to be achieved if possible. If something more important shows up, for example a client or a partner that means more, or a member of a family, the appointment might be delayed or dropped, and the commitment reevaluated. Monochronic/ low-context people might feel devastated in such situations: they appreciate closely followed agendas, punctuality, and structured and explicit information. The commitments are taken seriously. Another aspect is the attitude to personal relationships. In polychronic cultures people develop close relations with clients and business partners. Such friendships take time to develop, but once established, they can to last lifetime. This is not the case for monochronic people, who appreciate privacy and not disturbing others, and tend to for short-term relations, particularly in business. Then, all business relations are treated more or less equally, while in polychronic cultures long-established relationships might be given a priority, leaving the other party (if belonging to monochronic culture) feeling overseen and treated unjustly. As Hall and Hall (1990) note, "the importance of this basic dichotomy cannot be overemphasized".

Trompenaars' culture dilemmas

Trompenaars' study (1993) is based on the same assumption as some of the recognized anthropological studies: that in every culture there is a limited number of general human problems to be solved, and one culture can be distinguished from another by the specific solutions it chooses for these problems. Trompenaars' system is built on the concept of values or, specifically, value tension. Values create pairs, or dilemmas, and each nation tends to score towards one or another "side". Trompenaars' questionnaire included seven hypothesized dimensions of cultural valuing, derived from Parsons and Shils (1951), Kluckhohn and Strodtbeck (1961), Rotter (1966), and Cottle (1968) studies. These dimensions are:

- universalism versus particularism;
- individualism versus communitarianism;
- affective versus neutral;
- specific versus diffuse;
- achieved versus ascribed status;
- time as a sequence versus time as synchronization;
- controlling nature or letting it take its course.

In practice people do not strictly follow one or another extreme approach: they use both kinds of judgment. It is the tendency to follow one of the approaches among the people within the culture that determines culture's characteristic. All cultures fall somewhere within the continuum between two extremes.

Trompenaars' study has been subject to some critique. In particular Hofstede, who's intercultural study - discussed later in the chapter - became probably the most influential within the field, implies that Trompenaars' work is a victim of an ecological fallacy, i.e. it confuses two separate and incompatible levels of analysis: individual and societal. Hofstede argues that Trompenaars' study does not take into account that different values could operate on different levels. Nevertheless, despite the fact that the Hofstede and Trompenaars studies reflect different framework and the former is more academically rigorous, their conclusions are remarkably similar. This is particularly so in their attack on the universal validity of Western management theory and practice. Trompenaars' dimensions have been shown to be conceptually related to individualism and power distance, and as such can be interpreted as

supportive of Hofstede's model by emphasizing some of the consequences of individualism and power distance for organizational behavior, attitudes, and beliefs (Gatley, Lessem, and Altman, 1996).

Universalism versus particularism

This dimension is about judgment of people's behavior. In universalist, or rule-based countries, behavior is perceived as abstract: all persons falling under the rule should be treated the same. Particularist judgments focus on exceptional nature of present circumstances. The person is not a "citizen", but a friend, a relative, or a person of importance to one, and therefore must be treated exclusively no matter what the rule say. Russia is a very particularist country. Trompenaars' study does not include estimations for Norway on all his dimensions. In such cases, I will provide the estimations for Sweden - the closest to Norway country in terms of cultural characteristics. According to Trompenaars, Sweden shows high degree of universalism.

In business context, in universalist countries favor detailed contracts that codifies what parties agreed to do, and which conditions are expected to be precisely followed. In particularist countries, a contract is a statement of relationship; the conditions can be changed if the relationship changes. Relationships have generally more importance in particularist than universalist countries, and business starts with establishing relationships first, which might take some time. Within a company, relationships and commitment, especially between employee and employer are important. Trompenaars points out that the foreign particularist divisions of universalist culture company may pretend to comply with head office, which leads to a kind of ritual that works fine as long as head office does not confront them directly.

Individualism versus communitarianism

This dimension is one of the widely expected and common one among anthropologists and other scholars studying culture. This dimension is about prime orientation to the self versus orientation to the group. Trompenaars characterizes Norway as an individualist country (as a rule), and Russia as a communitarian one.

Trompenaars suggests that in business context, communitarian cultures tend to prefer group to individual representation. In individualist, such as in Anglo-Saxon countries, a single representative voting on behalf of a group is seen as the foundation for democracy. Translator functions in these countries is limited to formal translation, while in communitarian ones translator is rather an interpreter, and participate in his group discussion. Decision-making in communitarian countries is longer since it has to involve all concerned, and the decision might change through the different steps. But the time "wasted" is saved when the new procedures operate as envisaged. Organizational moral and cohesiveness are virtues. In individualist countries methods of individual incentives like pay-for-performance, individual assessment, MBO are common.

Affective versus neutral

This dimension relates to the balance between reason and emotion in relationships. In neutral countries, reason dominates: the feelings should be carefully controlled and subdued. In contrast, in cultures high on affectivity, feelings are given immediate emotional outlet: they are shown plainly by laughing, smiling, frowning, shouting and so on. Norway is a neutral country according to Trompenaars, while Russia is at the affective end of the scale. Trompenaars goes further to suggest that depending on degree of affectivity, some cultures, like American, exhibit emotions, but separate them from "rational " and "objective" decisions, south European cultures exhibit but not separate, and northern Europeans, including Norwegians, tend not to exhibit and separate.

Trompenaars suggests that the affective cultures appreciate use humor in business context, while in the neutral cultures humor may be perceived as inappropriate and signifying lack of serious approach. An understatement telling a lot to a neutral culture person might pass unnoticed by a person from affective country. In affective cultures, a lot of disagreement, or otherwise of enthusiasm is shown; that does not have to mean that people have made up their minds yet. Also, much more eye contact, touching, and other non-verbal forms of communication is common in affective than in neutral countries.

Specific versus diffuse

This dimension is closely related to the previous one, but it refers to the degree to which people engage others in specific areas of their life and separate levels of their personality, or diffusely into multiple areas of their life, at their personality as a whole. In specific cultures, a person segregates the task relationships at work from other dealings. He or she can be a manager at work, but outside the office consult the subordinates about clothing style or playing golf. In diffuse countries, manager is an authority even outside the office: his reputation is leaking into other areas of life. Personal private space tends to be smaller in specific than in diffuse cultures. Thus it is easier to be admitted into a public zone; this does not mean, however, that you are automatically admitted to other zones. For example, a member of the same sport club will not call you if it does not concern tennis. In contrast, diffuse countries private space is large, but once a friend is admitted, he gets access to almost all areas of the private space: a colleague might become both a friend and a tennis partner, to draw an example. The process takes longer time, however. Russia is a more diffuse country than Norway, according to Trompenaars.

People in diffuse cultures tend not to separate between their work and private life. Therefore, they might take criticism of their business suggestion or proposition personally; in specific cultures criticism is usually taken for what it literally says. Since public space is so limited in diffuse cultures, sound business relationships will not be established until more private relationships are formed. Loyalty is of high value, and much depends upon the person and the situation.

Achieved versus ascribed status

This dimension is correlated with individualism - communitarianism dimension. In individualist countries, status usually accorded to people on the basis of their achievements, while in collectivist countries status is ascribed according to age, class, gender, education, position in the company, and so on. Achieved status refers to doing, and ascribed status refers to being. On the Trompenaars' list, Norway scores higher than other countries on achieved status, and Russia scores rather high on ascribed status. Age, gender, social connections, education, profession and position are the most common status determinants; however, the importance of various determinants varies from country to country.

In business setting, for instance during negotiations, people from achieving countries automatically that older person in the other party's delegation, or a person with more impressive title is the most important one who takes decisions. It is so in their own delegation, even if such a person is not the most knowledgeable one. Managers are supposed to have respect and to possess all the answers because of their top position. In achieving countries, titles are used only if they are relevant to the competence required for the task in question. In ascribing countries, title signifies recognition given to the person by organization. Status symbols like expensive cars, large offices play the same role. They signify power "to get things done"; in achievement-oriented cultures superiors are claimed to be on top because they have achieved more. If the subordinate of such manager performs well, he, and not his boss, is likely to be rewarded. In ascriptive countries, performance is seen in terms of collective, and it is unthinkable for the subordinate to get bigger reward than the boss gets.

Time as a sequence versus time as synchronization

The issue of relating to and managing time has been already discussed under Kluckhohn and Strodtbeck's problem of time orientation, and in more detail under Hall's dimension of monochronic versus polychronic time. Trompenaars' present dimension is basically equivalent to the latter Hall's dimension, with time as a sequence versus time as synchronization standing for monochronic and polychronic respectively. Trompenaars also discusses characteristics of cultures oriented towards past, present, and future. There is a connection between this dimension and Hofstede's long term orientation: as Trompenaars points out, individualist countries with sequential view of time, like America and Britain, are usually short-term oriented in their business strategies. Collectivist countries with a synchronous view of time, like Germany and Japan, are typically long-term strategically.

People from past-oriented cultures put much emphasis on their country's and company's past achievements, while future-oriented cultures are more interested in the prospects, potential, aspiration, and eventually future achievements. Accordingly, younger people are seen as having larger potential, while past-oriented cultures rather value age and past achievements. Present-oriented cultures pay most attention to the contemporary success; plans are made, but might not be executed in the long run. Companies in future-oriented and sequential countries tend to develop long-term plans and strategies, and try to follow them step by step. The possibility of failure here comes from that as soon as environment changes (and it constantly

does), the whole plan has to be reevaluated and altered. In polychronic cultures, people normally do not plan the details too far ahead: they have a general goal, and work out the steps gradually. Trompenaars notes that a possible reconciliation between these two opposing approaches is scenario planning, adapted by Shell International.

Controlling nature or letting it take its course

This dimension concerns the role people assign to their natural environment. It is similar to Kluckhohn and Strodtbeck's problem of nature orientation. While they suggest three possible orientations: mastery-over-nature, harmony-with-nature, and subjugation-to-nature, Trompenaars uses his dilemma approach, arriving at two dimensions. His inner-directed orientation corresponds mastery-over-nature, i.e. the belief that nature can and should be controlled. The outer-directed orientation embraces both harmony-with-nature and subjugation-to-nature, i.e. the tendency to see that everything is influenced by and is a product of external forces. Norway is an inner-directed country, while Russia is much outer-directed one.

An important aspect of inner-direction is a notion of business strategy that is a planned developed to be stepwise implemented in order to reach and maintain the desired competitive position. In the chapter discussing strategic management, I pointed out two different views of the strategy, both having the proponents among the strategic management scholars: designed versus emergent strategy, as Henry Mintzberg (1987, 1998) put it. The designed strategy view reflects inner-direction; the second view of the strategy is rather different: it assumes that strategy is never explicitly planned but evolves "by itself" in accordance with the patterns of the external environment - so-called emergent strategy. The company is interacting with its customers, competitors, government and so on, and its strategy is continuously evolving in accordance.

For inner-directed managers, managing outer-directed subordinates might seem easier than expected. That does not mean however that the subordinates internalized managers world view: they are simply going along with outside forces. Self-directed change is not likely to occur: outer-directed people expect external circumstances to lead them to change. They also tend to see success and failure rather as a result of circumstances than as a personal or organizational fault. Responsiveness and patience are believed to lead to eventual success.

Group/Grid Cultural Theory

All the models of culture that I have discussed so far use dimensions or dilemmas to characterize national culture. Now I turn to another approach to describing culture: cultural typologies. A typology describes a number of ideal types of culture. A typology concept is very close to the concept of a metaphor that offers an extreme type that does not necessarily fully corresponds the reality, rather than a point within a continuum as a dimension does.

Probably the most recognized typological model is that of Mary Douglas (1970), known as Group/Grid Cultural Theory: a method for comparing cultures and the forms of social organization that support them. The model was based on the evidence from non-industrial societies, and has been applied to studies in various domains since. It proposes that individual's behavior, perception, attitudes, beliefs, and values are shaped and regulated by constraints that can be grouped into two domains: group commitment, and group control. Combined, they form four prototypes of social environment.

Group, the horizontal coordinate, represents the extent to which people are driven by or restricted in thought and action by their commitment to a social unit larger than a person. Grid, the vertical coordinate, is a composite index of the extent to which people's behavior is constrained by normative role differentiation. On two-dimensional graph, they form the following quadrants:

Weak grid/ weak group – an individualist society.

Strong grid/ weak group – insulated society regulated by socially assigned roles.

Strong grid/ strong group – bureaucratic environment with roles ascribed to the members, characterized by overt competition and social mobility.

Weak grid/ strong group – a society where external group boundary is the dominant consideration, and with egalitarian relationships.

Altman's typological model

Douglas' model was further elaborated by other scholars, and lead to a number of applications in cross-cultural theory of work and organization. The next model we are going to consider is

developed by Altman (1992); it presents the cultural typology of work relationships and work organizations.

Altman's model is based on the assumption that a culture - whether personal, corporate, or national - has preference for one basic assumption concerning the nature of relationships at the workplace. This assumption organizes all related precepts: attitudes, beliefs, values, and actions. In this, the model follows a postulate somewhat similar to that of d'Iribarne (1989), who's study is discussed below, and implicitly that of Douglas, whose theories imply that a culture may be characterized by one major configuration, which dictates a social representation and mental construction.

On the basis of Douglas' dichotomy, Altman proposes two dimensions. One emphasizes the degree of the relationship intimacy, and can be seen as a development of the "group" axis; the other characterizes the degree of relationship regulation, corresponding to the "grid" axis. Altman suggests that people carry a certain model of the world, which they obtained at the childhood within their family. This model dictates their pattern of relationships, which they try to recreate everywhere, including their workplace.

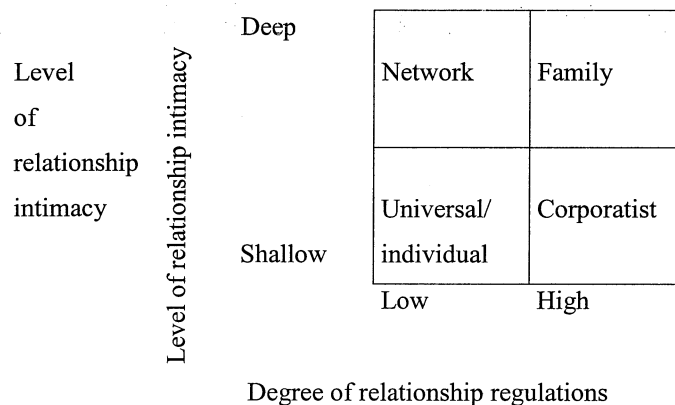


Figure 3.1 A typology of relationships (Altman, 1992).

The model suggests that there are two central questions defining relationships at work: the question of belonging versus the question of independence. Though they are not mutually exclusive, there is always an emphasis on one of the questions.

High regulation – intimate relations: family type organization

In the highly regulated and highly intimate environment the best metaphor for an organization is a family. The roles of the members are clearly defined and can be compared with the traditional family roles: father figure, big brother, little sister, and so on. The head of the organization is seen as a head of the family, with respect and power due to his position. The status can be said to be ascribed rather than achieved, and is associated with age, position, gender, etc. Work colleagues are seen as siblings to be taken care of. Poor performance does not automatically lead to dismissal: it rather determines the tasks assigned to them. There is often a preference for hiring real family members. The employees thus are expected to be loyal to the company: the worst sin one can commit is a betrayal of trust, as the interdependencies created by a family-type relationships are built on trust: there is a parallel here between this configuration and dimension of individualism-collectivism. Loyalty is one of the major conditions for promotion. Relations both within and outside the working context tend to be long-term. The typical organizational crisis has to do with succession – the change of leadership (real or symbolic death of the patron), as well as “sibling” rivalries. This model is prevalent in Latin Europe: Italy, Spain, Greece, some parts of France, but also in Ireland.

Low regulations – shallow relations: universal/ individual type of organization

The opposite to the family type organization is a universal/ individualist type. Interests of the individual prevail over the group interest. The relationships are regulated by universal, and not particularistic principles. The focus is on “doing” rather than on “being”: the ultimate requirement is to deliver results. An entrepreneur, a “self-made man” is a hero in this environment: such people do not belong to elite or have extended family connections and support, their status is achieved by their own efforts only. Achievement is a basis for promotion; MBO is a popular application. Relationships are perceived to be between independent individuals, they are short-term, or rather ad hoc. Mutual interests are the basis for relationships, and they tend to be shallow and flexible. Naturally, deep and long-term relationships can develop as well, but the process of their evolution is different. In organizations, loyalty is not of great importance. Employment is seen as a deal between two parties, and an employee is free to leave if there is a better offer elsewhere. At the same time, the employer can fire the subordinate on the basis of poor performance. The typical

organizational crises arise when there are too many personal agendas and rivalries – top management pushing their favorite projects and looking for their personal (i.e. divisional) interest instead for achieving a common goal. The competition and work-related stress are high. This type of organizations is common for such countries as the USA and the UK.

High regulation – less intimate relationships: corporate type organization

This form of social regulation is based on social conventions or on the common law or customs, like religion or traditions. There is an emphasis on structural regulation of, for instance, working hours and rest periods (lunch breaks, vacations) that are strictly followed. In Germany, for example, vacation times are matched with the personal circumstances: families with school children have priorities during school holidays. Sweden and Norway is another example: both countries have long-standing traditions with similar salary level regardless of industrial sector, company size or location. In Islamic countries, fasting during Ramadan is expected from every citizen, and is monitored at the workplace as well. Relationships are also regulated by custom as defined in terms of the social community. The attribute for success at the workplace is fitting and not sticking out. This is not limited to adhering to the established norms at the workplace, but also includes demonstrating the correct citizen values: choice of house, car, cloths, etc. Commitment is to the workplace, and through it to the community at large, rather than to a position (as in the universal/ individual configuration). Social relations are less intimate than in the family model, although certainly they may develop, particularly since there is institutional emphasis on long-term engagement: in Germany, for instance, it is still considered improper to change job more than four or five times throughout one's working life. However, since social relationships outside work are in the different category, they should not overlap with work relations. For example, people can be on first-name terms outside the office, but address each other formally at work.

Medium (low) regulation – medium (high) intimacy: anomie/ network organization

Altman characterizes this last type as the most complicated of the four because of its unstable nature. The combination of relatively low regulation with intimate social relationships leads to anomie at the social level, and to depression at the personal level. Altman suggests that this results from individuals' perception of being trapped, with no escapes and no alternatives. The

example of such society he gives is Russia under the former Soviet regime. To illustrate, Altman cites Shlapentokh (1984):

“Virtually every Soviet individual is regularly engaged in the infraction of dominant moral norms and laws. Indeed, few could survive in the socialist society without the regular violation of the rules and principles proclaimed by the state. This anomic behavior takes one or two distinct forms. either hypocrisy or cynicism. A growing number of the Soviet people, especially the young, only barely conceal their contemptuous attitudes towards official moral values. On the other hand, a considerable proportion of population, seeking to avoid viewing themselves as selfish and egoistic, resort to a relatively sophisticated mental construction, wherein they find regular excuses for the violation of norms.”

The way to combat this anomie was through the institution of friendship: the creation of personal social support networks. In the Soviet system, Altman suggests, friendship gain the role that superseded the family – sometimes it even undermined it. Moreover, friendship networks acted as an alternative mechanism of wealth creation and distribution in an economy of scarcity. In the network type, relationships are believed to be long-term and involved: this is the ultimate condition for network functioning and development, but it is subject to regular and frequent confirmation of commitment. All the transactions are *ad hoc* and are subject to negotiations and fluctuations. At the workplace, relationships are reproduction of the informal support network, aiming to extend one’s potential contacts in and outside work. A key attribute to success is personal connections: whom one knows, and where one has access: these are the assets to trade. Career opportunities and promotion depend not only on past performance, but also very much on the potentials of one’s current circumstances. While personal relations are emphasized, they are at the same time viewed instrumentally, as well as the workplace itself: everything is a question of transactions and opportunities. Organizational crises are typically a result of a major shift in the power structure that collapses networks, thereby requiring a restructuring and rearrangement of positions, roles and distribution of resources. In a sense, this structure is not unlike family type organization, with the difference that networks are more volatile by nature and more prone to crises than the former.

D’Iribarne’s ethnographic cultural research

These cultural studies, carried out by Philippe d'Iribarne and the group of researchers at the research center Gestion et Société, are performed within the anthropological tradition and include Europe, Africa, and Northern America; I will later discuss the impact of this research on the present study. The assumption this research is built upon is that the organizational life reflects the national culture characteristics, as an organization is a "society in miniature" that reflects the way people cooperate and interact. Thus, studying of similar production units functioning in different countries allows to reveal characteristics of the countries' cultures. The first result of this study was the publication of *La Logique de l'honneur* (The logic of honor) by Philippe d'Iribarne (1989). It included analysis of cultures of France, the USA, and Netherlands. Since then, other European, South American and African countries as well as Quebec have been included in the study.

The research is performed in the form of case studies carried out within the classical organizational sociological approach. This includes field work in the company in order to study the system of independent actors, the technical and institutional environments of the company, their constraints, and the strategies applied by the actors. Data collection techniques involve observation, documents analysis, and interviews; the questions posed do not deal directly with culture. The concept of national culture is evoked at the stage of interpreting the data. The aim of the data analysis is to create interpretations, to understand the societal mechanisms and characteristic traits of each society. The ultimate goal is to obtain a profound picture of a culture, to develop a model associated with the way of living in society and of governing people that is characteristic of the country in question. Below, I briefly present three models: the USA, France, and Netherlands (found in d'Iribarne, 1997).

The US model of the 'fair contract'

In the organizational context, the customer reigns when determining his wishes, but it would be unfair for him to change his mind once the order is placed. The boss is free to determine the goals assigned to subordinates. However, he is bound by the goals he specified, and if they do not serve the firm's best interests, it is his responsibility, and not that of the subordinates. The structure of organization is seen as an interlocking set of contractual relationships with the great importance attached to the decentralization of decision making, to the definition of objectives, and to the evaluation. This outlook can be also found in social legislation. This contractual ideal is associated with a mistrust of the arbitrariness of power and with the

concern of an individual to be judged on well-established facts, not on opinions, on acts, not on intentions, and in accordance with explicit criteria that are well known in advance. It precludes consideration of anything arising out of preferences, feelings, or relationships that are not directly related to the task or obligation.

The French 'logic of honor'

In a French company, each professional group is passionately attached to the privileges and duties determined by the traditions of the group. These traditions, rather than superiors, determine a 'good' way of working, norms and constraints. Not to respect the norms of a group to which one belongs is to undermine the group's honor. While being 'in the service' of anybody, in particular the superiors, is degrading, it is honorable to devote oneself to a cause, or to give service with magnanimity, at least if one is asked with due ceremony. Under such circumstances, the realization of hierarchical relationship requires a great deal of tact and judgment; superiors should not be too involved in the personal affairs of their subordinates, their task is rather to monitor the subordinates' good will. This results in the stratification of responsibilities, with each person master in his own domain.

The Dutch 'consensus'

In a Dutch company, each person has a duty to seek agreement and to honor any agreement achieved. Thus, there is much discussions in order to put forward factual information and persuade others. This way of relationships is rooted in a political tradition of the Union of Utrecht, with each important decision requiring a long process of persuasion, mutual satisfaction, and compromise. This tradition rejects the use of pressure in the society; if a subordinate does not perform as expected, the superior has to use persuasion if he wants the instructions followed. At the same time, strikes are hardly used. If an individual is not satisfied with the situation achieved by the arguments at his disposal, he has no option but to withdraw. Employment turnover is particularly high for this reason. Managers are highly dependent on the spirit of conciliation. They use a great number of consultative procedures in which different hierarchical levels tend to be represented at the same time, which makes it difficult to distinguish between management and worker representatives.

Hofstede's five dimensions

While the models discussed so far are constructed rather within the anthropological paradigm, this one, developed by Hofstede, has been done within social-psychological perspective. During the last decades, Geert Hofstede has been by far the most influential researcher in the development of a theory of national culture. He defined culture as "the collective programming of the mind which distinguishes the members of one group or category from another" (1980). Hofstede suggested that culture manifests itself at a different levels by symbols, heroes, and rituals. At the deepest level, there are values, which are the core of the culture, and are invisible: they exist at the unconscious level. Value is a broad tendency to prefer certain states of affair over others. Hofstede distinguish between desirable and desired values. While these two types of values are not independent, the first reflect what people think should be desired, and the second reflect what they actually desire. Concept of values is central in Hofstede's study: he views them as criteria affecting how action are selected and justified, how people and events are evaluated, and how the reality is socially constructed (Gatley, Lessem, and Altman, 1996). In his seminal study of international work-related values, Hofstede (1980) characterized cultures on the basis of four dimensions:

- power distance;
- individualism versus collectivism;
- masculinity versus femininity;
- uncertainty avoidance.

Later in 1991, he added a fifth dimension:

- long-term orientation.

or Confucian dynamism. This dimension was derived from the Chinese value survey, and is aimed to reduce "Western" bias of the theory.

Hofstede derived first four dimensions empirically from the study performed at IBM corporation in 50 countries and 3 regions. Scores have been calculated from the answers of IBM employees in the same kind of positions on the same survey questions about values. Additional data were collected among managers participating in international management development courses and unrelated to the first multinational business organization. The four

main dimensions on which country cultures differ were revealed by theoretical reasoning and statistical analysis (factor analysis). Scores on each of these dimensions were calculated for each country participating in a survey in order to place countries on the four scales. Originally, indexes on the dimensions were designed to run from 1 to 100 - the interval most countries' score fall into- but a few countries have scores slightly above 100, because they were added to the list after the formula had been fixed. Next I will characterize each of the dimensions.

Power distance

Power distance involves the issue of human inequality, and the way this inequality is addressed in different societies. It concerns inequality in power in society in general, in families, educational institutions, and particularly working organizations. The central question in Hofstede's Values Survey Module concerned subordinates' attitudes towards fear of expressing disagreement with managers. Power Distance index informs us about dependence relationships in a society. In small power distance countries like Norway, Germany and Great Britain, there is rather interdependence than dependence between boss and employee: subordinates feel free to approach and contradict their bosses. In large power distance countries, such as Asian, Latin American countries, and Russia¹, there is large dependence between boss and subordinate: subordinates either prefer this dependence (in the case of an autocratic or paternalistic boss), or reject it completely (so-called counter-dependence). In these cases, subordinates are unlikely to approach and contradict their bosses directly. Hofstede (1994) defines power distance as "the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally".

Power distance dimension has an interesting feature: it is one of the two dimensions for which scores depend on individual's occupation. That means that people belonging to lower levels of organizational hierarchy tend to score higher on power distance than those belonging to management and top management level within one country. The research also showed that such differences are not equally strong among all countries. In the countries with high power distance index, almost all employees tend to score rather high, while in the countries with low

¹ Russia was not included in original research. The scores on all dimensions for Russia are estimations, and were kindly communicated to me the Institute for Training in Intercultural Management (ITIM)

power distance index the gap between managers, showing low scores, and lower level employees showing high scores was relatively big.

The roots of differences in power distance lies in the early socialization stages: in the family upbringing and education. According to Hofstede, "attitudes towards parents, especially fathers, and towards teachers, which are part of our mental programming, are transferred towards bosses". In large power distance situations, children are taught to respect their parents and to be obedient. The educational process is teacher-centered and personalized: the teacher outlines intellectual paths to be followed. If a child misbehaves, the teacher will involve child's parents and expect them to help. In small power distance countries, a child is treated as equal to grown-ups as soon as he is able to act, expected to make his choices and experiment. Teachers also treat students as equals and encourage their initiative. Unlike in the high power distance countries, where older teachers are more respected, younger teachers are seen as equals and therefore preferred.

The patterns of power relationships learned in childhood and adolescence is then transferred into the organizational context. In the large power distance countries bosses and subordinates are *a priori* unequal; power is an essential and is centralized in as few hands as possible. Gaps in salaries and differences in privileges between superiors and subordinates are large, and only superiors are supposed to initiate contact. The boss is liked and obeyed if he is autocrat or a "good father". On the contrary, if he is a "bad father", the subordinates might eventually reject his authority completely, while complying in practice: the relationships are always charged with emotions. Superiors are also supposed to have power because of their age or social status, rather than on the basis of their performance. There is a link to Trompenaars' dimension Achieved Status versus Ascribed Status that we will discuss later. That implies that hierarchical structures with high degree of centralization are a common organizational arrangement.

In contrast, in the low power distance countries organizations tend to have flatter structure. The subordinates and superiors are considered existentially equal; the hierarchy is just an inequality of roles that might be changed: it is a question of convenience. Salary range between top and bottom is relatively small, and bosses are not supposed to have privileges. Status symbols are frowned upon. Unlike in the countries with large power distance, workers might be highly qualified, and high-skill manual work has higher status than low-skill office

work. Younger bosses, like younger teachers, are generally preferred, which is the opposite in the high power distance countries.

Individualism versus collectivism

The main issue here is interdependence in the society and the concepts "I" and "we". In individualistic societies, "I"-concept stands on the first place; people are expected to look after himself or herself and their immediate family; the ties between individuals are loose. In contrast, in collectivist countries people associate themselves with cohesive ingroups, which protect them throughout the lifetime in exchange for unquestioning loyalty. Hofstede found also that individualism and power distance are strongly correlated, i.e. high individualism usually implies low power distance index.

Countries like the USA, Great Britain, Italy, and Norway score high on individualism, while Asian, Latin American, and Slavic countries are collectivist. The relationship between an individual and a group are first learned in the family. Individualism is associated with nuclear family structure, including just close relatives, while collectivism is associated with extended family, including many rather distant relations. In collectivist countries, people live in "within" a group, and the harmony among members is a virtue. Confrontation is rude and should be avoided. On the other hand, in individualist cultures speaking one's mind is essential, and a child learned it very early. The assumption is that clash of opinions will bring out truth. Children become independent on the family as soon as they start to earn their living, and have relatively little obligations to their parents and no to more distant relatives. In collectivist countries, family obligations are not only financial but also ritual, so family obligations might be given priority over organizational ones.

Hofstede associated collectivism-individualism with Hall's (1977) high- and low-context dimensions respectively, and many authors followed him, sometimes using these dimensions interchangeably. The argumentation behind this assumption seems sound: people living within ingroups do not need to put information into explicit code - it is just out there. In individualist societies, however, the communication between people is somewhat limited and more formalized, leading to the need for coded message. Hofstede notes, for instance, that American (a highly individualist country) contracts are much longer than Japanese (a collectivist country). However, these dimensions do not always coincide completely. For

example, Hall (1977) describes Scandinavian countries as low context, and Great Britain as medium context, while Hofstede characterizes Scandinavia as moderately individualist, and Britain as highly individualist; France is both high-context and individualist.

Obviously, collectivist or individualist values apply to organizational relationship as well as to everyday life. Relationship between employer and employee are affected by the fact of belonging to a particular group, with organization regarded as a big family - something considered a nepotism in the West and having a negative value. In individualist societies the relationship between employer and employee is seen as a business transaction: poor performance on the part of the employee or a better pay offer elsewhere are perfectly accepted reasons for terminating work relationships. In collectivist societies poor performance is not a reason to fire the person, but rather a determinant of types of tasks given. At the same time the employee feels obligations towards the employer and can not leave him easily for better pay offer. Management in individualist society is management of individuals, while management in collectivist society is management of groups.

Uncertainty avoidance

Uncertainty avoidance concept refers to how people deal with ambiguity of the future. Future is always uncertain and unknown, but different people tolerate this fact differently. In weak uncertainty avoidance countries uncertainty is regarded as a normal part of life, and rather easily tolerated. People are less stressed, in particular in unfamiliar situations. In strong uncertainty avoidance countries people are more stressed by unknown facts and situations, since they view them as threats which should be confronted. Therefore, aggression may be an appropriate reaction in certain situations. Danger and dirt are the crucial concepts regarding the degree of uncertainty avoidance. They are relative concepts learned in the childhood, and are closely related to the concepts of good and evil. These concepts relate not only to situations, but to people as well. In strong uncertainty avoidance countries different is perceived as dangerous, while in weak uncertainty avoidance countries rather as curious.

In organizational context, people in strong uncertainty avoidance countries feel a stronger need for rules, tend to keep themselves busy, and show less tolerance of different or innovative ideas than in high uncertainty avoidance countries. The paradox is that the rules are not necessarily based on logic, but on psychic need to have them. Thus, they do not need

to be strictly followed. In weak uncertainty avoidance countries there are fewer rules, but they are generally more followed.

Masculinity versus femininity

Values in society are influenced by how roles are distributed between two genders, and which roles the general preference is given to. Masculinity stands for a preference for achievement, heroism, assertiveness, and material success. On the other hand, femininity stands for a preference for relationships, modesty, caring for the weak, and the quality of life. The fact what values - feminine or masculine - are given a priority determines masculine or feminine character of the culture. Although masculinity and femininity has association with male and female, respectively, these dimensions are socially (rather than biologically) loaded. They stand for the values (masculine or feminine) prevailing in the country and thus adopted by both genders. Iran, for example, is quite feminine country, although it is men who show most feminine attitudes like emotions, sensitivity, and intuition, while women are more practical (Hall, 1977). Other masculine countries are for instance Japan, Austria, and Mexico. Russia scores moderately high on masculinity, while Portugal, Netherlands and Scandinavia are feminine countries.

Masculinity scores, like the ones on power distance, depend on the occupation: the more competitive and dependent on individual performance is the job, the higher is masculinity index. People in masculine cultures strive for achievement, and aggressiveness has a positive sign there. Assertiveness is valued higher than modesty, which is a virtue in feminine countries. In masculine societies, people are supposed to "live in order to work", while in feminine societies the idea is rather "to work in order to live". Managers in masculine cultures are assertive, decisive, and aggressive, perhaps slightly macho. Managers in feminine cultures are less visible, intuitive rather than decisive, and accustomed to seeking consensus. Such organization development interventions as quality-of-work-life, humanization of work, and job enrichment are coming from feminine cultures like Scandinavian, illustrating tendency to bring social interaction into workplace. In masculine cultures like the USA, values of personal challenge and of independence are prevailing.

Long term orientation

This dimension, also referred to as Confucian dynamism, was added on the basis of the Chinese value survey, and is aimed to "neutralize" Western bias of Hofstede's research. In practical terms, it refers to a long-term versus short-term orientation in life. Values of the societies scoring high on long-term orientation are quite close to values thought by Confucius: persistence, ordering relationships by status and observing this order, thrift, and having a sense of shame. They are labeled as long-term orientation values since they seem to be more oriented toward the future. The opposing values, oriented rather towards past and present are personal steadiness and stability, protecting your "face", respect for tradition, reciprocation of greetings, favors, and gifts. These values signify short-term orientation. Long-term orientation was scores are available for limited number of countries. China, Japan and other Asian countries score very high. Among European countries, Netherlands scores medium, and Poland and Sweden score relatively low on long-term orientation. Hofstede notes that Confucius spoke of importance of Virtue, leaving the question of truth open, and proceeds to suggest that societies with high long-term orientation differ from those with short-term orientation in that the later focus on Truth rather than on Virtue. Hofstede suggests that the relative success of some Asian countries illustrates strategic advantage of countries that can practice Virtue without concern for Truth, and the advantage of long-term orientation over short-term orientation.

This dimension can explain, for instance, differences in organizational behavior between Eastern and Western companies: if American companies evaluate their results every half a year and even set the CEO salary on this basis, Japanese firms tend to invest into long-term projects and relationships, not necessarily gaining immediate financial results.

The table below lists the key differences between short-term and long-term orientation societies.

Critique of Hofstede's study

Hofstede's study has been criticized on several points. The most common objection is that the data had been collected in a single multinational (IBM), and its personnel may not be representative of other members of culture. There are also misconceptions related to the appropriateness of the samples (Goodstein, 1981; Hunt, 1981). Hofstede argues that using the multinational corporation allows for the control of other variables such as occupation, age,

class, and therefore what is examined is culture. He points out that the measures focus upon differences between samples rather than on absolute numbers. Thus, samples do not need to be large: if a sample is homogeneous with regard to criteria under the study, there is little gain in increasing its size.

Another argument is that Hofstede's concentration on work-related values precludes understanding cultural differences in depth and extent. In his review, Triandis (1982) suggests that a fuller coverage of the topic requires inclusion of other levels of cultural difference involving perception, cognition, and action, as well as inclusion of further dimensions. He also suggests "severe limitations" on the study due to the problems of:

- The answers not being responses to questions derived from unstructured interview with the respondents.
- The meaning of the factors not being independently checked in each country.
- The lack of checks needed to identify possible response styles in the data of members of each culture.
- The absence of multi-method procedure for the measurement of each factor.

Another argument is directed not only at Hofstede's study, but to etic cultural studies in general: describing cultures in terms of a few key indexes does not allow for a deeper insight into each culture (d'Iribarne, 1997). I will develop this argument later in the thesis arguing why I have chosen to adapt anthropological research approach. D'Iribarne (1997) also poses critical arguments with respect to Hofstede's method of index construction. He suggest that, constructing an indicator, Hofstede selects his questions without checks to ensure their neutrality in the respect to each culture. Thus, two or more countries can show similar scores on an indicator due to the different interpretations of the same question or by omitting certain nuances not covered by the questions.

3.3 Research questions developed

In this section, I develop the research questions posed in the Chapter 1. The questions I eventually pose are based on the theory reviewed in this chapter and in Chapter 2. The findings will be presented in the Chapter 5 and Chapter 6.

The initial research questions were:

- What are the cultural challenges related to Norwegian-Russian cooperation?
- How can these challenges be considered in the company's strategy?

After reviewing the theory of strategic management within a company, I concluded that in the international environment traditional strategic management model is not sufficient, and assumed the view closely related to the resource-based view of the company as a basis for the strategy formation for an international company. The idea behind the resource-based view is that when the external environment is heterogeneous and is continuously changing, the company's own resources and capabilities may be a much more stable basis on which to define its identity and which should provide the basic direction for the company's strategy (Grant, 1991). The emphasis is placed on the interplay between the external environmental conditions and the company's internal resources, competence, and capabilities. For the international company, such an approach is much more promising and perspective than just competitive positioning. I then suggested that cultural awareness is one of the essential competencies of the global company. Moreover, it is important for the company to develop skills enabling it to utilize this competence on the daily basis. Sustaining cultural awareness, largely through continuous organizational learning, and its active application in the everyday organizational activities were argued to be an important element of the company's strategy.

Cultural awareness is the knowledge about the characteristics of other country's culture and the risks for cooperation associated with them. Thus, in order to acquire cultural awareness, one should study and describe national culture of the country. To understand the cultural challenges related to Norwegian-Russian cooperation, it is necessary to identify cultural characteristics of both countries: their values, attitudes, norms, the main societal mechanisms and so on, and their reflection in the business practice. The theory on the national culture reviewed in this chapter will serve as a starting point for the analysis. As a next step, it is necessary to analyze how these characteristics different (or similar), and what effects these differences and similarities produce on the communication and cooperation.

On the basis of these reflections, I redefine the initial research questions and pose the following ones:

- What are the major cultural differences between Norway and Russia, in particular with respect to business relationships?
- What challenges do these differences present for the cooperation?
- How can cultural differences between Norway and Russia be addressed to in the strategy of an Norwegian company operating on the Russian market?

Chapter 4 Research process and methodological questions

4.1. Development of the research topic

From the very beginning of my doctoral studies, I knew that by and large my thesis will concern business relationships between Norway and Russia. I became interested in this topic since the autumn of 1996, when I came to Norway as an exchange Master student. At that time, I did not know much about the country, although I did know about the long-existing historical links between Russia and Scandinavia. I was very eager to learn as much as possible about a country which was new for me: I wanted to get to know the people, the way they live, think, socialize, to discover Norwegian traditions, art and culture. During this exchange period, I worked at my Master thesis at the Norwegian University of Science and Technology. As I was doing my studies in the field of international business relationships, and as I had great curiosity about Norway in general, it was natural for me to chose Norwegian-Russian trade and investment relationship as a topic for my Master thesis. At that time in Russia people knew much less about Norway than about the closer neighbors Finland and Sweden, so I was strongly motivated to benefit from the opportunity of being in the country and having access to the depths of information.

After finishing my studies and receiving MSc degree, I was admitted to the doctoral program at the Norwegian University of Science and Technology. By that time, I grew very interested in the subject of Norwegian-Russian relations, and decided to continue the research in this area. During the first year of the doctoral studies, one of the courses I enrolled at was Cultural Understanding taught by Rolf Lunheim, who later took on the part of being my co-adviser. This course covered the inter-cultural aspects of international business: what differs one culture from another, what consequences this has on the ways people from different countries communicate and work together, existing theories about cultural differences, and international management approaches.

Being an exchange student means meeting a lot of people with different cultural backgrounds, in my case Norwegians as well as other exchange students from many countries. Communicating with these people, studying together, talking, sharing social activities, I certainly noticed that everybody was different. Taking Cultural Understanding course was at the same time a discovery and a revelation: it gave an explicit explanation, or at least a background for explanations, to what I so far felt rather unconsciously. The course brought me to read a lot of books and articles about the subject, first the ones mentioned at the lectures or in the study book, then other publications I found. I rapidly became deeply interested in the subject, and came to the idea that I can pursue it in my doctoral research.

Another field I was interested in was that of strategic management. After taking a course on the subject, I did assistant work for it during three semesters, trying to keep up with what is happening in the field by following the publications. I strongly felt that a strategy of an international company can not ignore intercultural aspects, moreover, that they are one of the decisive factors in the strategy success. Interplay of strategy and cultural factors seemed to me a very challenging and captivating subject of research.

At the stage of defining my research topic more clearly and discussing it with my advisor, Olav Solem, who offered me a lot of help and advice in the area of strategic management and internationalization, he suggested that I also look for advice on cultural issues. He had contacted Rolf Lunheim who holds a position of a head of the Industrial Anthropology department at Norsk Hydro. Soon after we had a meeting with him and his colleague, a top manager from the same company, who has long experience in the international business, and in particular with Russia. During this meeting, we discussed the topic of my project in more details. The top manager told me about his work in Russia and with Russians, about his impressions, about both positive and problematic issues that were arising during the cooperation. This meeting confirmed my idea of usefulness of the project I was going to make. I was looking forward to understanding the characteristics of Norwegian and Russian cultures, and the way these traits present themselves in everyday working (and perhaps social) life. I decided to focus on the differences between the two cultures, and the role these differences play in the cooperation.

4.2. Research approach

The research approach in this thesis is determined by my worldview, and thus my interpretation of reality. This implies my interpretation of the concept of culture and the way of approaching and understanding it.

4.2.1 Worldview: socially constructed reality

I believe that culture, as the reality in general, is a socially constructed phenomenon rather than a given property. Attempting to define and to study culture from the social-psychological perspective, one is bound to bring the phenomenon down to the individual and psychological level. However, it seems to me that at this point the concept becomes so narrow that it almost loses the sense: does not culture really exist only within a collective? Are not a definition of culture and a culture itself created by each given society? Does not the concept of culture “become alive” only when we consider it in the context of the society, constructed and reconstructed by the people? As I give a positive answer to these questions, this project is performed within the constructionist paradigm. Within this paradigm, people are seen as social constructors, creating reality on the basis of the shared assumptions. The role of an inquiry is then to understand how social reality is created, and to reconstruct the constructions of people, including those of the inquirer (Giddens, 1977, Morgan and Smirich, 1980).

As I have discussed before, traditionally culture was studied from two perspectives. The first, nomothetic (or etic) approach, is largely rooted in social psychology. It treats as more or less psychological phenomenon; one speaks of studying “influence of culture on behavior” or “the effect of cognition on the behavior”. This is largely quantitative approach requiring clear definition, measurement, and operationalization. The aim is to establish general laws of society functioning; it attempts for universal laws governing large numbers of examples (Hofstede, 1990). The second, idiographic (or emic) approach reflects an anthropological or ethnographic point of view. It tries to analyze the internal coherence of some examples and make sense of them, giving less general but more detailed picture. Here, an attempt to give a definition of culture is believed to be tied to the cultural context from which it came and would need to be understood in this context (Chapman, 1997); hence, one does little operationalization and uses qualitative methods. Nomothetic approach assumes existence of

an objective reality, and adapts a positivist perspective, while the idiographic approach is based on the underlying assumption that the meaning embodied in the peoples' ways of acting and interacting is socially constructed. Therefore, to understand the world, one has to interpret it (Schwandt, 1994).

4.2.2 Research method

Since even in the beginning of the research I held a constructivist point of view, it might seem obvious and natural that I have chosen to adapt the idiographic approach. However, the process was not that straightforward. Well into the project, I was only familiar with the theories that can be placed, with few exceptions, within a nomothetic paradigm (this is somewhat reflected in the previous chapter and in the interview guide). A number of factors contributed to that, for instance, my background as an industrial, rather than social, economist, and the profile of the department of the NTNU where I was working at my dissertation. Also, as a Scandinavian university, NTNU has its research traditions deeply rooted in the Anglo-Saxon culture; thus, cross-cultural management studies grown out of North-American social psychology are better recognized there than continental anthropological and ethnological cultural studies. It was not until my research stay at Gestion et Soci  t  , CNRS, France, that I got familiar with the second approach.

Until that, I was trying to fit my research into social-psychological, quantitative approach, attributing the misfits to my lack of knowledge and experience. Even though I was quite sure that explorative qualitative study was the most useful one for this research problem, and that the grounded theory methodology would provide me with necessary freedom and flexibility, I was still trying to figure out how to apply already established dimensions of culture. I felt that a few indicators can not possibly explain all the nuances of culture, all the sophisticated societal mechanisms. Regarding closely the results of quantitative studies, such as the one of Hofstede, I could not help noticing some inconsistencies between the country scores and the actual behavior of people. It is not uncommon that two countries, which score similar on some dimension, demonstrate similar attitudes and behavior in some of the situations that are supposed to be characterized by this dimension, while demonstrating surprisingly different behavior in other situations (still described by the same indicator). Trying to solve this, I thought that an answer is establishing other indicator or perhaps combining the existing ones.

Discussions with Philippe d'Iribarne et Jean-Pierre Segal, researchers at the Gestion et Société, and the reading they suggested helped me to discover different research tradition: an emic qualitative approach. I have found that this approach provides a deeper insight than the other one even if it produces less general (at least at the global level) results. While necessarily involving smaller samples, it leads to more precise understanding of the societies under investigation (d'Iribarne, 1997). It is true that it does not give the same impression of objectivity as the nomothetic approach, which uses quantitative methods, providing appealing in their generalizability and logical minimalism results, with the reality elegantly described in terms of a few key indicators. However, this is because the considerable subjectivity of the choice of the questions used in quantitative approaches is more easily concealed under the apparent objectivity of the figures (d'Iribarne, 1997).

Cross-cultural management studies, as they developed, were strongly influenced by the social-psychological models that lay behind mono-cultural management studies. As social psychology was originally a mono-cultural subject born out of and concerned with North American thought and life, it was ill-prepared for the exercise of multicultural or cross-cultural analysis (Smith and Bond, 1993, in Chapman, 1997). Social anthropology, with a far deeper experience of cross-cultural analysis, was for a long time more or less ignored as a source of inspiration. Its ethnographic style was not easily build into the positivist models that dominated business and management studies; its profound concentration upon single examples did not lead to generalizing or predictive conclusions. Moreover, social anthropologists had made only limited attempts as a subject to reconcile itself to the modern world. Therefore, this potentially fruitful approach for cross-cultural management studies lacks experience and clearly accepted conceptual framework.

Under such circumstances, there is a clear impetus for an exploratory case study. This is an approach that is implied when the existing paradigm is seen to be inadequate due to the misfits between observations and expectations, out of a curiosity to explore further, and where there is little in the way of a homogenous code of procedures for demonstrating the correctness. Inquiry is approached inductively, more as a craft than as a science, but this does not mean lack of the concern with the method; on the contrary, inquirers have to work hardest of all at method in this condition because of the heterogeneity of codes and lack of clearly accepted conceptual framework (Butler, 1997).

Studying Norwegian and Russian cultures and their interaction becomes then a matter of understanding and interpreting the meaning embodied in the way people act and interact; the interpretation becomes an essence of the inquiry. This research requires a methodology where analyzing and reflecting the data against the conceptual framework are the processes that go in the parallel rather than one after another. This inductive approach is known as grounded theory. Grounded theory is the one that is inductively derived from the study of the phenomenon it represents. One does not begin with a theory, then prove it. Rather, one begins with an area of study and what is relevant to that area is allowed to emerge (Strauss and Corbin, 1990). That implies that the theory is built from the observations and data collected on the ground rather than imposed from above by deductive thinking.

The central idea of the grounded theory methodology is a continuous interplay between data collection and analysis; that is, it is discovered, developed, and provisionally verified through systematic data collection and analysis of data pertaining to that phenomenon. Therefore, data collection, analysis, and theory stand in reciprocal relationship with each other (Strauss and Corbin, 1990). The goal is to construct theoretical conceptions emerging from the analysis. This approach is particularly useful when the area of study has not been the subject of systematic investigation yet, and the researcher finds the existing conceptual network not sufficient to describe and to explain the phenomenon. As well, it can be used in the areas where the paradigm has not been yet established, and the researcher feels that the theories developed so far miss something.

In my case, I find that even though the existing theories about national culture and cross-cultural interaction may provide a good background, a more focused (on a particular case) study is needed. In the field of intercultural studies, Hofstede's work has nearly become a paradigm for further research. Much research takes Hofstede's dimensions and scores as if they were a positively and finally established feature from which other research can grow (Chapman, 1997), overlooking discrepancies existing within the study's results. Here, I share Chapman's view that it might be better to regard Hofstede's findings as highly provisional and open to the criticism on all the intellectual fronts that can be open between questionnaire-based psychology and ethnographically based social anthropology.

As I follow rather ethnographic approach (for the reasons I have discussed earlier in this section), my research does not take the existing dimensions, concepts, and conceptual dimensions for granted. Thus grounded theory becomes a highly useful approach in this study: it allows to develop the concepts and to build up the explanation of the societal mechanisms.

I am not claiming to make no use of the existing theories on the subject; in fact, the point which is most likely to be addressed by opponents of the grounded theory as a scientific approach is that it is unrealistic not to start the research with familiarizing yourself with the existing concept, categories, and theories, and not to hold any assumptions or even hypotheses. Strauss and Corbin (1990) argue that it makes no sense to start with received theories or variables: “If you begin with a list of already identified variables (categories), they may – and are indeed very likely to – get in the way of discovery. Also, in the grounded theory studies, you want to explain phenomena in light of theoretical framework that evolves during the research itself; thus, you do not want to be constrained by having to adhere to a previously developed theory that may or may not apply to the area under investigation.” Such statement provokes arguments against the grounded theory from the proponents of more positivist and deductive approaches.

However, when one reads Strauss and Corbin’s works more carefully, one discovers that they do not propose that the researcher disregards the literature existing on the subject under investigation. They do say that it makes no sense to start with “received” theories or variables, but then they continue – and it is important – “unless of course your purpose is to open these up and to find new meanings in them”. Moreover, they say that if some of the concepts and categories determined by others turn up repeatedly in the literature, a sensible researcher will bring them to the field and look for evidence whether or not these concepts and relationships apply to the situations under studying, and if so what form they take there. Strauss and Corbin suggest that if one is interested in extending an already existing theory, one might attempt to uncover how it applies to new and varied situations, i.e. verify it against the data gathered in the study. In intercultural research, there is a number of categories describing culture that have been used extensively over a long period of time: collectivism, power relationships in the society, attitude to time, particularism and so on. These concepts are widely accepted by researchers, and I see no reason to reject them as they have proved their value and usefulness. Another use the researcher can make of literature is to use it as a source of secondary data for

his own purposes. Furthermore, they suggest that one can use literature in order to derive an initial list of questions that one wants to ask of his respondents, although this list may change as the research progresses. And, last but not the least, the literature can be used as a supplementary validation of the research results.

Having said all this, I can conclude that in my opinion the main difference between the way the grounded theory and more positivist approaches use existing theories and literature is that the latter suggest studying literature before beginning the research, while the former assumes that the researcher comes back to the literature constantly, staying “tuned” and in connection with what has already been done in the field. Another but closely related to the first difference is that traditionally the researcher is expected not only to study the literature in the beginning of the research project, but he is also expected to generate the theoretical propositions (largely on its basis). However, even such “established” positivist as Yin (1984) admits that some studies have a legitimate reason for not having any propositions. This applies to the studies where the topic is the subject of exploration: that is exactly the kind of studies where, according to Strauss and Corbin, the grounded theory is a useful methodological tool. It allows to study relatively narrow – as an interaction between two cultures in the business context seems rather narrow compared to a study of a large number of national cultures - in-depth. Moreover, as a doctoral dissertation has its natural limitations, I believe that within its frame, the in-depth qualitative study on the subject in question provides deeper insight and higher quality results than a quantitative study on a large sample.

In this thesis, I used the literature in a variety of ways. To begin with, the literature on culture and intercultural communication and management played an important role in generating and shaping the research idea, and helped to formulate the research questions. I also used works on national culture to familiarize myself with existing concepts, frameworks, and theories in the field. For the reasons discussed above, I did not take the dimensions and indexes established by this research for granted. However, a few of the concepts, such as for instance individualism, hierarchical distance or time horizon, that are widely employed in both anthropological and social psychological texts, are well-established and reportedly useful, so it would be pointless to deny them. My goal here was to apply these concepts to the Norwegian-Russian context and see what form they take, trying to look deeper under the surface.

Regardless of in what domain one does the research and which approach one follows, there is always a number of concepts and categories that already exist, even if just the basic ones. What distinguishes qualitative research in the constructivist paradigm is that here the way the researcher uses and interprets these categories is essential for the outcome of the research. The constructivist approach assumes that the researcher interprets reality and constructs his representations on the basis of observations as well as of interactions with people involved with his study (the actors). Thus, there is constant interaction between the inquirer and the actors, influencing the perceptions of both parties – the phenomenon referred to as intersubjectivity. Then the outcome of the research greatly depends on the way the researcher interprets the data he or she has obtained. At the same field of study, no researcher would obtain the same results and make the same interpretations: they are influenced by his worldview, background, previous experience, etc. In the intercultural study such as the present one, much depends on the culture of the inquirer; it is no doubt that my Russian culture has influenced the process of inquiry and data interpretation.

Cultural bias related to the inquirer own culture is invertible in any intercultural study. However, I hope to have extended my view by reading the texts on Russian and Norwegian cultures, which were a useful source of information and helped me to obtain better understanding. They have also provided me with the secondary data for analysis and examples of research approaches other researchers have been using. These literature as well as the theories on national culture were of great help for generating the questions that I was going to discuss with people during interviews. The theories reviewed in the previous chapter have also deepened understanding of the field, the approaches, the research problems and provided the conceptual frame. Following the grounded theory approach, however, I avoided applying any of them directly or checking my data against them.

4.3 The research process: interviews and analysis

Below I discuss the research process: data collection and analysis. As I have said above, this study is of exploratory nature. I used a qualitative approach, with interviews as a major source of data characterizing Norwegian and Russian cultures and the interaction of people with these two cultural backgrounds. Two of the respondents are researchers (with previous business experience) who have Russian culture and economy as the field of their research.

Thirteen of the respondents are managers, nine in the middle and four in the top management positions, working for Norwegian companies. Of those thirteen five have an engineering background, the rest have economical, sometimes combined with social sciences, background. All except for one are working for large companies. Five of the respondents are working for the oil, gas and offshore industry, two for the telecommunication industry, and the rest for the companies involved in trade or investment activities. Some of them are or were also providing consulting services for companies that wished to enter the Russian market. Eight of my respondents have experience of living abroad, for the periods varying between one and fourteen years. Seven of them have experience of living in Russia (the shortest period being nearly a year and the longest is about ten years). The rest have not lived in Russia, but had more or less frequent, sometimes on a daily basis, contacts with Russian partners or colleagues.

My advisors helped me to establish contact with the first respondents; those, in turn, recommended me their colleagues, friends or acquaintances having experience of working with Russians. I have conducted fourteen face-to-face interviews; one interview was carried out over a phone. The number of interviews is relatively limited; however, in exploratory qualitative research, a few long unstructured interviews can provide a wealth of information (McCracken, 1988). The shortest interview took around one hour, the longest - a little longer than three hours; most interviews lasted around two hours. I tape-recorded most of the interviews, and in the cases where people were against tape-recording, I took the most detailed notes possible, trying to record exactly what people were saying, completing the notes straight after an interview. I found tape-recording very useful because it allowed me to fully concentrate on the conversation while being sure about keeping track of what was said and the way it was said. I carefully transcribed all the interviews. I also had a number of informal discussions with the people closely familiar with the subject of Norwegian-Russian relationships, mostly assistants or colleagues of the people whom I interviewed. I took the detailed notes of the conversations as soon as I could after, and then transcribed them.

Since my purpose was discovery rather than testing, I have chosen unstructured or semi-structured interviews over the structured interviewing. Structured interviewing would have meant that I entered the field with the predetermined concepts and categories, formulated the questions on the basis of those, and let the respondents to confirm or reject it. On the contrary, what I wanted to do was to let the people I spoke to provide me with the maximum of

information regarding their perception of the two societies and their interaction. When one follows the constructivist approach, the primary issue is to generate data which give an authentic insight into people's experiences; the main ways to achieve this are unstructured, open-ended interviews (Silverman, 1995). Talking to the interviewees, I wanted to hear about their experience of working together with people from another country. I asked how the first contacts went, how they developed with time, what were their positive and negative impressions, if there were any misunderstandings or problematic issues and how they got resolved. I asked people to think of some concrete situations from the past which they believe can say something about this intercultural communication or demonstrate some characteristics of the other culture that are different from those of their own. I wanted them to describe their reaction and the way to handle the situation, as well as to tell me how they made sense of it.

Some people were absolutely at ease with such approach and spoke easily about their experience, making the examples of situations they found remarkable. However, I soon experienced that not seldom the interviewees, after mentioning a few things that they found characteristic of the other culture and of Norwegians and Russians working together, were expecting more precise questions. Thus I found it useful to use an interview guide that provided the topics to address. I never followed it literally, using it rather as a reminder of which topics to discuss and talking in a conversational manner; this is the approach referred to as focused interviewing (Yin, 1989).

I asked people about their first impression of another culture, and then referred to more specific cultural features, asking them to describe these features in their own country, and in the other one. Sometimes we were talking about the organizational issues, but often people switched to talking about the society in general. For instance, I asked about the power relationships and hierarchical structures, about the delegation of responsibilities and the nature of boss – employee relationships. We talked about the relationships between the people in the collective: how do they relate to each other, where does the border between “me”, “we” and “they” lie. We discussed rules and regulations in the society; attitude to time and time horizon. I also asked questions about the conflict situations, about the style of decision-making, about the separation between private and public life. Even though I had an interview guide, the course of each interview was different, since all the time I tried to create the atmosphere that allowed the people to discuss freely the impressions and issues they felt were important. Formulating the questions was not an easy task. I needed to direct an interview, but

I wanted to avoid the phrasing that would implicitly suggest the possible answer or interpretation to the interviewees, would “put words in their mouths”. I attempted just to suggest the topic for the discussion without offering my own concepts and categories.

Each interview added something to my perception and understanding of the subject and gave me some new ideas, which in turn directed the questions I was asking the following interviews. Also sometimes, I felt that I needed to read more about the subject we were discussing during the interview to be able to interpret it.

Working with the transcripts of the interviews, I studied each one in detail, underlining statements I found important, doing remarks on the margin, and categorizing the statements. After, I created a file for each interview, where I kept all the statements I found significant, regrouping them according to the categories I identified. I also made my comments and interpretations for each category. As I will discuss in more details in Chapter 5 and 6, I came to identify the following categories and subcategories:

- Hierarchical structure
 - Hierarchy or egalitarianism
 - Delegation of responsibility
 - Decision-making
 - Instructions

- Rules: personalized versus universal approach
 - Great number of nominal rules
 - Literal interpretation
 - Personal network replaces formal one
 - Agreement
 - Trust

- Separation and mixing. Collective, group, and individual
 - Togetherness
 - Social aspects in business
 - Separation and mixing
 - Jantelov

- Separation by status
- Status: power or authority

- Arranging time and actions
 - Planning
 - Polychronic time

- Soviet heritage
 - Service notion
 - Lack of business competence
 - Suspiciousness towards foreigners

One of the challenges in interpreting the data was to stay alert all the time of the danger of taking the interpretation given by the respondents for granted. It is natural that each person I talked to had his own opinion and estimation of the features and issues he was talking about. However, some of them made attempts to analyze the situations objectively and to give so to say sociological explanation by putting things into historic or societal perspective, rather than offering just the evidence and his impressions. In some cases, it was difficult not to give in to the temptation to assume them being correct a priori. This is a well-known trap for the one whom Silverman (1995) calls “naive” researcher: the belief that the limits of structural sociology are overcome by an open-ended interview schedule and a desire to catch “authentic” experience. Or, worse even, to take the actor’s point of view as an explanation, because this would be to equate common sense with sociology. Only when such a researcher moves beyond the gaze of the tourist, bemused with a sense of bizarre cultural practices, do the interesting analytic questions begin (Silverman, 1995). The solution lies in posing critical questions, nether taking anything for granted, questioning any possible solution and explanation, particularly those that look “obvious”. Consistency of judgment is important, “the exceptions” should be taken seriously, as they may lead to the deeper insight.

There were some pitfalls on the way of the analysis, which every researcher is probably familiar with. At the first steps of the analysis, some characteristics and features were more evident, more “articulated” than others, so that it was challenging to resist the temptation to explain them in terms of a few categories or dimensions that are often used in the inter-cultural literature. At the same time, some pieces of evidence seemed strange, not conforming

to the expectations which I had on the basis of existing theories. As I have said before, I did not want to blindly follow the concepts and categories already suggested by other research, but however making use of the existing knowledge base on the subject: the challenge was to keep the appropriate balance.

4.4 Questions of trustworthiness

The main question of trustworthiness is: “How can an inquirer persuade his or her audiences (including self) that the findings of an inquiry are worth paying attention to, worth taking into account?” (Lincoln and Guba, 1985) Traditionally, the quality of research is judged in terms of internal and external validity, reliability, and objectivity. These criteria belong to the positivism paradigm, and are much taken for granted by physical and biological scientists. Within this paradigm, one assumes the existence of an objective reality, where the cause-effect relationships are independent of human actions and interactions, and obey the general laws.

While this assumption is valid for natural sciences, it can not be applied to qualitative studies performed within a constructivist paradigm, which suggests the existence of multiple realities constructed by the interaction of the inquirer and the actors. When reality is a set of multiple subjective constructions, trustworthiness can not be evaluated according to the conventional positivist criteria. Lincoln and Guba (1985) suggest instead the criteria of credibility, transferability, dependability, and confirmability; these criteria correspond validity, reliability and objectivity criteria of the conventional research. They also suggest the use of the reflexive journal as a technique ensuring all the forms of trustworthiness. Below I discuss trustworthiness of my study in terms of these criteria.

4.4.1 Credibility

According to Lincoln and Guba (1985), there are certain techniques that ensure credibility of qualitative research. First, there are activities that are aimed at increasing the probability that credible findings will be produced. They include prolonged engagement, persistent observation, and triangulation. Another activity is peer debriefing; its goal is to provide the

external check of the study process. Negative case analysis is designed to redefine and precise the hypothesis during the research process. Referential adequacy is the technique that allows to check preliminary findings against archive raw data. Finally, member checks allow to test the findings with the persons from whom the information came. In the discussion of trustworthiness of my research, I will concentrate on the techniques which I found the most appropriate for my study: prolonged engagement, persistent observation, triangulation, and peer debriefing.

Prolonged engagement is a means to establish credibility through spending sufficient time on getting familiar with the research setting, understanding the context, its features and details, getting “into it”, and minimizing distortions. As my study is based on a number of interviews, one can not speak about the prolonged engagement in its literal meaning: I did not participate in the day-to-day working practices observing cooperation between Norwegians and Russians. However, this way would not provide me with the data as rich as I have obtained by the means of interviews. Normally, in each Norwegian company there are few or just one person who work closely with Russians, and even they often do not have everyday contacts. Thus, to ensure prolonged engagement in its literal meaning, I would have to spend much longer time when I have had in my disposition. Moreover, by observing I would primarily gain the knowledge about work practices, while I was rather interested in the constructions of people, their perception of reality as I consider culture a socially constructed phenomenon. Thus, interviews during which I have talked with people about their impressions about the culture, their experience was the best technique for studying this research problem.

At the same time, if one departs from the literal meaning of prolonged engagement and concentrates on its main aim and idea - to provide extensiveness of the research – one can argue that this aim has been reached. Interviews allowed me to talk to a larger number of people that I would meet in everyday context of one or two companies, and their long duration and flexible structure let the conversation concentrate on the features that are the most important for studying the subject. Moreover, I have been conducting the interviews over a period of more than one year, and I have been informally speaking to the people with some knowledge on the subject and reading the publications during all the period of my doctoral studies. This way, I could get “a feeling” of the subject, understand the details and nuances.

I must note that I have had one “distortion”: that is excessive carefulness on the part of my respondents. Nearly all of them were very careful about not being negative about Russians and Norwegian-Russian cooperation. This was not due to the political reasons, as the interviews were conducted under the confidentiality condition. Of no doubt my own Russian nationality have played its role here. However, I believe that there was more to it: it was also a natural desire not to see different as negative; perhaps people felt this even more than usual considering the intention of my thesis: to try to reduce the gap between the two cultures. Such Norwegian characteristics as conflict avoidance and need for consensus also played the role. Very often I experienced that people were trying to “soften” what they were saying – not always an easy task when one talks about problems and misunderstandings – by using expressions “a little bit”, “maybe”, “perhaps” and so on. They were also trying to say something positive after a negative comment. Many have mentioned the richness of Russian culture in terms of art, music, and history. However, I believe that this did not prevent me from understanding where the problems and challenges are as the issues were raised anyway. On the contrary, the way the Norwegians have talked about Russians reveals at least as much about themselves as about Russians inexplicitly. Thus, this “distortion” has helped me at the same time.

Persistent observation technique allows to sort out irrelevancies in the research context, and to concentrate on the most relevant features. The most important and the most difficult task here is to understand what features are typical and important for understanding the culture. Each time you have an evidence of a societal characteristic, the question is if this evidence is a feature of the society, or just a single situation. Furthermore, some features are not typical of a society under investigation, but of all the societies under certain circumstances. For instance, I have been told that Russians do not have a work ethics to submit a periodic report to the Norwegian headquarter. This feature, though could be considered a difference in work ethics between Russians and Norwegians, is actually rather the typical organizational problem: a conflict between the center and the branches caused by the centralization of power. Another example is the fear of Russians to contradict their Norwegian boss. It is true that in Russian society there is a strong misbalance between the power of the boss and the subordinate, and the boss plays somewhat patriarchic role. At the same time, such attitudes are present in all the societies in the difficult economic situation: the value of well-paid job in the foreign company increases the fear to loose it, and thus to make a mistake, to displease the boss.

To decide which details are characteristic of the culture and relevant for analysis, and which are not, one needs to go deeper in the issues, increasing his or her involvement gradually but continuously. When I first started to conduct interviews, I had the ideas that were based on my own experience of on what I have read and heard on the subject. I tried to talk about all possible issues in order to understand which were the most important ones, and in which direction I will go further. This is an approach typical for the grounded theory, as it does facilitate persistent observation. Gradually, progressing with the interviews and thinking over what was said during them, I started to see the issues, I was able to formulate the categories and to concentrate on them in the following interviews.

When one just at the start of the process of research (and analysis, as they are interconnected within the grounded theory frame), the image that one constructs risks to be no more subtle than that of a traveler in the new country. It is often no more than a common stereotype. The real analysis starts only when one departs from this image. (d'Iribarne, 1998). To achieve that, one has to continue to go further in his research, to be sensitive to the data, to explore the critical ones in more detail, at the same time sometimes returning to the old data looking at it "with the new eyes". It happens that the matters that look totally atypical turn out to be the most important ones. In fact, the critical characteristics often look that way first. Thus it is important to consider contrasts, to find what does not fit into pattern, and to look for coherence within seemingly contradictory facts (Lincoln and Guba, 1985; d'Iribarne, 1998). During my work, I was continuously analyzing the data I have had at each moment, directing the further research according to the findings. Thus I believe that the categories, issues and concepts which I ended up eventually are the most important and relevant ones due to the prolonged engagement and persistent observation.

Triangulation is used in order to increase the probability that the findings are credible. It includes employment of different sources, methods, investigators and theories (Denzin, 1978 in Lincoln and Guba, 1985). The main data sources of my study were interviews, informal conversations with people, and various published materials. The data collected during the interviews is the main source of information; this was also the main material of analysis; it made possible providing the "thick description" for a reader. Informal conversations were naturally never recorded and transcribed, though I did write down my impressions and reflections. These conversations helped me to direct my research, especially in the beginning, gave me ideas about the important issues to take upon in more detail in interviews, and also

helped to confirm or reject some of my conclusions. The advantage of those was that people did not feel the pressure of the interview setting, however informal it was, and felt absolutely at ease talking to me. The publications I have read on the subject were of very different nature: books dealing with the cultural and societal issues in Norway and Russia, articles in the academic magazines, articles in the popular magazines and newspapers describing some particular situations. I was quite surprised to discover that the number of academic publications on Russian culture is rather limited; however, I have found even anecdotic newspaper evidence useful.

The external check of the study process is provided by peer debriefing. Lincoln and Guba (1985) define it as a process of exposing oneself to a disinterested peer in a manner paralleling an analytic session. The purpose is to explore aspects of inquiry that might otherwise remain only implicit within the inquirer's mind. I had a few occasions for peer debriefing during the work on my thesis. Throughout the whole period of work, I was getting a feedback from my advisor. This helped me to define the research problem and questions, to choose the research method and to conduct the interviews. When I was in the middle of the research process I had a meeting with my both advisors where I have presented what I have done till that moment and what I was going to do further. This meeting required preparation of a presentation, so thinking about it and preparing helped me to structurize my thoughts, to look at my projects from a bit different angle, and thus contributed to the progress of the research.

During the time that I spent at the research center Gestion et Société, I had frequent informal discussions with the researchers there. They were not specifically familiar with neither Norwegian nor Russian cultures, but had long experience of intercultural research, so talking with them helped me to discover concepts and ideas that I was not thinking about before, and to gain deeper insight into the research problem. I believe that it also helped me to reduce the research bias caused by my own Russian cultural background. They have also read the transcripts of some of the interviews, and we discussed it in detail. These discussions taught me to pay careful attention to the words of the respondents: one can reach understanding concentrating on what the respondents said, but one can deepen the understanding by regarding how they said it, what words and expressions they used and how they used them. These discussions have also challenged some of my ideas.

I had another opportunity for peer debriefing during a presentation of the preliminary results of data analysis for a group of doctoral students who participated at the seminars at Gestion et Société. The students were given the transcripts of some of the interviews, and we exchanged ideas about interpreting these interviews. Finally, when I was ready with the first version of the data analysis, we had discussed it at the meeting of the researchers of Gestion et Société. All the researchers have received the chapter of data analysis in advance, and after my short presentation, everybody gave his or her impressions and reflections on it, suggested what could be done more, which parts could be improved. We discussed some points that seemed problematic or not clear.

4.4.2 Transferability

Transferability of the results of the qualitative research can be insured by providing a thick description of the research results (Lincoln and Guba, 1985). Lincoln and Guba suggest that a researcher's task is to provide a thick description that enables someone interested in making a transfer of the results to reach a conclusion about whether the transfer can be possible. At the same time, they point out that there is no strict definition of what a thick description is: the aim is to provide the data, the description that makes it possible for potential users to make a judgment about transferability. Thus, it is not the researcher, but the reader who makes judgment about whether the findings can be applied in another context. In this project, I have used a large number of citations in order to allow the reader to make judgments on the basis of what exactly the respondents have said. I have also described some cases in detail that I found sufficient to confirm the criteria of transferability.

4.4.3 Dependability

The criterion of dependability deals with the degree to which the findings and interpretations of the inquirer depend on himself, that is on his background, his theoretical positions, interests, culture, etc. I believe that dependability is one of the specific features of my thesis due to my Russian nationality and cultural background. As the project is performed within a constructivist paradigm, the reality is believed to be constructed by people on the basis of the shared assumptions. My role as an inquirer was then to understand how social reality is

created, and to reconstruct the constructions of people, including my own ones. In this thesis I provide the description of the main characteristics of Norwegian and Russian cultures, and outline the differences between these cultures. No research can be culture-free, and this is particularly true in the case of this project. As my interpretations were constructed through the interplay of the constructions of the Norwegian respondents I have been talking to and my own ones, it is certain that they are influenced by my Russian cultural background. Analyzing the data, I naturally used not only the secondary sources to create representation of Russian culture, but also my own understanding and knowledge about it. One could argue that this brought the bias into my research, but I believe that peer debriefing helped me to become aware of and control it. Moreover, I believe that my Russian background and my knowledge about Norwegian culture and society acquired during the years I have spent in Norway, have helped me a lot in my analysis.

4.4.4 Confirmability

The conventional research criterion of objectivity is replaced by the criterion of confirmability in the social constructivist paradigm. The solution of the objective-subjective dilemma is typically believed to lie in putting intersubjectivity in the center of the inquiry process (Berstein in Butler, 1997). Intersubjectivity is reached when there is an agreement between an experienced collective: the inquirer, the actors, and the audience. The interaction within this triangle includes observation and interpretation on the part of the inquirer with regard to the audience, and interpretation and persuasion with regard to the audience. Thus the inquirer plays the part of a go-between, linking actors and audiences. Truth, Butler argues further, is then constructed by means of demonstration before audiences; the confirmability is reached when the audience is persuaded in the quality of the data and the interpretations.

The main technique to ensure confirmability, according to Lincoln and Guba (1985) is the audit trail. The confirmability is supposed to be reached if another person, on the basis of reexamining the data I have collected, will come to the same conclusions and create the same interpretations as I did. I could not, however, employ this technique, since all the interviews were conducted under the condition of confidentiality – the condition that made it possible for the people to share their thoughts and experience openly. Moreover, as a follower of the constructivist approach, I believe that since my interpretations are created on the basis of

social constructions of both the respondents and myself. My constructions, as I have mentioned before, are influenced by my own cultural, social and educational background and experience. The same argument applies to the respondents; their experience of working with Russians is determined by the type of cooperation, the industry, the size of the company, the context, and so on, which in turn influenced their own constructions. Thus, the interpretations of any other person under other circumstances would not be exactly the same.

4.4.5 Reflexive journal

Finally, Lincoln and Guba (1985) suggest one particular technique that ensures all the forms of trustworthiness: the use of the reflexive journal – a diary where the researcher notes his or her observations, thoughts, impressions and so on. During my research, I took notes of what I was doing, what I planned to do further, which people I have met and talked to, my reflections about the meetings, materials I had read, the theoretical points. I did not do it strictly on the daily basis, the frequency of the notes depended on the kind of work I was doing at the moment: I took more frequent notes during the data collection period. Putting my thoughts into writing helped me to create the structure and to progress with my research, made my thinking more explicit, thus increasing trustworthiness of the research.

4.4.6 Conclusion

During the research process, I used a number of techniques discussed above to ensure trustworthiness of the study. Credibility was achieved by means of prolonged engagement, persistent observation, and triangulation, while peer debriefing allowed to verify the quality of the data and the interpretations. I have provided a thick description in order to ensure transferability of the data. The dependability of data is reached largely due to my cultural background and knowledge about the societies in question. Finally, the use of reflexive journal reinforced the trustworthiness of the study. Thus, I conclude that the study is trustworthy.

Chapter 5 Norwegians and Russians: working together

“Impossible is possible in Russia, and possible is impossible ”

Rune Castberg (1998)

In this chapter, I present the results of the analysis of the data that I have collected during the interviews. I also rely on the secondary data such as newspaper articles and publications regarding Norwegian and Russian cultural traits and/ or specifics they demonstrate on international business arena.

The text is structured round the central categories and issues characteristic for the cultures. My purpose was to provide a description of each culture focusing on the main traits and their interplay. I do not claim to have created the elaborately detailed model - a task too ambitious for a doctoral thesis; however, I believe that it presents the essential features and mechanisms of the societies. I also demonstrate what problematic issues are raised by these differences and what effects they produce on Norwegian-Russian cooperation.

5.1 Hierarchical structure

5.1.1 Hierarchy or egalitarianism

The issue that was raised most often during the interviews, and sometimes even the central theme of the conversation, is the hierarchical structure of the companies and power relationships in society. A Norwegian manager described: “In Norway, we are very much more consensus seeking, we like to do things in a very democratic way, we like to have everybody with us in our decisions. In Russia in my opinion it is much more hierarchical, more top-down. If you are a boss, then you are a boss. Then you are a *sovereign* and you are the one that has something to say.” Another one put it even stronger: “Organizations are very

hierarchical. The top manager is a *king*. And he comes to the meeting and says: “You have to do this, and you have to do that”, shouting maybe, and dictating. There are *mini-dictators* in each company.” The hierarchical distance between boss and subordinate in the Russian company has negative connotations for Norwegians: the nouns they use to describe the boss reveal it clearly: “sovereign”, “king”, “mini-dictator”.

This is the aspect in which Norwegian and Russian societies differ dramatically: while Norwegian is an egalitarian one with a flat societal and organizational structure, Russian society is much more hierarchical, with complicated power relationships between the levels. All my Norwegian respondents found this difference rather striking, and have commented on it. In the organizational context, this aspect is reflected in the boss-subordinate relationship. In the Norwegian company, the emphasis is put on the democracy, with egalitarian relationships between boss and subordinates. The inequality is just the inequality of roles, functions people perform. The role of manager is to coordinate cooperation of the subordinates. Cooperation, interaction, team work are seen as essential for organizational performance. The boss is considered as one of the colleagues, who can be equally right or wrong. His status is defined not *a priori* by his top position, but by his working experience. Thus, the symbolic distance and inequality of status between boss and subordinate in Russia seem to Norwegians even more dramatic as they might believe that it is based on fear: “I have seen how people treat their boss, how they talk to him, how they call him by name, and how people react: if he does like this (a hand gesture), they leave. I think it is much more open here, and where I have been working there is always open doors to the management, you come in, and you talk to them, and you are on the first name terms, and you are allowed to express your opinion without *fear*... I think there is a big difference there, and it is not always for the best.” Another one, a manager with an engineering background and with more than a dozen-year experience of working with Russians, stated: “It is the culture of bosses versus subordinates, and the subordinates are *scared* of the bosses”.

Another Norwegian, who has been working in Russia for a long time and speaks the language fluently, came to better understanding and acceptance of this: “In Russia, the word of the boss is the law, and I think very often the initiative comes from the top, not from the bottom of the organization. ...In Russian, one of the words for boss is "*nachalnik*", which comes from the word "*nachalo*" - beginning, so that is where everything starts.”

5.1.2 Delegation of responsibility

The question that is closely related to the distribution of power along the organizational hierarchy is how the responsibilities are delegated from the top down the organization. Many of the Norwegian respondents commented on this issue: "... (In Norway) we delegate responsibilities. In Russia, all the responsibility belongs to the manager at the very top. All the decisions are made only there"; "...in Norway, much more power delegated down in the organizational structure. In Russia, top management wants all the credit to themselves, and if they delegate power they would have *to give part of the credit to other people*". The last comment presents us with a quite unfavorable image of a Russian boss, who retains not only the power but also the credit for the work done by his subordinates.

In Norway, with few hierarchical levels and decentralized organizational structure, responsibility is delegated from the boss to his subordinates. Power is not dramatically centralized in the hands of a few top managers: it is not the primary aim for a Norwegian manager to keep his power and a firm grip on his subordinates. His role is rather that of coordinator, facilitator of working processes. He may ask for the opinion and advice of the people who stand lower than him in the organizational hierarchy, since the goal is to get the job done and to maintain coordinated team-work and consensus. He does not have to demonstrate his power, his higher status; on the contrary, this would be against the ideal of egalitarianism and democracy.

The way to delegate responsibilities has the implication to the motivational tools applied in the company. In Norway, where the status of a person depends not as much on the position within the organizational hierarchy as on his skills, abilities and previous achievements, a new assignment can be seen as a chance to advance. Thus, delegation of responsibility is seen as a strong motivational tool. As a manager said with reference to the Russian company partly owned by his (Norwegian) company: "If I were managing such a company, I would do it Norwegian way. I would use both involvement and *delegation of responsibilities* more." In Russia, a boss also can use delegation of responsibilities as motivation, but the logic behind it is not exactly the same: I will turn to this question later in the chapter.

5.1.3 Decision-making

When the power and thus information, since information means power, are concentrated in a few hands in the company, that means that these few people have to control and to take most of the decisions themselves. Norwegians see it as generally negative feature since they believe that the boss can not be equally competent in all questions: "This is a very important difference between Russian and Norwegian management styles: we are very democratic, we ask our colleagues, our employees for advice, and it is not considered to be a weakness. In Russia, as a manager you have to take the decisions even at the very detailed level. You are not delegating decision down, you decide at the grass-root level. Many decisions are simply wrong because you do not ask. They just decide, because to ask is to show a weakness. They have to demonstrate all the time how strong they are". Also, this means that it takes longer time to obtain a decision: "It takes a lot of time in Russia to take a decision. ...managers try to control so many things without delegating responsibility to other people and without sharing information, that they get a lot of work and have to spend a lot of time on decision-making." For the decisions that in Norway a subordinate here can make, maybe after consulting his subordinates and colleagues, talking to people in the similar position in the other company, in a Russian company he would normally go to his boss, one or more levels above.

This again brings us to the question what is the role of the boss and who is the "good boss". Since in Norway the role of a manager is to bring the collective to the consensus, to facilitate team-work and to consult his subordinates before to take a decision in order to get the task done the best way, the "good boss" is a democrat who is able to do all that, and he is respected for these qualities. In Russia, management position automatically provides one with a certain status; however, to be a "good boss" one has to be a powerful one, the one who has all the information, the one who is able to take the decisions. In such situation, consulting his subordinates would be to show his weakness. "In our (Russian) culture there is a notion that a boss should know everything. To admit that there are no sure and safe solutions for all the problems would be considered a sign of weakness and incompetence" (a technical director cited in Holden, Cooper and Carr, 1998). So, as a Norwegian manager noted, "even if he says something wrong, they still do not say anything - it is again respect for the boss".

5.1.4 Instructions

As Russian boss is expected to take the decisions, he is also expected to tell his subordinates what they have to do, i.e. give them more or less precise work instructions. Many Norwegian managers have experienced that their Russian subordinates were expecting rather precise and detailed instructions from them – something that they were not used to in Norway. So while Russians were wondering why their boss would not specify what were their tasks, Norwegians saw it as a lack of initiative, or even laziness on the part of their subordinates: “To get work done, you have to explain the task in details, say what you mean by this and that, what are the assumptions here, why this should be done, and what result you expect. You have to follow up closely too. People expect more instructions, and more detailed too, from you in Russia, and that is something you have to learn”; “...some people were not good as self-starters, so to say. It means that even if there was plenty to do, some people were sitting around waiting to be told what to do.” Another manager, who has been in Russia from the moment his company has established there, told that after he understood what Russian subordinates were expecting from him, working together has improved: “Now it is much easier to get work done here compared to the time when we first came. It is because now we have explicit descriptions of the task, so it is much easier to get people to perform them. I know what level of detail I have to give.”

Need for frequent feed-back is also not always readily understood by Norwegians; even having understood this feature, many find it difficult to adapt to it: “People are very reluctant to give criticism in Norway, we rather look where we are now, and what can be done out of it. I am trying to work the same way in Russia. I understand that since people are used to instructions, they have to be told explicitly sometimes that what they did is not exactly the way it should be, but I do not have any first-hand experience with that.” – The way this manager has phrased his comment is noteworthy: even talking to me he used the subtle form for expressing criticism – “is not exactly the way it should be”. The need for instructions corresponds the need for follow-up: “...if you give someone a task and let him work for a week and *follow up* only then, the results would not be as satisfying as you probably would get in Norway. You need more thorough *follow-up*.”

The very concept of follow-up is not the same in Norway and Russia. For Norwegians, to follow up the task that was given before is to give a feed-back, often only when the task is already fulfilled. As the citation above confirms, this feed-back takes seldom the form of criticism. Even if the subordinates did not performed well enough, the feed-back will be focused rather of what can be improved in the future than on pointing out the mistakes and the drawbacks explicitly. In Russia, by follow-up one usually understands continuous monitoring of the task progress. The boss will make more or less frequent check-ups of the state of activity, and often give some criticism and more instructions. The latter demonstrate the status of the boss and enhances his reputation and power, as the boss is expected to be specialist in the matter, understand the task at the “grass-root level” as a Norwegian put it, and to thus know more or less exactly how the work is to be done.

When the instructions are given, Russians tend to follow them rather closely and fulfill the task. What strikes Norwegians most is that people do not do more than their direct assignment, more than was specified in the work description. Moreover, Russians might also make it explicit that the task was performed exactly according to the specifications given. A Norwegian manager said: “If you discuss a task with employees in Norway, you pass some responsibility on them. But in Russia, as you instruct people, you have all the responsibility for yourself. *And if something was wrong in your instructions it is all your fault.* Even though the employee might notice it while performing the task, he probably will not tell you, and just do it the way you said rather than redefining the task. For example, I asked for help of some department to do a report, and then I got the report it said there that it was done according to my specifications, and they do not have any responsibility for it. It said that it was done under my assumptions, according to my definition of a task, we have done exactly what you have said, and it is up to me to go on with these figures and use the report.”

This passage demonstrates well the way a society attributes actions and their results: in Russia, people expect the result of any action to be attributed to themselves, their personality, while in Norway, a person and his or her actions are seen within a general context, and attributed to this context as well as to the person’s actions. Here we can make a parallel to the Trompenaars’ dimensions of universalism versus particularism: judging a person in terms of universal laws or taking exclusively individual approach to each one. Norwegian society does not attribute an action, and consequently an error, automatically to the person’s defaults, it can be explained by the context, the situation. The person’s actions are considered within their

context, and the persons will and intentions are regarded as much as the influence of other factors beyond the person's control. In Russian society, an error made by a person is more or less automatically considered as his fault – *vina* - rather than an unfortunate situation. In fact, English word “fault” does not corresponds exactly the Russian word “vina”: it is the closest one, but the words still differ in the meaning. *Vina* stands somewhere between English *fault* and *guilt*: the emphasis is as much on the personal fault, mistake, as on the fact that one is “guilty” in the eyes of others. In this sense, *fault* is a personal concept and a question of one's conscience, while *vina* has to do with the society's attitude of reproach. The widely used Russian staying “to look for the guilty (*vinovatyj*)” expresses the societal attitude: in every situation there is a guilty one, the one to take the responsibility for the situation. Thus, any mistake is automatically attributed to the person, in the work context as well, and his reputation might suffer immediately.

Norwegians reacted quite strongly to this feature of Russian culture: “(In Norway) if you had a good reason, or argument to do it that way, and it went wrong anyway, nobody would blame you for that. We learn by doing mistakes. We call it democracy at work, and you (Russians) have some time to go!” It is clear that in the society where a fault is easily seen as personal responsibility rather than a circumstantial outcome, there might be a trend that people conceal their errors, and even avoid taking responsibility. Asking for instructions from the boss insures lower probability to make an error, as well as opting for routine tasks over the more challenging ones. In the present unstable economic situation in Russia a job with a well-paying and stable Western company has a high value, and it is very undesirable to loose it; thus, the Norwegians might have experienced this feature stronger than it is usually represented, and are likely to make a conclusion that Russians are afraid of changes and challenge: “We wanted to introduce new reporting mechanisms to make reports generating automatic and more efficient that way. Then the person who was doing this manually asks: “What about me?” It is very difficult to explain to that person that instead of routine work of collecting and organizing the data he will now be analyzing the data. People are very afraid of changes. In Norway people might also be afraid of it, but not to the same extent.”

In this situation, a Norwegian boss is faced with a problematic situation: he carries all the responsibility, and is easily overloaded. As the subordinates try to conceal their mistakes, he might initially have feeling of total control and satisfaction with organizational performance. But he might be caught in situation with illusion of control, lack of valid information down-

up, and no feedback on his part. Certainly, a Russian boss can equally find himself in such situation. However, some aspects of the role of a boss and of boss-subordinate relationship, not obvious for Norwegians, make the situation much more difficult to deal with for a Norwegian manager. One of the central ones is the personal aspect of relation between a boss and a subordinate.

As I have discussed earlier in the chapter, to be respected a boss in Russia has to be powerful, i.e. to possess the information, to take the decisions, to give his subordinates clear tasks and instructions and follow-up their work closely. These are features that most of my respondents have acknowledged and understood. However, personal, emotional element in relationship between the boss and the subordinate is much less obvious, and is more likely to escape understanding. Talking about Russian society, one can make parallel between relationships “father – son” and “boss – subordinate”: the boss is expected to “take care” of his subordinates in somewhat paternalistic way. If such relation is established, if the boss is accepted at the personal level, he becomes a “good boss”. Under “accepted at the personal level” I mean that his subordinates see him as the one equal to them in the human sense: he can be either accepted or not for his human characteristics. Popular and charismatic bosses are usually the people with strong and positive personalities who are not afraid to demonstrate their “human” side. There is a strong emotional aspect in the relationships between subordinates and superiors – Hofstede (1980) described this situation as typical for countries with high power distance; only when one is accepted as a person will he be fully accepted as a boss. A good boss is expected to demonstrate his “human side” rather than concealing it at work (Holden, Cooper and Carr, 1998). Holden et. al. characterize Russian manager as “an authoritarian, assertive, and even inspirational leader with a thorough knowledge of production and human concern for his fellow men”. He is also “paternalistic and egalitarian, that is to understand and work with grassroots feeling”. He will also have personal attitude and approach to each of his subordinates.

A Norwegian anthropologist and business consultant has described it that way: “Russian boss develops close relationship with people he is working with. He can be paternalistic, and maybe a good boss when something happens, if there are problems, while a Norwegian boss would institute more general systems, more rights and obligations more transparently expressed. You would know that you have these and these rights, and even though he might not like you, he will fulfill his obligations. In Russia you also have a lot of laws and

regulation, but it seems that they are not always respected, to put in mildly. If you do not like the person or if you want to punish him, you will always find a possibility to go around the rule or regulation to hit back, or do something.”

Paternalistic and autocratic aspect of the relationship implies that the boss has personal emotional attitudes to each of subordinates in a way that a father might have to his children: approval or disapproval. The subordinates, in turn, try to perform well to “please” the boss (if he is a “good” one – according to the description above). It is possible that in order to control the subordinates, the boss might give a task to each person more or less directly, rather than to direct a task to a team. Some Norwegians experienced it as a “closed door policy”: “Here in Norway, we have rooms where our engineers sit and work together. They all work on their own thing, but since their work is interrelated, they try to create a team. In most Russian companies, as far as I know, each engineer has his own office where he sits separately from others. And they never knock at the other's office door to ask something: everybody does his own job, and they do not coordinate it in order to get the best result.” Another one commented: “For Norwegians, working as a team is essential, there is cooperation and exchange; people do a task together; that means that everybody knows what part of the task he is doing, what others are doing, and how his part is related to the parts of others. Russians tend to get the tasks from the boss, do their own part, and report to the boss. It is boss's task to understand the whole task and put the pieces together.”

Such situations are not overly typical for Russia, they represent the cases with a very authoritarian leadership style; at the same time, some similar tendencies do exist in Russian companies. This might be striking for Norwegians, since for them the role of boss is, on the contrary, that of team-work coordinator. Thus, they see the combination of respect for the boss, status distance between him and the subordinate and paternalistic relationship as a despotic relationship and fear. For the representatives of other culture, the emotional aspect of relationship is not easy to see: they see what separates Russian superiors and subordinates, but they do not see what unites them.

On the other hand, as a boss-employee relationship in Norway is limited to work-related context and is relatively impersonal, for those Norwegians who recognized this emotional bond, it seemed to complicate their work: “...that was very interesting and very fun, even though it is sometimes difficult to be a manager and a friend at the same time.” If for Russians

it is still the boss-employee relationships, for Norwegians it is difficult to see the border between those and a friendship. Thus, this relation is a difficult one to deal with. Being a “good boss” in Russia is in part about keeping a good balance between being authoritarian and kind hearted. The goal is to govern the collective, to keep it satisfied, and to be on the “same wavelength with it” (Berelowitch and Wieviorka, 1996).

5.2 Rules: personalized versus universal approach

5.2.1 Great number of nominal rules

Personalized aspect in relationships between people that I have been discussing above is not limited to the boss-subordinate interactions; it is characteristic of other aspects of Russian society as well. One of them is such seemingly “impersonal” characteristic as attitude to rules and regulations in society. The Norwegians I have been talking to commented on this aspect almost as much as on hierarchical and power relationships, and here we can find the great differences between Norwegian and Russian societies.

The feature many Norwegian respondents were talking about is the great number of rules and regulations in all spheres of life in Russia in comparison to Norway: “In Russia, there is a lot of rules and regulations for everything”. In business context that means numerous bureaucratic regulations and procedures, numerous formalities related to all business practices such as establishing a company, buying and selling, concluding a contract, etc. A manager have commented: “There is a lot of bureaucracy (in Russia)... We have a joint venture in Kaliningrad, and there they need twenty-one stamps and signatures for a contact... That takes a lot of time and is very inefficient.”

But at the same time, all of them have noticed that these numerous rules are not followed very closely: “In all official matters Russians are more *formal*. ...In Russia, not much meaning attached to business contracts. There are many *formalities* connected with concluding a contract. You for instance need a stamp, whereas in Norway it is enough with a signature. But

after signing a contract, Russians often do not follow it.” Another one had a similar impression: “Russians do not try to follow the rules, they try to get pass them.”

The impression that Norwegians have got is that even if the rule is not explicitly broken, people often no more than pretend to follow it: “People pretend to follow rules, but they are not very loyal to rules, especially if they do not understand why: then they obstruct the rule as much as possible. You can take traffic as an example: it is completely chaotic, and nobody follows rules if they do not benefit from them. It is like: they pretend to make the rules, and we pretend to follow the rules.”

Many of my respondents tried to make sense out of this, to give a rational explanation using their own culture as a point of reference. The following passage is quite characteristic: “Not big respect for rules (in Russia): if you need to break a rule, you do that. ...laws, and regulations, and system, they are *here not to help you*, they are here to make you problems. So you try to mind your own business, and then never mind the rules. That is a generalization of course, but it is like in a traffic in many cases: you sub-optimize for yourself, and your own people.” This citation offers an insight not as much to the role of rules in Russia as to that in Norway. It demonstrates that for Norwegians, rules exist to create order and structure in the society, to help people. Thus, rules are generally respected and followed. As they see in Russia that some rules are just nominal and are “pretended” to be followed, they conclude that rules are here “to make you problems”, that they have no meaning: “If the rules do not fit the society, people tend to break them.”

5.2.2 Literal interpretation

In the societies with different role of rules and regulations, their application is also different. In Norway, people, bureaucrats as well, believe that the rules exist to help, so they do not interpret the rule literally. As a Norwegian explained: “In Norway, the bureaucracy is trying to be flexible, they try to understand what is the *intention* with the law”; “In the West, it is not necessary to do all the paperwork. In a way, people try to *help you* to skip as much as possible. But Russians always follow their work instructions literally.” Many Norwegians have experienced that in Russia, unlike in Norway, the bureaucrats try to force the rule on you

rather than trying to be flexible. As one respondent said: “In Russia they do not ask what is the *intention* of the law, they rather ask what is the *literal meaning* of the law. They interpret the law by letter, not by the purpose.”

At the same time in Norway, while trying to interpret the law in the best way to assist the person, a bureaucrat will use a universal approach to all the clients. No one will be treated differently for any personal reason, and the rule will be interpreted only to the extent that it is officially permitted. In this sense, the system is rather rigid and non-personal. Some Norwegians have discovered that in Russia, with the numerous rules and the tendency of the bureaucrats to interpret them rather rigidly, the rigidity of rule is relative: it depends on the person in power: “In Norway, you always refer to rules. A person does not have too much power over them, so the system is impersonal. In Russia, much depends on the person in authority, it is very personalized.”

The explanation lies in the societal order and mechanisms: in Norwegian egalitarian society with flat hierarchical structures and relatively small status differences between people, the rules and regulations reinforce such societal order. They exist to help to maintain the idea of democratic and equal relationships, and it is not the pressure of a rule or of the authorities that makes the rules followed and respected, but rather a societal pressure: all the members are expected to follow a certain pattern and to maintain an egalitarian ideal. In a sense, there is a tendency towards a homogeneous society. Thus, as a Norwegian social scientist noted, “...people are doing what they are expected to do, and they are generally honest and so on, so that is a question of explaining and making them understand that they will do the right thing”. He also continued: “(in Russia) there is general distrust towards authorities, towards officials, towards individuals whom you do not know. That is one of the reasons, or maybe the main reason in fact, why it is important to develop personal relationships in Russia if you want to have something done. You just have to establish relationships that make people trust you.”

Russian society is a hierarchical one with unequal distribution of power and relatively large social status differences. The ideal of social egalitarianism exist not in the same sense as in Norway: there is rather the idea of collectivity where each member has to be heard, has a right to be recognized as an individuality, but the members are not necessarily expected to be equal or homogeneous. At the same time, the relationships between people have strong personal aspect, they are more emotionally charged compared to neutral relationships in Norway. The

greater heterogeneity assumes a large number of rules and regulations regulating various spheres of societal activities in Russia. As Russian society is a rather autocratic one with a tall hierarchical pyramids, rules are closely linked with the persons in authority. Many rules exist to justify autocratic positions, with each person in hierarchy having own scope and level of responsibility. Generally, the person in authority has relatively large freedom to interpret and apply rules if it is needed. When a rule exists to justify a position, this is enough to follow this rule just nominally – that is why Norwegians talk about Russians pretending to establish and to follow the rules. The large number of existing formalities has its roots here as well.

The key is that as relationships in Russia have more personalized and exclusive character, application of a rule might depend on the personal relation with the person in power. The rules can be said to be of a particularist nature, personalized and depending on the context, rather than universal. Parsons (1951) described this feature as a difference between universalist and particularist countries: in universalist countries, all persons falling under the rule should be treated the same. Whatever is one's relation to the person subject to the rule: whether it is his family member, a close friend, a former schools teacher, or somebody totally unknown from before, the rule will be applied the same way to all of them. Particularistic judgments focus on exceptional nature of present circumstances: the person is not an impersonal "citizen", but a friend, a relative, or a person of importance to one, and therefore must be treated exclusively no matter what the rule say. In this respect, Russia is a very particularistic country.

In a particularistic country, application of a rule depends on the context. For a representative of a universalistic culture, this might signify a lack of respect for the rule. A Norwegian manager has described this feature as follows: "Norwegian people are very law abiding. And it is a little bit more accepted to take advantage of the rule in Russia. It does not mean that Russian people are not as honest, or loyal. In Russia you are very loyal to your family and your friends. And family and friends are less important for you in Norway. You have to chose whom are you loyal to. In Russia, when it comes to rules and regulations that concern your friends and family, you follow all of them. But when it comes to people you do not know, or a rule or a law you do not agree with, or do not understand, you can break it." Here, he clearly understood the context-depending nature of rule application in Russia, but still characterizes it as "taking advantage of the rule".

Generally, the higher is the position of the person, the more rules he can “interpret”, i.e. bend. As a manager commented: “Sometimes it is possible to go straight to the person on top – he would make a phone call, and everything would be fixed for you. That is the most efficient way of solving problems in Russia, and we do not have such thing in Norway.” As rules are not universal, the possibility of “maneuvering” depends on your relationships with a person in power – as soon as you leave the “impersonal” category, rules might not be interpreted by letter, which sometimes means in the most rigid and unfavorable way.

This paradox – seeming rigidity of rules and at the same time possibility to bend them – is not always obvious for Norwegians not accustomed with the personalized approach. Nearly all the respondents commented negatively on this feature: “In Norway, we do not have to know so many people. Of course, if you know people, you get through easier, it is always like that. But here it is not really a must, because there are not so many links you have to go through”, “Some people use their position to control a law or a rule. (Sometimes there) is an enforcement of a rule that is not rational at all.” Moreover, this feature signifies greater uncertainty associated with business in Russia: “Unpredictability there is based on the personal relationships, which is difficult to understand if you do not know that. And Russians, on the other hand, are scared by the rigid Norwegian law.”

5.2.3 Personal network replaces formal one

Not only regulations but also other aspects of business in Russia are very personalized. A Norwegian manager told: “There are always people you have to go to in order to get things done. Also, you always have to go to a certain person first, and if you went to people in the wrong order, they would get very offended, and you might not get anything done.” Often, informal network of personal relationships replaces a formal, official one. For instance, a manager described a situation when his Norwegian company was opening an office in a relatively small Russian city: “. . . we were to employ 8 to 10 people for the customer center. From that time, there was a queue of young girls outside the office every morning. We did not advertise in the paper, just everybody knew someone who knew someone, etc. It is very different from how it is done in Norway. Here we would have used advertising in a paper first of all, and then use some kind of bureau to help us with screening the candidates.” This

example demonstrates the same point: to employ people, Norwegians would prefer to use an impersonal approach: place an ad in the paper, then use a bureau to scan the appropriate candidates. In Russia, this formal process was replaced by getting information through the network of acquaintances, friends or relatives. This is a quite typical situation for Russia, and for Norwegians it meant the lack of efficiency.

When I was discussing the topic of network of personalized relationships during the interviews, everyone confirmed its importance. Nearly all Norwegians talking about it gave me an explanation that was the most rational for them: they attributed existence and importance of such network to the lack of legal, economical, and other kinds of regulations in Russia. Here are some examples of this opinion: "It is (existence of personal networks) connected with the lack of rules, laws, decrees, etc. Personal network is replacing them. Russia is still lacking law and court system. ...In Norway, we would know that the system would protect our rights"; "Personal relationships are very important for business, more in Russia than in Norway. You have to know and trust the person you are dealing with. In Norway you have strong legal system, and it is not mature in Russia yet. So you have to rely on trust". A consultant working within Norwegian-Russian business context, commented on the practical meaning of networks: "It is often called network. Leading companies, regional authorities, and state institutions are useful and necessary supporters and contacts. It is very important to have a well-established leading Russian company as a supporter, customer or partner. Such a company can help with most things".

It seems natural to attribute existence of personal networks in Russia to the lack of other, formal types of networks. I am not arguing that this point is not valid. However, I suggest that this is somewhat more complicated, that this is a dualistic rather than one-way relationship. This feature has not developed only as a response to chaos following the fall of the Soviet regime, it has long-reaching historical roots. It is true that perhaps the most strongly it was expressed during the Soviet times, when friendship and acquaintances networks acted as an alternative mechanism of wealth creation and distribution in an economy of scarcity (Altman, 1992). However, Altman associates this feature with the type of relationships between individuals, that is how individuals relate to each other at the personal level and as a collective. As Russians are rather collectivist (Altman calls it an "intimate type of relationships"), and the rules are context-dependent, the existence of personal rather than formal networks might be determined by this feature and correspond the logic of the society. I

will return to the topic of collectivism later in this chapter, after discussing some applications of the particularistic personalized relationships.

5.2.4 Agreement

One of the implications important in business context is attitude to the agreements, formal or not, and the contracts. Talking about this topic with Norwegians, I found that they had quite negative impression about the ability of Russians to follow an agreement. The following opinion was rather common: “An agreement is a piece of paper and nothing else for many. And if you refer to it and say that the things should have been done in accordance with it, they look surprised that you even brought it up”; “Contract is good as a reminder, but that is no guarantee that you will get anything. It can be ignored any time.” Many got the impression that Russians do not attach too much meaning to the agreement and can break it any time, as soon as they do not want to follow it any more: “Contracts in Russia should be very detailed, but even when they are only good as long as people still agree with them. As soon as one side does not want to follow it any more, the contract does not mean anything.” The high level of detail that Norwegians find necessary in the contract with Russian side is determined by the fact that Russians, greatly due to the Soviet time heritage, do not have the same business practices as Norwegians, and thus all the details should be made explicit. Also, as the regulations in Russia are generally numerous and rather formal, it is reflected in the contracts as well. This comment shows that he perceives a Russian party (he is talking about “one party” but it is obviously a Russian one in this context) as unreliable and able to break the contract if circumstances, and thus their interests: a behavior absolutely unacceptable for Norwegians who follow the contract from the moment of conclusion till its termination or modification. This is determined by the difference of how people perceive the meaning of the contract.

The following comment, made by another Norwegian, offers an insight to this: “Contracts are good in the beginning, but they should not be put too much effort in, because they will be changed as the assumptions behind them will change.” For Norwegians, contract is an agreement on what exactly the parties will do; it also provides recourse if the parties do not keep their side of the deal. Using the term I have introduced before in this chapter, a contract

is a universal rule and has to be followed regardless of circumstances. For Russians, contract is a statement of intentions between the parties, and an agreement to act according to it as long as both parties agree on it. It is subject to negotiation throughout the whole period of its duration. Thus, as soon as the circumstances change, one is not expected to continue to follow it literally. The reason to follow the contract is not as much as legal responsibility but rather a personal relationship with the colleague whom you hold in particular regard (Trompenaars, 1993). As long as there are no personal relationships between the parties established, contract terms are only formally binding. Once the parties have established relationship of trust, through the history of cooperation or/ and through the common social activities, they have moved to the sphere of personalized relationships. Then the interests of other party will be considered much more: the contract becomes not just a formal document, but an agreement between the two parties which are interested in keeping their relationship and thus taking care of the other's interests as well. Such business relationship might have long duration and flexibility that contracts often lack.

5.2.5 Trust

Trust is one of the concepts that was brought up most often during the interviews. The following citation demonstrates well the difference in the meaning and attribution of the concept of trust in Russia and in Norway: "There is very little trust, and very little trust in contracts as well. People in Norway have more trust because they see that the system works. In Norway, even oral agreement is binding." When the Norwegian manager speaks here about trust, he speaks about the trust in the legal system, the institution of contract accepted by everyone, and the resulting certainty that the contract will be followed. In Russia, with the personalized relationships and particularist rules, this kind of trust is often replaced by personal trust.

For Norwegians, it is common to separate business and personal relationships. Thus, it makes it difficult for them to accept the personal aspect in the business relationships. As one Norwegian commented: "The ethics is not very high. But if you get to know people, you start to trust each other, you become friends, then it is something else. But business ethics is almost far from existence". For him, becoming friends, establishing personal relationships brings one

out of the business sphere, where personal relationships are absolutely not expected to exist. The concept of work ethics is not the same in the two countries: while for Norwegians its core is to follow the “terms of contract” between the parties, for Russians it is about being true to the relationships of trust established personally or through the third party. Salmi (1996a) in his case study of Russian-Finnish business interactions, noted: “Good personal relations make interaction easier in any business situation, but their role has been traditionally emphasized in Russia. It is impossible to do business with a Russian if you do not get along with him personally”.

The following short case demonstrates the central role of networking and establishing the relationships of trust in Russia. A large Norwegian company was about to establish itself in the northern Russia. The company representatives had established contacts with the local administration and received a positive response. They got the impression that the case would go through relatively easy, but as weeks and months went by they started to doubt that. Constant new appeals to the authorities did not help. The Norwegian businessmen decided that their appeals did not produce any effect partly because of serious conflicts within the regional administration. In the beginning of this process, while they still were optimistic about the project, the businessmen had a conversation with a Norwegian anthropologist. He had extensive experience of fieldwork in northern Russia, and had spent a long time in various parts of this area. Through informal discussions with the broad specter of people in the area, he became locally known and obtained a good reputation. During the first meeting, the Norwegian businessmen, knowing that he was an anthropologist, were very skeptical. After a while, however, they understood that he has been in the area for a long time and had deep knowledge about it, so they suggested one more meeting. At the second meeting, the businessmen had already experienced problems with the authorities and complained that they could not get the necessary permissions to start the business. They also mentioned the internal conflicts they suspected were taking place within the administration. The anthropologist who knew the local context very well could explain them that it was a foreseeable situation. The regional administration did not have any real power *de facto*, and was completely dependent on other parts of bureaucratic structure to get things done. The Norwegian businessmen discovered that they knew nothing about the real power relationship and went the "official" way through the formal bureaucracy: in other words, from the very beginning they had used an approach without much of a prospect.

Back to the case, the businessmen asked the anthropologist to help them to establish contact with the persons in real power; unfortunately, he had to answer no to that. The problem was that he himself got contacts with these people through a personal loyalty bond. Thus, providing protection for the Norwegians, he would implicitly state that they were the people who could be relied upon in the local North-Russian context. He knew, though, that the Norwegians were "naïve" and did not know the local context, and thus could possibly deface him somehow through their behavior. That would make his work in the region impossible, so he could not possibly let it happen. After years working in Russia, this anthropologist understood the importance of inter-personal networks connected by trust and loyalty among the members.

This case illustrates well the specifics of personalized networks functioning: their members are interconnected by particularistic relationships: these are either relations of friendship or fellowship, and one is also indirectly connected to other people whom he does not know personally. Thus, as one is loyal to his friends and fellows, he is expected to be loyal to their friends and fellows as well. This creates a border between the network and the "outside", making it difficult for outsiders to join in: The existence of such networks can obviously create difficulties for a foreign company not familiar with them or not having necessary connections.

These two businessmen were totally new in the region; the people I have been talking to during the interviews usually had relatively long experience in Russia. Thus, even though it is not always easy for them to accept personal aspect in business relationships between people, nearly everybody acknowledged the importance of establishing trust and personal networks in Russia: "Personal relationships are very important for business, more in Russia than in Norway. You have to know and trust the person you are dealing with." Relationships and networking take time, but it is something that is worth investing time into. As a company director working in Russia for many years explained: "An important thing for business in Russia is patience. If you are having a dinner with a potential partner, and you do not start talking business at once - talk about something else. Russians want first to establish relationship in order to understand what you want from them, what are your motives and interests. And to keep business going, you should maintain the relationships, take good care of them. It is a mutual process." Working together over the time leads to establishing trust, and

“it is important to know whom you can trust. That makes long-term relationships important”;
“...the more you know people the more they trusted you and the more you trusted them.”

Many Norwegians explained importance of trust and existence of personal networks in Russia by the lack of formal structures such as legal and banking systems, and thus personal networks being their substitute. As I said before this explanation is not unjustified, but there are other characteristics of Russian society that contribute to this. This has to do with how and to what degree people separate formal and personal relationships, as well as how they relate to each other in a collective. I have already touched this topic talking about emotional aspect of the relationship between boss and subordinates, and in the following section I will discuss it in more detail.

5.3 Separation and mixing. Collective, group, and individual

5.3.1 Togetherness

Generally, Russians have strong feeling of belonging to a group, to a collective, at all the levels of society. The family in Russia is usually more inclusive than a typical Norwegian nuclear family with parents and children. It usually involves grandparents and relatives such as cousins, aunts and uncles, sometimes even more distant relatives. Family members meet for various occasions, such as dinners, birthday celebrations (which are frequent considering the number of relatives), holidays. This usually made a strong impression on Norwegians: “It is *togetherness*, to be *together*... Strong families. In the West now we do not have families with parents and grandparents, children and grandchildren. (In Russia) they all are *together*, if they do not live *together*, they assist each other, they feel *together*, they eat dinners *together*, they help”.

The communication and social activity, at the family level, between friends or colleagues, have more frequent and spontaneous nature. Within a group, people share their time, activities and problems freely. In Norway, where the in-group feeling between people is not that strong, social activities are often planned and organized in advanced, and are less frequent. A

Norwegian who lived in Russia during a period of time, described “When Norwegians meet, they do it in some formal surroundings you invite somebody over for a dinner, for example, and people arrive on time. If you say five o'clock, they arrive at five o'clock. But in Russia, people can just come over without any reason, and they spend some time together, relax together, maybe have a bottle of vodka together. It is less formal, more frequent and relaxed, more spontaneous.”

In Norway, people think of themselves and others in terms of individuals. Private life and space of each one has to be respected. Everyone has a right to pursue his own interests, and everyone has a place in the egalitarian society of equal individuals. Group spirit is much present when working in a team, but it exists in the different form than in Russia. People work together on a common task towards a common goal, but they do not establish the same personal involvement as Russians do, and their involvement is usually limited to the task borders. Russians, in turn, establish strong personal involvement with members of the group, such as a family or a working collective, but this involvement is limited to the group. A group might take a form of a personal network that I have been discussing earlier in the chapter. Then the interests of the members will be mutually respected, and the interaction will have a collectivist nature. Towards the outsiders, however, people will demonstrate more individualist attitudes: in a sense, the group will act as a unit pursuing its interests. This feature is well demonstrated by an example given by a Norwegian sales manager: when his company was entering Russian market, they encountered three or four Russian companies that were in the same business and had somewhat competitive relations between them. But when the Norwegian company approach them, they brought themselves together to protect each other from foreign intruder. He said: “I would not protect my competitor in Norway. But they, they wanted to get a business, but not at any price”.

5.3.2 Social aspects in business

Many of my Norwegian respondents have commented on the fact that Russians, compared to Norwegians, establish strong social and personal relations between each other at work: “Russians, for instance in the work place, become very attached to each other. They develop very strong personal relations between themselves, and in a way your colleague is an

extended family member. I knew the director of a section in the research institute who used to phone his colleagues home in the evenings and to talk about their family matters, and it were very personal relationships. And here it is not so very close, I think". So when Norwegians establish cooperation with Russians, they experience that Russians expect them not only to meet in the official work context, but also to participate in the common social activities, such as dining or going out together. In Norway, the border between business and social life is much sharper. A sales manager told me. "The tradition of signing contract with drinking some vodka is quite a different way, and a very nice tradition by the way. This is much more formal in Norway. You have your suit, and your tie, and you chill around, whereas in Russia, at least at the countryside, it was much less formal and much more relaxed atmosphere. Business and social life go much more together." As social activities in Russia often associated with drinking vodka – a tradition widely known among foreigners – it might sometimes have not only positive connotations: "Once we were in Toliatti (a city in the middle Russia) to discuss some business with a factory there, and they never met us, or some of us, before. And then they took us straight to sauna, and vodka .. Of course it's a part of Russian culture, but I was surprised that they did it the first day."

For Russians, it is important to establish relationships with the people they are going to do business together, to learn about their character and personality, to understand their interests outside the job. Showing your human side in the work settings is not considered a weakness or lack of professionalism, on the contrary, one is expected to do so and gains respect by demonstrating a bright and strong personality. In Norway, private life (and private personality), and work life are rather separated. If people do share social activities with the colleagues, these events are usually planned and organized, i.e. they are not of a spontaneous nature. "People here (in Norway) have private life and life on job; there it was more that if you work together you also share social activities, you are invited for everything. I was often invited for *shashlyk* (barbecue), we also arranged skiing trips."

In Russia, people who work together usually are quite familiar with the outside-the-job aspects of their colleagues' life; to some degree, people are expected to share their life details and co-sympathize with others. Norwegians, who are not used to such form of collectivism, see both positive and negative sides of it. For them, such relationships can be excessively intimate, can mean intrusion into their private sphere of life. Discussing private life with colleagues might have a negative connotations and consequences: "There are any kinds of

rumors, and people rather believe them and pass them on than try to stop them”. On the other hand, such closeness between the people in the work collective gives the feeling of support and security. A Norwegian manager talking about Russians sharing many social activities with colleagues, said that he especially noticed the importance of birthday celebrations: “In Norway, you celebrate round dates, like 50 or 60, but in Russia any birthday: 23d, 41st - whatever - is celebrated. And these celebrations with colleagues show that people are a social collective, that they care about each other.” This permits people to share private aspects of their lives with the colleagues and the boss, and expect help and support in return: “You know that others will help you if you need it. It is not like that in Norway. I can not come to my boss and say that my phone broke, or that I have some problems at home.”

Russians usually transfer the tradition of establishing personal relationships at work in any kind of work context, such as cooperation with foreign partners. They might habitually talk about “non-business” issues, or, as a Norwegian respondent called it, “human elements”. This is something Norwegians find surprising and sometimes difficult to respond to: “In the discussions they (Russians) tend to mention that the price is too low, or the income is not sufficient for them to keep their workers working, or to keep their salaries, and they will not get money for their food, housing, etc. They refer to such *human elements*. We would not do it here in the same way, we would just say: then we will have to reduce our manpower.” Another one commented that even if Russians do not talk about their own private lives during the social occasions associated with business, Norwegians still tend to discuss more neutral topics than Russians usually do: “Here (in Norway) business is business, and when you are finished, you go out and have a dinner, and then you talk social. But Norwegians do not like to talk too much about their families. In Russia they talk more maybe not about their own families, but about family in general. For example, these toasts for the mother, the daughter... They talk more about human issues”.

5.3.3 Separation and mixing

In Russia, there is no clear border between people’s work life and private life; this separation is much more evident in Norway. However, even if the colleagues or the boss and the subordinates establish relationships of personal involvement, and are equal in these terms,

there are certain societal mechanisms that separate them as well. For Norwegians, it might seem strange: "In Russia, you can be buddies, you can travel together, drink together, sit around the fire and so on. But when you come into the official setting, when you for example sign something, then the Russians would like to be more formal, to lift it up. Norwegians would be more like: "Let's get it done!", go straight to the point." The pattern of relationships according to which people mix their private and work lives establishing friendship with colleagues, but still follow the formal code with them in the work context, thus separating at this level, has no parallels in the Norwegian society.

As I have discussed earlier in the chapter, Russian society is a hierarchical one, with the great number of rules and regulations that depend on and are interpreted by the persons in the power positions. Thus, personal relationships in the work context and emotionally charged relations between the boss and the subordinate do not mean the absence of the status difference between people. Following formalities in the work context, "lifting it up" signifies and justifies the existing formal regulations, thus justifying and demonstrating status of the power figures. Thus, while making no great distinction between private and working context, Russian society separates at the level of the power status. I will return to this feature and its consequences after discussing the way a Norwegian society gives an answer to the dilemma of separation and mixing.

5.3.4 Jantelov

While unlike Russian society Norwegian one clearly distinguishes between different spheres of life of a person, one will not find there the great differences in the status between people. People are supposed to be equal, to have the same (or at least similar) social status. For instance, the boss is treated as an equal, he can ask his subordinate for advice, they address him informally by his first name. It does not diminish his reputation if he is younger than his subordinates: his reputation is determined by his knowledge and experience, as well as by his ability to organize team work of his subordinates. The difference in salary between bosses and subordinates is not as dramatic in Norway as it is in Russia. One Norwegian respondent I have been talking to explained: "In Norway, the dominating philosophy is that we all are equal, that we all have the same worth, regardless of the class, color, etc. This is very strong ideological

factor, which we do not necessarily feel inside, but it is present”. What is interesting here, is his last phrase: “...which we do not necessarily feel inside”. Unlike the traditional society of old days, the modern society we are living in has a strong ideal of egalitarianism and equality of people. At the same time, in the reality, people are all different and thus unequal. This fact, however, does not discourage the ideal of egalitarianism; on the contrary, it seems to reinforce it: the society has some way to go towards the ideal (Segal, 2001). Dealing with this fact, each society solves this dilemma in the different way.

In Norway, people often cite *Jantelov* (Jante law) – the law of society formulated by a Danish writer, Aksel Sandemose. He wrote his book about small Danish society, and after, when he moved to Norway, his *Jantelov* became well known and largely accepted as a social law governing the society there. In free translation it says the following: "Do not believe that you are anything that I am not. Do not believe that you can do anything that I can not do. Do not believe that you can have anything I can not have". In other words, it says that all the people are the same and equal, and one should not believe that he is different or better than others. Thus, there is a strong societal pressure in Norway towards equality and, in certain sense, homogeneity of people.

On the contrary, Russian society makes distinction between status of people, while at the same time permitting great personal and emotional involvement between people of different status, following somewhat paternalistic pattern – another way to solve the inequality dilemma.

5.3.5 Separation by status

The following story that was told me by a top manager of a Norwegian oil company demonstrates the meaning and importance of status concept in Russia, as well as the reaction it might cause in the Norwegian person. Some years ago, he was working as a top manager of the Russian branch of his company. At that time they were moving into a new building and new offices. There was one big office and three smaller ones. He quite rationally planned that they would make the following arrangement in the offices: they would place two or three people in the big one, and one person in each of the smaller ones. He was surprised when his

Russian colleagues refused such arrangement. They said: "You are the boss, so you sit alone in the big office, and we will sit two people in each of the small ones." He saw that they were quite serious about this, so he agreed. Then he decided to put his desk in the corner of his big office in order to use the remaining space as a meeting room. Russians, however, insisted that the things should be organized "the Russian way": a table should be T-shaped with the boss sitting in the head of it. They said they wanted that both they and visitors, when coming into his office, would feel that he is "a big boss". They claimed that it would give them "weight" (importance). He had been working in Russia for a while by that time, and had established good relationships with his Russian subordinates, so they felt free to explain this to him rather than just being appalled.

This example shows the importance attached to the status of boss in Russia: even though his subordinates obviously did not feel any fear for him (otherwise they would not have explained the situation to him), they wanted him to enhance and demonstrate his power status by taking a bigger office and sitting in the head of the table. "A good boss", being powerful, has to demonstrate his power, his high status through certain status symbols; it enhances his subordinates' status as well. The same Norwegian manager experienced a similar situation when Russians wanted to have a large Mercedes as a company car – an absolute excess from the Norwegian point of view - the CEO of the company thus refused to provide this car.

This need for status demonstration and justification is foreign to the Norwegian mentality of equality and democracy, and often during interviews I heard the Norwegians being appalled by it. For them, status symbols meant unnecessary expenses and even lack of taste or modesty. For instance, a Norwegian manager who has been travelling to Russia a lot, gave me the following example. He was visiting a successful company in St.Petersburg. The company leaders asked him what hotel he was staying in. As he was staying in Oktyabrskaya – his favorite and inexpensive hotel – he got an advice not to stay there since Oktyabrskaya "is not a hotel for a solid foreigner". He told me: "I am not very interested in luxury, and second, even though it is my company that pays, I do not want to spend its money on an expensive hotel. You only sleep there anyway, and also, when I am in Russia, I want to see typical Russian real people, or feel that I am in Russia. But for a Russian businessman with money, it is important to take care of the way he looks, acts, the place he stays, restaurants he goes to - the status."

Norwegians might interpret spending on the status symbols as showing off and try to give it some rational explanation. As one Norwegian said: “First, I thought that Russians spend money on showing off because they are not allowed to invest, buy apartments, for example.” Another one saw the connection to the power status: “Russian are more, or at least not less than Norwegians inclined to show off. The enormous houses they build outside Moscow, and all the Mercedes cars, all the fur coats, and the extremely expensive restaurants, and so on. And in a way having this big black car is a sign of power: you can get more of what you want if you behave as a powerful person. In Norway you have more egalitarian attitude when it comes to power.” This quotation readily shows his preference for the Norwegian model of egalitarianism and equality of status. It also brings us to the dilemma of power and authority.

5.3.6 Status: power or authority

As this respondent commented, power status in Russia can to be enhanced by power symbols; Moreover, acting as a powerful person one might raise his power status. At the same time, occupying a certain authority position, having such characteristics as a certain age, male gender, and so on automatically gives the person a certain authority status – what is sometimes referred to as ascribed status. After working a few months in Russia as a head of the Russian branch of his company, a manager has experienced this; he told me: “I am a middle-aged man with gray hair, and one thing I observed in Russia is that there I am a big authority partly just because of that. In Norway, I do not experience this. I talk to you, to my kids, or to my subordinates the same way I am talking to my boss. But in Russia they looked up to me, treated me as an authority figure. Maybe also because I was a foreigner. So there were two things: one that I was a middle-aged male with gray hair, and another was that I was a foreigner. I was also a manager.” During the interviews, Norwegians often used the concepts of power and authority interchangeably: for them, it is basically the same thing.

Norwegians do not differentiate people according to their age, gender, position, social status. People are believed to be equal and are treated the same way *a priori*, regardless of the above-mentioned characteristics. The power status of the person depends only on his personal achievements, skills, and knowledge: it is natural then that power status and authority go together: there is little distinction between them. In Russia, on the other hand, power of the

person depends on his position, in the society in general or in the administrative pyramid, as well as on his ability to obtain, keep and demonstrate this power. Power also depends on the authority of the person, obtained due to the experience, competence, skills, as well as by such characteristics as age and gender. At the same time, authority can be enhanced by the ability to maintain one's power.

Thus, one can be powerful without possessing much authority, however possessing authority increases one's power. Ideally, the "good boss" is the one who is an authority for his subordinates due to his professionalism, charisma, caring and paternalistic attitude, and who is at the same time a power figure able to take care of the interests of the "collective" of his subordinates with regard to the outside world. Power status often goes together with money and access to the information, but will not necessarily bring the person authority status if other above-mentioned characteristics are missing. On the contrary, a charismatic university professor, a recognized author have an authority status, but no official power. Thus for Russians, power and authority are not the two sides of the same concept, but two concepts on their own that can coincide or not in the same person, and that can enhance one another.

5.4 Arranging time and actions

Another factor that is important when people are working together is the way they organize their time and actions. Norwegians and Russians have quite different approaches to this, and this can lead to complicated situations and misunderstandings at work. One way to gain understanding of how people of each culture arrange the world, that is how they arrange their time and actions, is to look closely at the procedure of a business meeting: the way it is prepared and conducted reflects the approach people use in other situations.

5.4.1 Planning

A Norwegian top manager of a Norwegian-Russian telecommunication company described me the first business meeting he had in Russia. It was a meeting with the potential dealers of this new company the day after his arrival, so it was one of his first impressions of Russian

business style. When he was talking about the Norwegian way to conduct a meeting, the key concepts he used were *preparation* and *planning*. He said: “The way we *prepare* a meeting in Norway is to *prepare* an agenda, and for every point of the agenda we have a speaker, we *prepare* presentations, we make objectives, etc.” Before this meeting, he prepared very well, he drew the agenda, made Power Point presentations. And he said he was shocked to find out that “...the General Director (Russian) did not *prepare* anything at all. He told: “He did not have any material, nothing to show. He had obviously thought about how to do it, but he had not written down anything.” To his surprise, the meeting turned out to be a success: “The meeting did not go the way I *planned* at all, but it was rather successful still. He made a rather good presentation, I think, although it was in Russian. He was standing on this podium, *talking, talking, talking...* I did not get everything what he said, but I understood that people were very interested, and they were happy when they left. We also got a lot of contracts afterwards, so it worked the way it should have.”

This case demonstrates Norwegian focus on planning, establishing the order, agenda in advance and following it closely. The supposed outcome and the course of the meeting is planned from the beginning to the end: to prepare means to gather data, to present it in writing and/ or graphically; to establish an agenda and the topics to discuss, to distribute roles of speakers. Then the established order of the meeting followed virtually without interruptions. The focus is made on presenting the data. The role of the manager is to organize, to create structure. The desired outcome direct the proceeding of the meeting, and a smooth flow towards result is more important than for instance a brilliant presentation. The success of the meeting is measured by the achieved results.

Russians have quite different approach to conducting a meeting. What shocked the Norwegian manager from the beginning was that no visual material, no “hard data” was prepared in advance. For him, this meant that the preparation was not done at all, however he does say that the Russian General Director had thought about how to conduct the meeting and what to say. This demonstrates that for Russians, focus of the meeting was not on the hard data, but on the persuasive presentation by the speaker, presentation appealing to people at the emotional level as well: “people were happy when they left”. Verbal communication is the main tool: “He was standing on this podium, *talking, talking, talking...*”, and the successful meeting is the one that not only brought the desired outcome but also well done in terms of

presentation, appealed to people on the emotional level. The role of the manager is to get people involved, and to be flexible, rather than adhering to the established agenda.

Norwegians are often negatively surprised by Russian tendency to put more into talking than into visual data presentation. Another manager commented on this topic talking about the meeting he attended in Russia: "It was totally different way of arranging meetings: no use of blackboards, or whiteboards, or overheads. Everything was done in a discussion across the board... It was a three-hour meeting, where we have not got anything done at all." Norwegians might get impressions that Russians can speak up without saying anything: "It is like marking your territory, you need to show power. You have to take a word at the meeting and say something, even if it does not make sense." This opinion is not unjustified: at the meeting, Russians might take a word in order to make themselves noticed, mark their presence. The fact that one has spoken is already important, it is not only what one says matters. Speaking up is a strategy to make oneself noticed, to "get points", to promote one's status. For Norwegians, to whom status is of less importance, and who meet to resolve a concrete problem, this is not an efficient way to conduct the meeting. They prefer to talk only about the subject of the meeting, and to speak up only if they have anything concrete to say. That is why the Norwegian manager has got the impression that they "... have not got anything done at all": for him, since no decision that was planned in advance to reach was reached, the meeting was of zero value. For Russian, on the contrary, it might have meant a step towards a power redistribution, especially since they dealt with new company and new (foreign) boss.

Certainly, the adaptation to other style is possible; the way Norwegians describe how Russians have adapted to their style demonstrates their own approach quite well: "...We had to establish a meeting procedure: decide what we were going to talk about during the meeting, and how we were going to proceed during the meeting, how much time we were going to spend, and what the result was supposed to be"; "from the Russian side, the main adaptations were getting away from a very general language and starting talking more concrete..."

5.4.2 Polychronic time

The way to prepare and conduct the meeting tells us a lot about how people organize their actions. However, a few other comments related to the proceeding of meetings demonstrate the way to organize time. There is a comment made by a Norwegian: "In the meetings they (Russians) have no respect for the people sitting at the meeting. People come in and talk to the people sitting there, and then people participating in the meeting might start to run out, do something outside." He considered such behavior as disrespectful: "They have no respect for other's time." Such behavior of Russians is also seen as inefficient by Norwegians: "During the meeting, people come into your office to talk to the people you have a meeting with. And they leave your meeting to see these people who stopped by, because it is just as important for them to see these people coming. These guys have not made an appointment. I think there is a lot of inefficiency because people do not respect time and do not schedule meetings, for instance." Efficiency for Norwegians is associated with planning, scheduling and assigning priorities in advance. Russians, in turn, see efficiency in reassigning priorities in the course of events. Moreover, the efficiency is given less priority than maintaining a particularistic relation.

These are examples of the clash between monochronic and polychronic cultures. Monochronic Norwegians plan their time in advance, and do not deviate from the agenda. They prefer to do things in their turn, one at a time: since the meeting was scheduled for a certain period of time, this time should not be spent on other things. Russian culture, on the other hand, is a polychronic one. One can perform more than one activity at the time. Moreover, one can switch between activities if the circumstances change, for instance if the person who enters the meeting room needs attention, one can leave the meeting room. As well, if the person with whom one has particular relation, such as a relative or a friend needs one's time, he or she will probably get it, and the original schedule will be changed.

Polychronic people can easily look disrespectful in the eyes of the monochronic ones, to whom this attitude to time is frustrating and is believed to lead to inefficiency: "At work, they do bits of things at the same time and never manage to solve anything. Sometimes they never finish a thing because they start to do something else." Both Russians and Norwegians attempt to be efficient doing several things at a time, but Russians are spontaneous and

situational in their choice, while Norwegians “put them (activities) in the agenda, or scheme...”

Polychronic culture, unlike monochronic one, is less insistent upon punctuality, since changing circumstances make schedule less uncertain. As a Norwegian described: "...when we make appointments in Russia, they do not stick so much to the time. We have a meeting at 10 o'clock - OK, let's say about... We are sharper, and they are more relaxed about the time. That is also priorities, they might change also. If something happened they say: OK, we do that instead of meeting you. That is more *ad hoc*."

5.4.3 Lack of long-term planning

Another aspect of the attitude to time that can not be easily accepted by Norwegians is a short time horizon typical for Russians. As I have discussed earlier, Norwegian culture puts much emphasis on planning and arranging actions. Russians, in turn, tend not to make long-term plans. This is partly connected to the uncertain economic and political situation, although this is changing now. As Norwegians put it: “Russians tend not to plan too much ahead: "We need money today, and we do not know what comes tomorrow"; “Russians’ problem is to predict what is coming in the future. When they plan, they plan only for the near future, maybe one week in advance.”

The short time horizon is demonstrated by the following example given me by a top manager of a large Norwegian oil company. His company was negotiating the long-term investment with a Russian company. They were well into discussion when he decided to make sure that both sides were talking about the same time period. He suspected some difference, but was very surprised to find out that, while he was thinking of a ten-year project, Russians had a two-year period in mind.

Russians tend not to make precise plans for a long period of time, not to mention concrete deadlines: “...people have different perception of the fact that we have to complete or accomplish something within a deadline: that is not present so much.” As one Norwegians noted, this attitude is reflected in the business plans. Norwegian one would typically say:

"Within 2 years we *shall* increase our production of gas with 22 million tons". In Russian business plans it would be: "We *intend* to increase our production with 33 million tons", without mentioning concrete time period. In a part, this feature has its roots in the Soviet system, when the company could be more or less certain that the state will provide some funds as long as the project is running; at the same time, the procurements could have been so irregular that it was practically impossible to keep any deadline. Nowadays, economical instability is still contributing to such attitude to planning.

However, the Soviet system did not grow out of nowhere: it was a result of adaptation of the communist ideas in the traditional Russian culture. Thus, many features of the contemporary Russian society that are often assumed to have its roots in the Soviet regime have the roots much deeper. It is true that certain features, such as lack of service notion and of economic competence can be said to be a Soviet system heritage, but these features do have more operational and short-term nature. I will discuss them in the following section. Returning to the lack of long-term planning, one can find other explanation of this characteristic than an influence of the Soviet time. As I have been discussing earlier, in Russia the networks of relationships play an important role in all the aspects of life including business, and the relationships are of a particularistic nature. When doing business together requires establishing relationships of trust first, it takes time, and can be predictable only within certain limits. In Norway, where business is based on the contractual relationship, it takes less time to establish those, and leads to their greater predictability. Furthermore, particularistic and situational nature of relationships in Russia does not contribute to the predictability either.

All this determines another characteristic of Russian culture: patience. This feature was noticed by many of my Norwegian respondents: "Russians are more patient, they are more used to wait, to take their time, to wait until others do their things". In turn, patience is important feature Norwegians have to adapt when doing business with Russians. As a Norwegian who has a long experience of working with Russians said: "Patience: if you have no as an answer at negotiations, come back later. In Norway, no is no." Russians prefer first to establish relationship in order to understand what the other side wants from them, as well as to understand what are its motives and interests. This process takes time, and Norwegians are less used to spend long time on establishing relationships with (potential) business partners. Moreover, as bringing emotions and showing the character in work context, as well as demonstrating the power status are common in Russia, "no" does not have to mean ultimate

negative answer. A Norwegian anthropologist and business consultant told: “I experienced in North-West Russia, when an official delegation comes, the Russian host may just say: Yes, we have heard all this before. You come here to pose the same question every year, and we do not see any results, I do not understand what this is all about. Then he would probably sit down at the table and say: “Well, maybe we can do some business after all”. And he understands that we have not succeeded for ten years, but maybe we will this time. That is a part of Russian experience, that it is never too late to make things happen. You can wait, and wait, and wait, and eventually maybe it happens.”

5.5 Soviet heritage

So far in the discussion of Russian culture, the word “Soviet” was hardly used. Since national culture is transferred from generation to generation, most of its features have the history longer than seventy years. As I have just said, Soviet system had been based on the communist ideas but implanted and developed within the traditional Russian culture. However, culture is not a rigid phenomenon: it evolves, modifies, and enriches itself as the time goes. Thus, even though I believe that most of the characteristics of today’s Russian society are dating back much longer than eighty years, some features do exist nowadays due to the system which was governing society during seventy years. These features include the concept of and the attitude to service, lack of business competence, and suspicious and at the same time hopeful attitude to foreigners.

5.5.1 Service notion

Low quality of service in service sphere: stores, restaurants, hotels, public offices and so on is something that strikes Norwegians in Russia: almost everybody I have been talking with have commented on it. They told me that in the service sphere in Russia they meet people who by far can not be described as service-minded. Sometimes Norwegians take the lack of attention to them rather personally: “The relations to other people are obvious in the service business: in the restaurant, in the airplane, in the café, in the public office. In Norway you would never get away with being rude to the customer. That was very often no problem in Russia.” For this

speaker, low level of service signifies a negative attitude to the people, him as well, on the part of the service personnel. At the same time, the service personnel seems to be interested in maintaining good relationships within their own collective: “In shops, people behind the counter, they are not interested in the customers, they are just interested in having good time together, talking and enjoying themselves with their colleague friends”- this is an impression of another respondent.

This attitude, seemingly rude and sometimes even personally offensive for Norwegians who are absolutely not used to it, has its roots in the early history of Russia, and was reinforced by the Soviet regime. In a pre-revolutionary Russia, with its communal spirit and contempt for monetary gain, merchants and businessmen were too small and insignificant (and despised) to develop and significant capitalist and entrepreneurial tradition. Russian Orthodox Church did not value work as a religious virtue: the spiritual aspect was much more important. Hence, “people who engaged in business were often suspected of selfish and, implicitly, unethical motives” (Puffer and McCarthy, 1995). This notion is completely opposite to that of the Protestant Church, present in Norway: there, work seen as the main religious virtue and the mean to relate to the God.

During the Soviet period, particularly during the last decades, people were becoming more and more skeptical about the regime. Declining level of life was contradicting the official ideology of prospering and well-being, and the slogans calling for work for the better future became more of a source of bitterness and skepticism than that of inspiration. People were gradually losing the confidence in the authorities and in the state, to the point where the state regulations and institutions produced the negative attitudes and expectations *a priori*. Since all the enterprises and institutions were state-owned, working there was also considered as something imposed by the state, by the regime. Moreover, even if the salary was paid, it was not always easy to buy food or other items as they were not available in the necessary quantity. Thus, people saw their working tasks and responsibilities as something forced, and tried to reduce them to the minimum. People often did not associate with their job, were not enough motivated to provide service. Paradoxically, the official ideology indirectly contributed to this attitude as well: the old Marxist scorn for, or ignorance of, finance and money did not encourage service-minded attitudes (Åslund and Layard, 1993). Thus, this attitude got deeply implanted in the societal mentality at all the levels.

Nowadays, even though many companies have become private and depend on the customer to survive and succeed, this negative attitude to service still exists, especially among the generation that experienced the Soviet regime. A Norwegian who has been travelling in and out of Russia during the period of nearly twenty years explained me how he learned to cope with this service level: "Service is almost non-existent. I can joke about it now, I come to the store and say. "So, you do not want any money today?" I try to be nice to them, and not to shout. You come nowhere at all if you start to shout. You have to take it with a smile, and maybe that is why I like it so much: when I smile I feel that I get some response out of them. In some hotels where I stayed first it was very bad, but when I became more or less regular customer, it changed."

This evidence brings us back to the important feature of the society and culture that was discussed in detail before: the role of the personalized relationships between people. This respondent has understood that, even though he feels frustrated with the lack of attention on the part of the service personnel, instead of shouting and demonstrating his anger he can smile and "get some response". What he does is an attempt to transfer the impersonal relationship "client - service provider", with respect to which people might have no or even negative emotional connotations, into the personal one. Once he establishes a personal contact with the person doing his job, both become emotionally involved, change dimension from impersonal to personal: then the level of service improves dramatically. His last remark confirms it as well: once one becomes a regular client, he stops being "a customer", he establishes a kind of fellow relationships, and at this point he gets a much better service than "the outsiders".

5.5.2 Lack of business competence

Another feature inherited from the Soviet regime is a low business and economics competence. This feature can not be in fact considered a cultural characteristic, and is of temporary nature: one finds more competent people in Russia now compared to five or ten years ago. However, I chose to discuss it briefly rather than omit completely, as it might still exist for some years, and as this issue arises quite often in the business context. Various forms of leadership and motivation, key functional areas as market planning, production management, international finance and organizational development were not known in the

Soviet Russia: Russian language did not even have the equivalents of these terms. Many aspects of business communication such as negotiation procedures, terms of contracts, administrative routines, to name a few, are a commonplace in the West, and knowledge of these practices and procedures is often taken for granted. However, principles of the Soviet planned economy were by far not the same as those of market economy in the West. Thus, after the fall of the Soviet regime and "opening" of Russian market, Russian managers were unprepared to deal with the Western businessmen: they lack both knowledge and experience.

Norwegians might find Russians business style quite primitive; a sales manager explained: "When it comes to discussing terms and conditions of business contracts, Russian style is very simplistic. You say the price is 100 dollars, a Russian would say 50 and hope for 75. And then you will spend two hours getting to 75 instead of two seconds. It's very simplistic, instead of trying to arrive to maybe 90 dollars but with other conditions changed." In this situation, Russian managers were not confident about their knowledge of all the possibilities with the regard to the contract terms, and thus opted for the most obvious but also the simplest way.

Moreover, in the planned economy, profitability was not a first priority, if at all, companies were more occupied by delivering at any price the amount of products requested by the state. The company was not free to choose what product to produce and which suppliers to use as raw materials and other input were scarce. This means that a company could not have an efficient planning system and think in terms of profitability. The effects exist even now: "They have no idea how to build up a price. Their planning system is not useful for them, they do not know actually what is the price per kilo... So they say: you tell us the price, what I am willing to give for this. ...And they also have some planning system, but is more based on the human resources. If they see that they are late, they put more human resources, but this system is not based on business or economic considerations." This lack of knowledge increases uncertainty and risk for a Norwegian partner, and might also increase the amount of work they have to do since they have to help the Russian party to learn these new skills.

5.5.3 Suspiciousness towards foreigners

The interesting aspect of Russians' attitude to Westerners is that this attitude includes both certain suspiciousness towards them, and at the same time a naive believe that they will help Russians in a difficult situation. Many Norwegians have experienced not negative, but somewhat dubious attitude on the part of Russians: "People are not hostile: they are making money with us, earning on us, they can not be hostile. Suspicious, yes. They prefer not to talk about their plans with foreigners." Norwegians feel that Russians might suspect "consumer" intentions on their part: "Due to the lack of capital and funding in Russia, they feel that foreigners are coming there and trying to get much out of the country, not leaving so much behind". Such attitude owes a lot to the former Soviet propaganda: the image of a rich capitalist West that is trying to gain as much on the new socialist state was widely represented. Today this image has much faded, but it still exists in the minds of the older generation. People might still be somewhat suspicious that the foreigners want to gain as much as possible, not giving anything in return.

Moreover, this attitude is not just a result of the Soviet period, but it is deeply rooted in Russian history. Vasiliev (quoted in Åslund and Layard 1993), one of the Russia's leading economists, lists various traits that impeded the growth of capitalism in the last century: the primacy of communal spirit, contempt for commerce as an occupation, mistrust of the rich, and a grunge against prosperous neighbors. These traits, he suggests, were both perpetuated and even intensified in the Soviet period.

At the same time, Norwegians feel that Russians, even if suspicious, still expect them to help in the situations where Russians lack funds, knowledge, technology, or simply have made a mistake due to the lack of competence: "I experienced that the Russian side tended to overlook the problem and just expect that when we came we would solve the problem. That was obviously not the case. And that created some awkward situations when we did not live up to their expectations, and they did not live up to our expectations." Sometimes, especially in the cases where the Russian party had not much previous experience of cooperating with a Western partner, Russians had unrealistically high expectations towards the Norwegians. A Norwegian sales manager described his experience of selling products to the farmers in the Russian countryside: "If we discussed with farmers selling our products, we very well knew

what we have to do to get payment, which was of course why we came there to do the business. Whereas our counterparts often had very different perceptions how this should be paid for, they thought we would pay for it somehow. And they were taking big figures, but the money was to be found, which was not always very easy. It could sometimes mean that the contracts were not fulfilled or even signed.”

As during last decades West has been more technically and technologically advanced, as well as financially more successful, people believe that Westerners have all, or almost all solutions, and will help a partner (Russia in this case) in the difficult situation. These idealistic and naive expectations complicate work for Norwegians: “They think that we are very rich, money is no problem. We try to explain that we have to earn money, it is a hard hard market, and it is a hard way to earn money, but they do not understand that, really.”

In some cases this belief that Norwegians are rich, together with the inherited from the Soviet time negative attitude to the “capitalist West” might lead to the situation where usual ethics is not applied any more. As Russians are particularistic and judge each situation within its context rather than applying one criterion to all the situations, the relationships with Western partners are evaluated with the consideration of the attitude to them. This might mean that it is not considered morally wrong to be unfair, to try to fool a Norwegian partner. Unfortunately, there are a few examples of this attitude.

For instance, there is a number of cases where Norwegian companies have invested in joint ventures with Russian partners, just to find themselves being squeezed out of the company and loosing their investments. There is a notorious example from Archangel: a Norwegian company had set up a joint venture with a Russian counterpart. They had made joint investments and established a factory to produce windows and doors. After rather a short time, the Norwegian partners were simply squeezed out of the business, and the Russian partners took over. The Russian side's argument was basically that the machinery that came from Norway was not good enough. They said: "It was not of that high value, we were fooled, and we feel fooled, so we take back what we think is ours." The Norwegian party then took the case to the Russian court, and they actually won three court cases. The problem was that the court decision was not respected and followed by the Russian party, so the Norwegian side did not get any compensation. And the regional Russian authorities seemed to "have looked through their fingers", and did not make any attempt to force the Russian partner to

fulfill the court's verdict, as such attitude to the Westerners might exist at different levels of society.

If in the above-described case the Norwegian company was unaware of the potential pitfalls, and, unprepared when faced with the possibility of being squeezed out, lost most in this situation, the example of another company is rather different. This Norwegian trading company had long experience in working in the Russian market, mostly in the northern region. In the 1990s, this company established a joint venture with a Russian partner in Murmansk: an agent company doing agent work for vessels. The similarity with the previous case is that the Russian partners there also had taken over. They actually just channeled all the business out of the joint venture and continued to do it on their own. The manager of the Norwegian company, a person with long business experience, reacted differently than the leaders of the furniture company.

His former colleague described the actions of the leader: "He did not make a big fuss out of it going into the legal system of anything like that. He accepted it in a way. He tried to make it into his own advantage by saying: "OK, you have done this to me, you have taken part of my property, I lost a lot in it. You should pay me back by treating my boats well in Murmansk harbor." That way, he managed to retain quite good relationships. Fortunately, he had a lot of activities going on with relation to Russia, and this joint venture was not his main one there. Thus it was possible for him to accept the lost at the moment while expecting to get it back another way later. The broad specter of activities was certainly this company's advantage compared to the company in Archangel that did not have it. However, the manager of the latter company was also familiar with the Russian context that let him "navigate" in this situation and to compensate his loss. During the years of working in Russia, he had established relationships, created a network, which made it possible for him to find the way out of seemingly hopeless situation.

Chapter 6 Findings

*“Do not worry about people not knowing you Worry
more about not knowing other people ”*

Confucian Analects 1:16

In this chapter, I present the findings of the study, answering the research questions. After summarizing the major cultural differences between Norway and Russia with respect to business relationships, I discuss the challenges these differences present for Norwegian-Russian cooperation. Then, following the argument that cultural awareness is one of the essential competencies of the international company and thus an important element of the company's strategy, I suggest the actions for the companies to obtain, develop and actively apply this awareness.

6.1 Differences between Norwegian and Russian cultures and their impact on the business practice

The analysis of the data indicates that the main differences between the Norwegian and Russian national cultures are centered around the following themes:

- hierarchical structure of society and power distribution;
- interpretation, application, and the meaning of rules and regulations;
- the way the societies separate the spheres of life, individual and collective, status levels;
- the way to arrange time and actions;
- the heritage of the Soviet period that still influences Russian business practice.

6.1.1 Hierarchical structure

Norway

Flat organizational structure: One of the most profound aspects on which Norwegian and Russian societies differ is their hierarchical structure. Norwegian society has a flat and egalitarian structure with few hierarchical levels, while the Russian one represents a tall hierarchical pyramid with many levels and complicated relationships between them. As an organization is a society in miniature, the same characteristic applies to the organizational structure. In Norway, companies tend to have a lean structure with egalitarian and democratic relations between the superiors and the subordinates.

A boss is a democrat and a team-work facilitator: Being boss is seen rather as an organizational role than a status; it is a common practice that the boss asks his subordinates for advice. His role is to create the consensus, and to maintain the coordinated and smooth team work on the organizational tasks. The boss delegates the responsibilities to his subordinates since they are supposed to possess the information and skills necessary for fulfilling the task; the power, thus, is not concentrated on the top but is spread in the organization. The good boss is a democrat who is able to bring the collective to the consensus and facilitate team-work, and who is delegating responsibility and consulting his subordinates in order to get work done the best way.

Responsibility is delegated top-down: Delegation of responsibility is seen as a strong motivational tool, as the status of the person depends on his skills and performance: assuming a responsibility is then a proof of one's worth. This has an application to the decision-making in the company: the subordinates are expected to take the decisions on the basis of their first-hand knowledge and experience. That means that the boss does not have to provide them with the detailed instructions, it is usually enough to clarify the task and to assure the conditions for its successful fulfillment. Follow-up often implies giving the feed-back when the task is fulfilled. The boss-subordinate relationship is usually limited to the work-context and does not involve personal, emotional aspect.

Russia

Hierarchical organization with large power distance. Typical Russian company presents a dramatically different picture: there is a considerable power distance between the numerous hierarchical levels, and an authoritarian leadership style. The boss is a power figure whose

status gives him an authority over the subordinates; the subordinates, in turn, are expected to demonstrate respect and certain obedience.

Authoritarian and paternalistic boss emotionally involved with the subordinates: A good boss is a powerful, authoritarian and charismatic one with the firm grip on his subordinates. At the same time, he takes a paternalistic care of his collective, establishing emotional ties with the subordinates. The paternalistic and authoritarian aspect of relationships implies the attitude of approval or disapproval with regard to the subordinates, who in turn try to “live up” to his expectations: this type of relations does not facilitate the team work. Moreover, in order to be powerful, Russian boss does not delegate the responsibility to the same extent as a Norwegian boss does.

Responsibility and information are concentrated at the top: The difference in the degree of delegation of responsibility within the organization is one of the principle ones between the Norwegian and Russian cultures. Since the power, and thus information, are not spread top-down organization, Russian boss is taking much more decisions than a Norwegian one, even those at the grass-root level. Asking the subordinates for advice is seen as a sign of incompetence and weakness.

Detailed instructions: As the boss takes most of the decisions, he also gives the detailed instructions to the subordinates and monitors closely the work progress, giving both positive and negative feed-back. This need for detailed instructions is determined by another characteristic of Russian culture: the outcome of the person’s actions is attributed to the person almost exclusively, influence of the context is not taken much in consideration, as it is done in Norway. Any negative outcome then becomes the person’s fault more or less automatically; however, if one has followed the superior’s instructions closely, it becomes not his but his superior’s fault.

Problematic aspects and challenges to cooperation

- Russian leaders might seem over-authoritarian figures whose power is based on fear.
- Russians generally expect closer supervision than Norwegians do.
- Norwegian motivational tools such as delegation of responsibilities are not always effective in Russia.

- Russians generally expect more detailed instructions, and more frequent feed-back and criticism than Norwegians.
- Boss in Russia has to take more decisions than in Norway, his level of responsibility is higher.
- Russians expect an emotional and paternalistic involvement on the part of the boss.

6.1.2 Rules: personalized versus universal approach

Norway

Rules to “help people”: In Norway, rules reinforce the democratic and egalitarian ideals of the society, and it is not an authoritarian pressure that makes rules to be followed but the social pressure of other members of the society. There is a notion that rules exist to create order and structure in the society and everyday life, and so to “help people”, as Norwegians described it themselves. Generally, rules and regulations are rational, and they are respected and followed.

Rules are interpreted by their intention: rules are believed to facilitate social exchange, and they are not interpreted literally: it is the intention of the law that counts and not its letter. At the same time, while trying to interpret the rule in the best way in order to assist the person, a bureaucrat will use a universal approach to all the clients: no one will be treated differently for any personal reason, and the rule will be interpreted only to the officially permitted extent. The rule will be applied to friends and relatives the same way as to strangers.

Contract is definitive: As contract is a form of regulation in the business context, the attitude to rules and regulations is reflected in the attitude to contracts and agreements. For Norwegians, a contract is seen as definitive. The terms and conditions stated are to be followed precisely from the moment of conclusion till its modification or termination, regardless of circumstances such as change of economic conditions, price, or personal relationships between the parties. The contract also provides recourse if the parties do not keep their side of the deal.

Trust in the system: The concept of trust is present in all societies, the difference is how it is presented. In Norway, people separate work, public sphere, and personal relationships; the rules are universal and non-personal, and trust is very much based on the rules regulating the societal system. To trust a business partner, one does not need to establish personal relationship, trust is based on the mutual recognition and respect of the terms of agreement. Furthermore, the legal system is able to reestablish the justice should one party fail to follow the terms.

Russia

Rules justify autocratic positions: In Russia, rules and regulations in all spheres of life are far more numerous than in Norway. In the business context, there is a great number of bureaucratic regulations and formal procedures. At the same time, rules can be just nominal, and often are not respected and obeyed. The reason lies in the nature of rules: Russian society is a hierarchical one where the idea of egalitarianism does not exist in the same sense as in Norway. It is rather a collectivity where each person can be heard and recognized as an individuality, but people are not expected to be equal in terms of status. Greater heterogeneity and greater status differences assume a large number of rules. Moreover, the relationships between people are more emotionally charged, more personalized in Russia than in Norway. Large power distance and personalized relationships mean that the rules are closely linked to the persons in authority. Many rules exist just to justify autocratic positions, with each person in the hierarchy having own scope and level of responsibility.

Rules are interpreted depending on the context: As relationships in Russia have more personalized and exclusive nature, application of a rule often depends on the personal relations with the person in power who has an authority to interpret and to apply the rule. The judgment will depend on whether the person subject to the rule is a friend, a relative or other kind of relation: it will define the way the rule is applied. This might give Norwegians an impression that sometimes rules are interpreted very rigidly, by the letter, and sometimes are not followed at all: it is a question of closeness of relationships. Generally, the higher the position of the person, the more rules he can “interpret”, i.e. bind.

Networks of personal relations: Not only regulations but all other aspects of life, including business, are personalized: social exchange regulated in Norway by means of legal, economic,

and other formal systems is to a degree regulated by the networks of personal relationships in Russia. The relationships in such networks are built on trust based on friendship, acquaintance established through the history of working together, or through the third party.

Contract is an agreement on the principle matter: Due to the particularistic nature of regulations, the contract is seen as an agreement on the principle matter subject to changes and adjustments if the circumstances change. It is valid as long as both parties agree on it. The reason to follow the contract is not as much legal responsibility but rather a relation with a colleague whom one holds in a particular regard. As long as no personal relations between the parties are established, contract is only formally binding. Once the parties have established the relationships of trust, through the history of cooperation or/ and common social activities, they have moved to the sphere of the personalized relationships. At this point a contract stops being a formal document and becomes an agreement between the parties that are interested to keep their relations and thus take care of each other's interests. Such relation has a potential of flexibility and long duration that a contract often lacks.

Personal trust: Trust in the society is not as much a trust in a formal system of social regulation as it is in Norway, but a trust in people that one knows personally or through other people one can trust. As personal and work spheres of life are not strictly separated in Russia, business relationships are built on personal trust to a great degree.

Problematic aspects and challenges to cooperation

- The number of rules, formalities and bureaucratic procedures in Russia is greater than in Norway.
- Rules and regulations in Russia might seem little rational or even disturbing.
- Rules can be both very rigid and very flexible, depending on the personal relationship with the person in authority.
- Existence of personal networks can complicate business activity, especially for a foreign company – an outsider.
- A contract is a statement of intentions, an agreement on the principle matter, and thus might not be followed precisely.
- Unless there are relations of mutual trust at the personal level between the parties, business relationships are difficult and little predictable.

- Norwegians businessmen will face a necessity to develop and maintain personal relationships in the official and business sphere.

6.1.3 Separation and mixing. Collective, group, and individual

Norway

Individuals within a group: In Norway, people generally think about themselves and others as individuals; private life and space of a person are respected. Everyone has a right to pursue his own interests however taking others in consideration. Group spirit is present when working in team, but it exists in the different form than in Russia: it is limited to the purpose or task of the group. People work together on the common task, independently but coordinated.

Separation of work and private life: Various groups, such as colleagues, friends, relatives are rather separated: people clearly distinguish between different spheres of life, and tend not to mix their private life and “life on job”. At work Norwegians do not establish the same personal emotional involvement with each other as Russians do: it is a common goal that unites them. Social activities between the colleagues are less frequent than in Russia, and are seldom of a spontaneous nature.

No large status differences There are no great differences in the status between people: everybody is supposed to be more or less equal and to have similar social status. In the work context, the boss is treated as an equal, he can ask his subordinates for advice, and being younger than the subordinates does not diminish his authority: it is his professionalism and knowledge that count. The largely accepted social law governing the society is Jantelov, suggesting that all people are same and equal, and that one should not believe that he or she is different or better than others. There is strong societal pressure towards equality, and, in a sense, homogeneity of people.

Power and authority go together. Status demonstration and justification is not much present in the Norwegian egalitarian society. Status symbols mean unnecessary expenses, lack of taste and modesty, showing off. As people are not differentiated by age, gender, social position, the status of a person depends on his skills, knowledge, competence, charisma and so on.

Administrative or organizational position, and thus power, are obtained by means of these characteristics, and thus there is little distinction between power and authority.

Russia

Individualistic collective: Russians have strong feeling of belonging to the group, to the collective in all the spheres of life. They establish strong personal involvement with the members of the group, whether it is a work collective, a group of friends or established business partners, or family. Family in Russia is usually extended, it involves grandparents, cousins, aunts and uncles, and often more distant relatives. Moreover, different groups are not necessarily separated. Within a group, Russians are strongly collectivist. Towards the outsiders, however, the group will demonstrate an individualist behavior: in a sense, it will act as a unit pursuing its interests.

Private and work life is mixed: At work, Russians usually establish strong social and personal relations among them. People are usually familiar with outside-of-job life of each other; to some degree, people are expected to share the details of their life and co-sympathize with others. Moreover, people often share social activities such as dinners, birthday celebrations, or just home visits. The tradition of establishing personal relations at work is transferred in any kind of work context, such as cooperation with foreign partners. Russians want to learn about people with whom they are doing or going to do business together, to learn about their character and personality, their interests outside work. Private and work life is mixed, and Russians might want to see each other as well as their business partners outside the work context, for instance dining or having a drink together, or going out. Emotions are often demonstrated at work, showing one's personality is rather appreciated.

Status differences: However, while the colleagues or the boss and the subordinates establish relations of personal involvement, and are equal in these terms, there are societal mechanisms that separate them. As Russian society is a hierarchical one, emotionally charged relationships do not exclude status difference between people. People who are buddies and are discussing their personal affairs over lunch may behave very formally and demonstrate status difference between them in the official context.

Power, authority, or both? Power of the person depends on his position, in the society in general or in the administrative pyramid, as well as on his ability to obtain, keep and demonstrate this power. Power also depends on the authority of the person, obtained due to the experience, competence, skills, as well as by such characteristics as age and gender. At the same time, authority can be enhanced by the ability to maintain one's power. Ideally, the "good boss" is the one who is an authority for his subordinates due to his professionalism, charisma, caring and paternalistic attitude, and who is at the same time a power figure able to take care of the interests of the "collective" of his subordinates with regard to the outside world. Power status is often enhanced by status symbols, such as large office, company car, etc. Having a powerful boss leads to the increase of his subordinates' status as well.

Problematic aspects and challenges to cooperation

- Russians can behave as collectivists or as individualists depending on the context.
- Russians expect personal relationships with the business partners.
- Russians expect the boss to be powerful; status symbols are important.
- Russians' personal emotional involvement, paternalist attitude and strong personality on the part of the boss are much appreciated and nearly necessary.

6.1.4 Arranging time and actions

Norway

Preparation and planning: For Norwegians, the key concepts in arranging time and actions are planning and establishing the order. An event, or a chain of events are usually planned and prepared in advance; the purpose and the supposed outcome define the procedure, which is followed quite closely.

Business meeting – a smooth flow towards the result: The way to organize the world is well reflected in the procedure of a business meeting. The purpose and the expected outcome of the meeting determine its course; the steps of the procedure are prepared before the meeting. Preparation is an explicit linear process that includes gathering the data, its graphical presentation, establishing an agenda, distribution of the speakers' roles. The established order

is followed virtually without interruptions or deviations. A meeting is result-oriented: the purpose is to find a solution of an issue or a problem, or at least to make a step towards the solution. The success is measured by the achieved results.

Monochromic time: Norwegian culture is monochromic: efficiency is associated with planning, assigning priorities in advance and following the schedule; one thing is done at a time, and if it is several, they have to be planned to coincide. People are punctual, and prefer not to deviate from their schedule in favor of other activities or personal relationships.

Relatively long time horizon. In Norway, business is based on the contractual relationships: such relationships are rather easy to regulate and are thus largely predictable. This predictability and general economic stability in Norway favor a relatively long planning horizon: a business project can be planned for years ahead, with the gain coming on the later stages of it.

Russia

Particularistic planning: Russians have more situational and spontaneous approach to arranging time and actions. Planning of an event is less rigid in terms of the details. As relationships are particularistic and personalized, the course of an event is more likely to change according to the circumstances than it is in Norway.

Meeting is about power distribution: At the meeting, there is usually no visual material, or “hard data”, as Norwegians referred to it; the focus is on verbal presentation. As Russian society is hierarchical, a meeting that deals with the issue in question can also be – inexplicitly - about power distribution. Thus, speaking up at the meeting is a strategy to be noticed, to “get points”, to enhance one’s status; one might take a word even if he does not have anything concrete to say regarding the issue of the meeting. Being expressive, appealing at the emotional level is highly appreciated; good, bright presentation has a priority over a smooth flow towards the result, as it is in Norway.

Polychronic culture: Efficiency is seen in reassigning priorities in the course of the event according to the changing circumstances; meeting or doing something for someone with whom one has the particular personal relationship can be considered as prior to the activity

performed at the moment. In practice it might mean that people might spontaneously leave a meeting to speak with someone else who showed up, or choose to meet a friend or a business partner who is important for them, even though other activity has been planned for that period of time, and so on.

Short-term horizon: While Norwegians rely on planning, Russians are less inclined to make long-term plans. Short planning horizon is a necessity in the unstable economic situation, although this feature has roots deep in the Russian culture. As personal relationships between the business partners are of an utmost importance in Russia, and the personal network is replacing the formal one to a degree, a relationship will become lasting, and the planning will acquire longer time horizon only after personal relationships of trust are established. At the same time, such relationships are less predictable and more difficult to regulate than those based on the contractual basis. As a result, business projects in Russia are often short-term with an expectation for a quick gain. Moreover, Russian concept of long-term usually assumes shorter time period than the Norwegian one.

Problematic aspects and challenges to cooperation

- Russians might not follow the pre-established plans or schedules if the circumstances change.
- Meetings and other work activities are loosely structured.
- Speakers at a meeting rely on verbal and emotionally appealing presentation rather than on structured presentation of visual data.
- The purpose of the meeting might not appear to be clear.
- Russians might take a word to “mark the territory” rather than to make a concrete suggestion.
- Russians may be involved in more than one activity at a time, and switch between them according to the current priorities.
- Planning horizon is shorter in Russia than in Norway.

6.1.5 Soviet heritage

Even though most of the characteristics of today's Russian society are dating back much longer than eighty years, some features do exist nowadays due to the Soviet system that was governing society during seventy years.

Low service quality: During the Soviet period, particularly during the last decades, people were becoming more and more skeptical about the regime due to the declining level of life. Since all the enterprises and institutions were state-owned, working there was also considered as something imposed by the state, by the regime. People often did not associate with their job, were not enough motivated to provide service. Paradoxically, the official ideology indirectly contributed to this attitude as well: the old Marxist scorn for, or ignorance of, finance and money did not encourage service-minded attitudes. Today, the level of service in Russia is still generally low, although it is improving. At the same time, establishing personal contact with the person providing service (a joke, a smile) changes the relationship dimension from impersonal to personal, and the level of service might improve dramatically.

Low business competence. Another feature inherited from the Soviet regime is a low business and economics competence. Various forms of leadership and motivation, key functional areas as market planning, production management, international finance and organizational development were not known in the Soviet Russia: Russian language did not even have the equivalents of these terms. This feature has a long history: in the pre-revolutionary Russia, merchants and businessmen were too small and insignificant (and despised) to develop significant entrepreneurial and economic tradition. Negative attitude to "money-makers" is determined by the Orthodox religion: work is not a religious value, the spiritual aspect is much more important. After the revolution, principles of the Soviet planned economy were by far not the same as those of market economy in the West. Thus, after the fall of the Soviet regime and "opening" of Russian market, Russian managers were unprepared to deal with the Western businessmen: they lack both knowledge and experience.

Suspiciousness and hope with regard to foreign businessmen: Norwegian businessmen often experience that Russians suspect the consumer attitudes on their part: that Norwegians try to get much out of Russia without leaving anything behind. This attitude is not just a result of former Soviet propaganda, but also of various traits that impeded the growth of capitalism in the last century, such as the primacy of communal spirit, contempt for commerce as an occupation, mistrust of the rich, and a grudge against prosperous neighbors. These traits were

both perpetuated and even intensified in the Soviet period. Paradoxically, at the same time Russians expect Norwegian business partners to help in the situations where the Russians side lacks capital, knowledge or competence. The fact that Western countries are more technologically and economically advanced than Russia leads to the naive belief that they have all the means and solutions.

Problematic aspects and challenges to cooperation

- Quality of service in Russia is low.
- Russians might be suspicious with regard of business intentions of Norwegians, and might try to outwit them first.
- Russians expect Norwegian partners to help in all difficult business situations.
- Russian businessmen often lack economic and business competence.

6.1.6 Some other characteristics of Russian culture and society

In this section, I will discuss the topics which were not explicitly discussed before but which are important for understanding the traits of Russian culture and society that might be essential for establishing and conducting business in Russia. These topics are the level of criminality in Russia, Russians' perception of themselves and Russian culture, and the pitfalls of Russian language.

Negative media stereotype

During last years, Russia has been perceived and presented in mass media as a very dangerous country. There is no shortage of stories of foreign businessmen being threatened, bitten up or even killed by criminal groups, the intimidation and hijacking of the expatriates and so forth. However, the image presented by media is much worse than the real situation (Holden, Cooper, and Carr, 1998; Maurseth, 1997). Norwegian and other foreign businessmen who did spend a period of time in Russia are usually skeptical to the statements about the threat of the Mafia or criminals: "People in Norway are reading about organized crime and corruption, so that also means that they are very careful, maybe too careful." Another respondent commented humorously: "When I lived in Russia, I felt quite comfortable there, and when I

came home and read newspapers, I understood that probably I should have been very afraid while I was in Russia. And I was not, and I never experienced any dangerous situations, but according to newspapers, I was in danger all the time."

In the study of 38 Norwegian companies in Russia, Maurseth (1997) concluded that, despite the impression of developed organized criminality in Russia, Norwegian companies have only limited experience with it. Four of 38 companies have answered that they have concluded agreements with mafia groups; in three of these cases they paid for security protection from other mafia groups: the responding companies did not say that they have entered the agreement after the threat of violence or death. Three other companies have got various propositions from mafia, which they had declined. Such limited experience with mafia, concludes Maurseth, can signify that organized crime has been overestimated by the press as a problem for foreign companies; however, it would be unfair to say that the problem does not exist.

Equal or equivalent?

The impression of many of Norwegian managers is that for Russians the idea that they are unique people with unique characteristics and special place in the world is an important part of their identity, and that Russians actually want to think themselves different. Indeed, this idea has been always present among Russians. The great Russian philosopher, Berdyayev (1918) had expressed the idea: "From the earliest times there has been a premonition that Russia is predestined to something great, that Russia is a special country, unlike any other". Both Tolstoy and Dostoyevsky were of the same persuasion. Russian poet Chaadayev had written about Russians: "We do not belong to any of the great families of mankind, neither to the East, nor to the West".

Russians generally believe in their uniqueness for the good and for worse. They sense that Russia is the country of unique potential and achievements (even if in the past), but also the country of unique problems and challenges (in the present). Berdyayev had also said: "Russia has the capacity to intrigue the world with its inner mysteries and repel it in equal measure for its sheer barbarity". To summarize, Russians are convinced that they are not less intelligent, educated, or competent than people elsewhere, but that Russia has a lot of problems at the moment which makes it difficult to prosper at the moment. Thus, any hint regarding Russians'

inferiority – and that is something that a Western businessman may do considering the current state of affairs in Russia - is unbearable for Russians. A Norwegian respondent has given the following advise: “You should regard your partner as an equal, not as an inferior person. This is one of the most common mistakes Western businessmen do in Russia.”

Russians’ sense of uniqueness together with status consciousness, still existing suspiciousness to the foreigners, and the need to establish personal relationships with the business partner make assuming Russians’ inferiority a very serious obstacle to the business. At the same time, assuming the equality between the two parties is often misplaced, given the level of technology and economic situation of many Russian companies. The way out of the situation is to base the relationships on equivalence (Holden, Cooper, and Carr, 1998). By equivalence is meant the mutual realization that, while inputs from each side in terms of knowledge, experience and resources are different, they are of equal relative importance to achieve effective communication and productive cooperation.

Language

Russians and Westerners do not share a common language of business and management: the Russian language has not developed the necessary concepts and terminology (Holden, Cooper, and Carr, 1998). Limited entrepreneurial activity before the revolution, contempt for money-making activities that I have discussed above, and socialist years with no market economy have led to a “semantic gap”: an inadequacy of language and conceptual terms constraining the smooth transfer of western management know-how into the Soviet and then contemporary Russian experience. A lot of terms for leadership and motivation, key functional areas as market planning, production management, international finance and organizational development are not readily translatable into Russian. Presently, Russian language is adjusting to the market economy and international business, both creating words on the basis of Russian ones, or, most often, borrowing them from other languages, mostly from English. As Russian language is not prepared to provide equivalents of English terms, the translation might not quite correspond to the original term. Furthermore, even though the imported terms became fashionable and are frequently used nowadays, very often the concepts and the practice behind them is vague to the users. I will provide some examples to illustrate the point.

Generally, the way foreign terms are translated reflects the culture of the recipient country. For instance, to translate the concept of *training* Russian uses the words reflecting the ideas of teaching and learning in which the emphasis is on the communication of knowledge in a fairly formal way, that is in the presence of the teacher – a mentor, a mental guide. This is characteristic for a hierarchical society with paternalist traditions. Moreover, the closest and most used term for training – *obuchenie* – in the management sense does not convey the associations of improving or extending competencies, and also means “the course of study”. Another example is a confusion around the words manager and businessman: they are often used interchangeably (without translation), and are sometimes translated by the term *predprinimatel*: the latter, in fact, conveys a certain degree of risk and is more close to the French and English entrepreneur. My Norwegian respondents have also commented on this point: “The problem we often experience in Russia is that we put different meanings in the same words. For example, the word budget: in the West, it means income-expenses. When Russians say it, they mean money that they already have got.”

The Danish linguist Møller (in Holden, 1992) pointed out that, for instance, the English word management was often translated as *administratsiya*, which had all the wrong connotations: those to the bureaucratic mechanisms and structures, something that is not only false but also does not project positive image in the Russian mind. Likewise, the term promotion, which embraces a wide range of activities such as advertising, public relations, awareness campaigns, and aspects of personal selling, is usually translated by *reklama* – the term that implies nothing more than advertising. Russian language does not have an equivalent for a word challenge, which is as a rule translated as problem; the same goes for the word performance – the closest Russian term is achievements.

These translation difficulties represent additional challenge for the communication and cooperation. A business consultant specialized in Russian market and business culture said: “It is important to have respect for the language difference. One thing I think lots of Western actors, companies, and institutions do not pay a sufficient attention to, is to make sure that communication is not hampered by bad translations, by bad interpretations of concepts”. Moreover, using an interpreter will not necessarily improve the situation: even if the interpreter possesses an extremely good knowledge of Russian and Norwegian (or any other language), the quality of interpretation depends on his skills of linguistic mediator. Thus,

apart from the knowledge of the specialist terminology in both languages, he or she needs to understand the cultural context of the negotiating parties.

Problematic aspects and challenges to cooperation

- Mafia does exist in Russia, but the level of criminality is generally overestimated.
- Russians are proud of Russian culture and despise being treated as inferior business partners.
- Russian language has not developed business concepts and terminology, and the translation from English or other European language might not quite correspond to the original term.

6.2 Suggestions for improved Norwegian-Russian cooperation: bringing cultural awareness into the strategy

I begin this section with the discussion of general but essential issues in the intercultural context. Next, I offer some suggestions for the company's management with regard to development of intercultural competencies and capabilities. Finally, I discuss intercultural training as a mean to develop intercultural knowledge and skills.

6.2.1 Issues to consider in the intercultural business context

Below, I suggest skills, abilities and qualities that are indispensable for successful cooperation at the international level. These suggestions are based on the result of the data analysis, as well on the works of intercultural management researchers (e.g. Phillips, 1993; Holden, Cooper and Carr, 1998; Moran, Harris and Stripp, 1993).

- The first step towards successful international cooperation is recognition of the role of national culture, and the will to learn about another culture and cultural adaptation. One should avoid stereotyping: although it might give some basic ideas on the first steps, it will eventually limit one's insights and sensitivity to other culture. Knowledge about other

culture will help to understand why people think, communicate, feel, and act the way they do.

- The awareness of own cultural biases, in order to ensure that they do not get in the way of work.
- Mutual respect between the parties is a must. Ethnocentrism and prejudice can never serve as a basis for international cooperation.
- An ability to understand people's needs and interests, even if they are not the same or are expressed in a different way to that of the home country, and to encourage feed-back. For instance, current economic situation in Russia, and different type of relationship within a work collective and across the organizational hierarchy are reflected in the people's needs and the way they are communicated.
- The ability to build and to manage a team requires understanding of relationship and power mechanisms of the country, and awareness of its management and motivational tools.
- Working in another country means picking up skills which may be outside the scope of the domestic managerial practice. As managers in Russia are taking more decisions without delegating, that might mean that a Norwegian manager will have to develop greater technical or some other kinds of awareness. At the same time, lack of economic and business competence among Russians might put additional responsibility on the Norwegian managers.
- The ability to be flexible and to understand that there is seldom "one best way": it depends on the cultural context, and it might be useful to learn and adapt some ways and methods of the country. For instance, establishing and maintaining personal relationships are indispensable for doing business in Russia, while it is of less importance in Norway.
- The ability to take and use the best practices from the both parties, as well as imagination and creativity to deal with new and unfamiliar situations.

To conclude, there is an issue that I discussed throughout all the previous chapter from different angles, and that is perhaps the most important factor for succeeding in business in Russia: establishing and maintaining the network of relationships, i.e. the relationships of trust with the business partners is essential for business activity. Step-wise involvement is an approach that allows both to reduce the risks and to develop the reliable relationship network.

6.2.2 Management challenges in the international company

One of the central ideas of this thesis is that cultural awareness is one of the essential strategic competencies of the international company, and that the ability to deploy this competence is one of its key capabilities. Acquiring, sustaining, developing, and applying this competence have to be integrated in the international company strategy; below I discuss its practical applications.

As I discussed in Chapter 2, human resource coordination is the key issue in the relationship between resources and capabilities, and management plays a crucial role in development of organizational competencies and capabilities (e.g. Hamel and Prahalad, 1990, 1994; Grant, 1991). Below, I discuss the challenges of management of the international company.

Generally, acquiring and developing cultural awareness and the ability to deploy it means acquiring knowledge and skills, i.e. learning. Open-minded attitude, eagerness to experiment and confront established views, sensitivity to changes in the environment are essential for ability to learn. Organizational learning is both individual and a collective phenomenon that requires shared vision and shared commitment to change. Sharing and overlapping of information, multi-skilling, diversity in functions and backgrounds, organizational decentralization and autonomy, delegation of power also facilitate organizational learning. Developing a learning organization is one of the major challenges of the international company management related to all the organizational aspects. However, the challenges discussed below are those related directly to the intercultural aspect of international business.

1 Recognition of the importance of cultural awareness as an essential competence and as an important element of the company's strategy

The first step in the development of cultural awareness is recognition of the role cultural differences play in the company performance and competitiveness on the international market. It is quite common for a company that is starting to operate in another country to overlook or ignore their existence: once the company encounters difficulties, the management is likely to explain them by other factors, such as for example bureaucratic system, or the other party's arrogance or rigidity. At this stage, the knowledge is possessed only, if at all, by the people directly involved into the international activities; it is likely to exist only in a tacit form. Nonaka and Takeuchi (1995) call this process socialization: creating tacit knowledge through shared experience of a group of people, for example a group within the organization that is working on certain project. If a number of people in the organization are working with the partners from the other country, or with the foreign market, they will develop skills, which allow them to be effective and efficient. They will develop some methods and approaches that are different from what is common in their home country, but that work well abroad. But these skills, methods and approaches might not be discussed or even explicitly stated. The members of the group can take them for granted, and not notice their existence.

However, this knowledge is of importance for the organization's success on the foreign market, and if the company wants to maintain and increase its success, this knowledge has to become more than a tacit knowledge shared by a limited number of people. In their typology of knowledge creation, Nonaka and Takeuchi (1995) refer to this process as externalization: conversion of tacit knowledge into explicit knowledge. This process happens at both group and organizational level. Not until the existence of the specific knowledge about other country's cultural characteristics and specific features is acknowledged, made explicit, shared with the organization, and, last but not the least, recognized as an issue to consider for the company's strategy, can the company achieve full efficiency in the market. Top management and human resource professionals' role is to act as "catalysts" in this process, facilitating bringing out, sharing within the company, and clarifying the strategic importance the knowledge gained through operational experience.

2. Identifying the type of intercultural knowledge and skills needed, and establishing the level of investment into cultural awareness.

Operating on the foreign market always means facing international challenges and cultural risks. As I stated early in the thesis, cultural awareness includes not only knowledge about

cultural characteristics of another country, but also applying this knowledge to identify and to estimate the risk associated with these characteristics. Depending on the type of the company's international involvement, these risks will vary, and the need for cultural awareness will vary as well. Earlier, I have described the main types of international involvement, from the low-engagement ones such as export or trademark agreements, to worldwide organizational format. If in the first case all the company might need is an adaptation of the product and / or marketing strategy, the worldwide organization will face multiple intercultural issues. For instance, it has to decide whether to use its domestic management and control methods in each of its divisions, or to allow them to adapt the local ones; it has to deal with the international team conflicts, with the communication problems within divisions and between the headquarter and the local offices. The issues to deal with depend on the type of international involvement, on the product and the technology, on the industry and the customer group and so on. It is the management task to identify the potential problem areas, potential risks, and to determine how to address these issues. Accordingly, the management has also to determine who in the company should acquire or share cultural knowledge and skills. Last but not the least, the management has to estimate the amount of funds and of time to invest into acquiring, sustaining, and development of cultural awareness.

3. Facilitating the creation, development, and sustaining of cultural awareness.

Human resource professionals should encourage employees' interest in other cultures, and their attempts to try to gain new knowledge through personal experience. It is important for the company to learn and to develop: firms that fail to develop and evolve their existing competencies are doomed to eventual market decline (Hamel and Prahalad, 1989, Porter, 1991; Petts, 1997). Rather than just using existing knowledge, the company should strive to deepen them and obtain new knowledge and skills. The most obvious way here is to actually give people opportunity to work overseas, but there are also more subtle ways. For example, employees might be encouraged and given opportunity to learn a foreign language, to read about other countries, or to spend their vocations abroad, not necessarily in the "target" country (Moran, Harris, and Stripp, 1993). One of the main means, however, is an intercultural training providing people with information about cultural characteristics of other countries. This process of obtaining explicit knowledge from other sources, "transfer from explicit to explicit" is referred to as combination (Nonaka and Takeuchi, 1995).

4. *Facilitating deployment of cultural awareness (providing people with practical skills) in order to increase the company's capabilities and thus competitiveness*

The management must constantly make sure that not only the core competence is achieved, but must also look for new and novel ways of improving core capabilities, i.e. using existing knowledge and skills (Petts, 1997). Thus cross-cultural training should not only be aimed to inform people about the other country's culture, but it should also help people to internalize the received information, and to teach them the skills how to use it in practice. Possessing explicit knowledge about the culture can improve the group's interaction with the foreign counterparts, and thus the company's performance on that market. What happens basically is that while newly obtained explicit knowledge facilitates operations, people gradually internalize it. Nonaka and Takeuchi define internalization as conversion of explicit knowledge to tacit knowledge. Knowledge that the group has acquired about another country culture becomes more and more unconscious part of their actions and work routines, it assimilates, and is increasing with time. This process is often called learning by doing; such learning can be achieved not only by means of business practice, but also by situational and practical training.

6.2.3 Intercultural training

Purpose of intercultural training

Intercultural training is one of the major tools to increase cultural awareness of the people in the company. However, as it was mentioned above, it is not enough merely to provide information about cultural characteristics of the country and leave it at that. Intercultural training needs to help the employees to work and perhaps live within the new culture. It needs to teach them the practical skills that will allow to utilize the information they have received.

On entering a new culture, many individuals seem to pass through the same fundamental changes in attitude, as follows:

- an initial sense of elation and optimism;
- a period of frustration, depression and confusion;

- gradual improvement in mood, leading to optimism and satisfaction with the new situation.

Training should prepare the individual to deal with the difficulties during the initial stages and to adjust to his or her new circumstances. Training should not, however, lead the individual to sublimate their own culture, or to completely submerge themselves to the new one (Phillips, 1993). Below, I discuss the most common types of intercultural training. One should bear in mind, however, that there is no universal recipe for a successful training course: each one has to be tailored to the particular company's situation, and it is up to the human resource managers to make specific decisions, develop the course and take actions in each unique situation.

Types of intercultural training

The first type of cultural training focuses on awareness of and general knowledge about cultural differences (Hofstede, 1994). Awareness training concentrates on one's own culture and on where it may differ from others. It is not specific to any country: the knowledge and skills taught apply to any foreign cultural environment. This training deals not as much with the question how to live in another country but how to get the job done. Hofstede (1994) describes this kind of training as including intercultural business games, exercises, lectures, case studies, and group discussions. The main message, he suggests, is that people who were brought up in different countries have cultures that differ in more-or-less predictable ways. After, it is up to the learner to acquire the additional knowledge about another culture; the skills are to be further developed in the country of destination. The effect of this training is that the person learns that more knowledge and skills are needed, and where to look for them.

Second, and the most common form of training focuses on specific knowledge of the other culture (Hofstede, 1994; Phillips, 1993). This might cover subjects like climate, geography, food, customs, "do's and don'ts", and so on. The more complete version of this type of training involves learning the local language. This kind of training is useful, but its effectiveness is limited, because the facts are often too general to have specific application, it does not provide introspection into the expatriates' own culture giving thus no comparative basis, and it does not give the learners the idea how to use the information they have just acquired. Even if the provided information is retained, it will not necessarily lead to any

modification of the employees' behavior in the new cultural context. To be of greater value, this information has to be combined with some form of experiential learning (Phillips, 1993).

To understand another culture, one has first to understand his own. The aim of experiential training is to compare the two cultures by looking at different kinds of behavior from the respective of each. This way, the training will get an individual at the departure point accustomed to the principle that few human values are absolute and universal. The ultimate goal of the training is to help the learner to internalize and to further utilize the information received. The experiential training is usually done by exposing trainees to supervised real or simulated "second culture experiences". For instance, the team of trainees might include people from both cultures for some common tasks such as organizational case studies or outdoor activities, or culturally heterogeneous team might be exposed to simulated intercultural cases. Part of experiential training might be run in a form of self-training; the instrument for this is a cultural simulator. It includes about 100 short case descriptions each illustrating an intercultural encounter in which someone behaves in a particular way. After the case, four explanations are given of this behavior. One of this is the explanation shared by the majority of those inside the foreign culture. The three others are naive explanations by outsiders. The student chooses the answer and looks on the next page for the corresponding comment. The comment explains why the answer chosen is correct or incorrect. Such exercise can be a useful part of the experiential training. The major guidelines for experiential training suggested by Phillips (1993) are listed below.

It should be practically based: The training program should not revolve around vague statements about a culture, but should deal with specific everyday issues that people are likely to experience in their work and life.

It should be situation-tailored: The individual needs of the trainee or a team should be the starting point for the training program. It is more useful to analyze personal weaknesses, biases and prejudices, rather than superficial aspects of a new culture. This will teach the person how *he* or *she* can adapt to the new situation.

It should be participative: The training should involve interactive methods such as simulations, discussions, role-play, and so on. Information from lectures and seminars is often

difficult to apply in the real life situations. Participants must be in touch with the feelings that accompany cross-cultural situations.

It should involve evaluation and feedback: Monitoring, evaluation and feedback of the trainees should be built into the design of the course to keep people updated about their performance.

The type of training to use depends on the particular needs of the company. The first type of training described above - aimed at increasing general awareness and knowledge - is appropriate for any type of international company, and particularly for those operating on many foreign markets. The experiential training is by and large the continuation of the second type of training – teaching the skills to utilize provided information about another country's culture. Norwegian companies operating on the Russian market would undoubtedly benefit from providing this kind of training for the employees involved in the international business, both those working with Russians and their superiors.

On the basis of the data analysis, I suggest the following specific areas that should be covered by cultural training within Norwegian-Russian context:

- Relationships across the organizational hierarchy, and leadership styles.
- Management and motivational methods.
- Relationships between an individual, a group, and a collective.
- Role and place of personal relationships.
- Approach to organize and structure time and activities.
- Attitudes to rules, regulations and laws, and the ways to apply them.

Chapter 7 Conclusions

The topic of this study was “The role of cultural differences between Norway and Russia in business relationships. Application to strategic management in Norwegian companies”. Cross-cultural issues in the business context has been studied for nearly one-third of a century by now, and importance of such studies is widely acknowledged. The existing literature, however, is heavily biased towards comparisons between North America or few large European countries on one hand, and Japan, China and Hong Kong on the other. Little research has been conducted to study Norway and Russia, and the cooperation between these two countries. This study helps to fill this void.

The company working on the foreign market is exposed to the risks related to the cultural characteristics of the host country. Dealing with these risks is a strategic issue that requires knowledge about the host culture and intercultural skills. In the thesis, I referred to the knowledge about the host country’s culture, about the risks associated with the differences between company country’s culture and the host culture, and active utilization of this knowledge in the day-to-day business practice as to cultural awareness. The purpose of the thesis was to study cultural differences between Norway and Russia, their impact on the business relationships that Norwegian companies have established with Russian counterparts, and how this impact can be considered in the strategic management of the company.

The study answers the following research questions:

- What are the major cultural differences between Norway and Russia, in particular with respect to business relationships?
- What challenges do these differences present for the cooperation?
- How can cultural differences between Norway and Russia be addressed to in the strategy of an Norwegian company operating on the Russian market?

The unit of analysis was national Norwegian and Russian (North-Western Russia) cultures. To understand what is different (and what is not) between the cultures, one has to understand

this inner logic of the societies. The aim of the thesis was to reveal the main cultural traits of both countries: the principles and mechanisms determining the way the societies deal with such issues as power and authority, time and space, collective and individual, and so on. Understanding these issues leads to understanding the differences between Norwegian and Russian cultures and thus to awareness of factors to consider for successful cooperation.

As this study is of exploratory nature, I have chosen to apply qualitative idiographic approach. The goal was to analyze the internal coherence of the examples and to make sense of them, giving detailed rather than general picture. For the data collection, I relied upon semi-structured interviews with fifteen Norwegian respondents who had experience of working with Russians in and/ or outside Russia. Most of the respondents were top or middle managers with economic, engineering or social science background. All except for one are working for large companies. The industries represented included oil, gas and offshore industry, telecommunications, and trade or investment activities. A half of the respondents have experience of living in Russia, another half have not lived in Russia, but had more or less frequent, sometimes on a daily basis, contacts with Russian partners or colleagues. I have also used the information concerning Norwegians and Russian cultures, and Norwegian-Russian cooperation from the secondary sources, such as mass media, academic and popular publications. I applied the grounded theory approach putting emphasis on the interplay between data gathering and analysis.

The study has made significant contributions into the knowledge about Norwegian and Russian cultures and the role the cultural traits play in the organizational context. The main empirical findings of the study are presented below.

One of the major differences between Russian and Norwegian cultures is *hierarchical structure of society and power distribution*. Norwegian society, and thus companies, have lean structure with egalitarian relationships between superiors and subordinates. Norwegian boss is a democrat and team-work facilitator; he delegates responsibility in order to get work done in the optimal way. Russian organizations, as well as the society, are characterized by large power distance between levels. A good boss is an authoritarian power figure, and at the same time a paternalistic and charismatic leader emotionally involved with the subordinates. Responsibility and information are delegated much less in a Russian organization than in a Norwegian one as this allows to preserve the concentration of power on the top. Information

is usually spread in the form of detailed instructions, and the work progress is closely monitored by the boss. Thus, a Russian boss might seem to Norwegians an over-authoritarian figure, while Russians generally expect more supervision, detailed instruction, and emotional and paternalistic involvement from a Norwegian manager.

Another major difference between the two cultures is *interpretation, application, and the meaning of rules and regulations*. In Norway, rules exist to reinforce the egalitarian ideas and to create order in the society; thus, they are interpreted by intention rather than by letter. Rules are applied in the uniform manner, i.e. regardless of the personal relationships between the people concerned. Thus, trust in the society is based on the respect of regulations and agreements, and not on the personal relationship of friendship or other form of commitment between the parties as it is in Russia. In Russia, rules and regulations are far more numerous than in Norway; although, rules can be nominal as they serve to reinforce the distribution of power in the society. As networks of relationships are of an utmost importance, rules can be interpreted depending on the relational context between the parties involved. Social exchange that in Norway is regulated by means of legal, economic and other formal systems, is regulated by the means of personal relationships networks. Thus, great number of rules, and their seeming irrationality and rigidity can become a barrier for a Norwegian company working with Russians. Norwegian businessmen might also face a necessity to develop a personal aspect of a business relationship in order to assure their partners commitment.

The way people separate the spheres of life, individual and collective, and distinguish between status levels is different in Norway and Russia. Norwegians consider themselves and others as individuals, and the group spirit is evoked by the common work task. People distinguish between different groups, such as colleagues, friends, and a family, and tend not to mix them. Status demonstration is far less common in Norway than in Russia. Group, collective play an important role in Russia; different groups in one's life are usually not separated, private and working spheres of life are mixed. There are large status differences, but the relationships between the superior and subordinate are personalized and emotionally charged. Thus, in the business context, Russians expect personal and emotional involvement from Norwegian partners. They can also behave either as collectivists or as individualists, depending whether the other party belongs to their network. Individualist methods such as management by objectives and organizational development might be less affective as they undermine the balance of a collective.

Furthermore, Norwegians and Russians have different *ways to arrange time and actions*. In Norway, planning, establishing order and following the agenda are essential. Actions are result-oriented, and efficiency is associated with following the schedule. In Russia, planning is more short-term and situational, and thus less important. Efficiency is associated with reassigning the priorities according to the course of circumstances. Generally less structure exists at the meetings, presentations, and so on, to allow for greater flexibility. Loose schedules and on-going change of plans in Russia can be frustrating for Norwegians, as it contributes to unpredictability and coordination problems.

Last but not the least, Russian business practice is still affected by the *heritage of the Soviet period*, including low quality of service, lack of business and economic competence, and simultaneous suspiciousness and hope with regard to foreigners. The importance of these factors, however, is diminishing with time.

This knowledge is helpful for Norwegian companies operating on the Russian market, as it allows to adapt their management and control methods and communication style to the Russian context. The study's findings suggest a number of issues deserving particular attention:

- Relationships across the organizational hierarchy, and leadership styles
- Management and motivational methods
- Relationships between an individual, a group, and a collective
- Role and place of personal relationships
- Approach to organize and structure time and activities
- Attitudes to rules, regulations and laws, and the ways to apply them

This study suggested that cultural awareness is one of the essential strategic competencies of the international company, and that the ability to deploy this competence is one of its key capabilities. Acquiring, sustaining, developing, and applying this competence have to be integrated in the international company strategy in order to reduce cultural risks. Need for cultural awareness and the type of the knowledge needed varies depending on the type of

international involvement of the company. Currently, Norwegian presence on the Russian market is often limited by exporting or having a trade representative office. However, there is a trend towards a closer cooperation, with some companies establishing joint ventures or their own finials in Russia. Thus, in each particular case the company management has to determine and evaluate cultural risks, to decide what kind of intercultural knowledge and skills are needed, and who in the company should acquire it. This will determine the amount of time and funds to be invested. Moreover, investment into cultural awareness should be considered as a long-term investment: it is the knowledge that will serve the company both at present and in the future as the company will increase its international involvement.

I suggested that Norwegian companies operating on the Russian market will undoubtedly benefit from providing intercultural training for the employees involved in the international business, both those working with Russians directly as well as their superiors. Furthermore, encouraging organizational learning is a way to facilitate acquisition and development of cultural awareness, and is one of the major challenges of the international company management..

This study has made theoretical contributions into the research area that so far has been little, if at all, explored. It made a step towards the classification of cultures within the idiographic approach. It highlighted the importance of studying national cultural characteristics in the organizational context, and the strategic risks associated with cultural factors. The majority of publications on strategic management of the company, while discussing the major factors in the company's strategy, pay little attention to culture as one of such factors. When culture is discussed, one is most likely to be speaking about organizational culture. National culture has been treated mostly in the publications on international acquisitions and alliances, but even there it has been dedicated quite a modest place. In this project, my purpose was to treat national culture as an important factor for the international strategy formation, and to elaborate the ways to integrate cultural awareness into the strategy. Furthermore, the topic of Norwegian-Russian business relationship is a very little explored one; the number of publications on the subject is rather limited, and most of them are outside the contemporary business context. There is a number of publications on the joint ventures in Russia; national culture, however, has not been the focus there. The cultural aspect of Norwegian-Russian relationship, despite of all the empirical evidence of its importance, has not so far been studied. I believe that my findings can provide the insight into the two cultures and the

societal functioning, and will thus contribute to the mutual understanding, and thus facilitate the cooperation between Norwegian and Russian companies.

There are certain limitations in this study. First, as all of my respondents were Norwegians, the empirical data represent their experience and impressions about working with Russians, but not those of Russians about working with Norwegians. Thus, to create interpretations, I had to rely on the secondary sources and my own cultural background. Second, the number of interviews is relatively limited. Time and financial limitations of a doctoral project have contributed to the presence of both these constraints. As far as the first limitation is concerned, Russians working *for* Norwegian companies were unwilling to be interviewed since they saw their possible negative comments as a threat to their position in the company - the fact that can be explained by a difficult economic situation in Russia. Considering that the purpose of the project was to suggest how the impact of the cultural differences can be addressed by strategic management of Norwegian companies, this limitation seems less critical for the project, as it was of primer importance to understand Norwegian businessmen's point of view. However, it will be interesting and useful to conduct similar round of interviews with the Russians employed by the companies working with Norwegian counterparts. As far as the second limitation is concerned, in exploratory qualitative research as the present one, a few long unstructured interviews can provide a wealth of information (McCraken, 1988); I believe that I have reached significant insight and understanding on the basis of the data collected.

To conclude, I suggest the areas for the further research. I have already mentioned, in this study I assumed the point of view of the Norwegian companies operating in the Russian market. I have interview Norwegian businessmen in order to discover what difficulties and challenges Norwegians face encountering Russian culture. It would be interesting to conduct identical interview round with Russian businessmen cooperating with Norwegians to see what challenges Norwegian culture pose for Russians. The interview guide that was used for this study has been developed on the basis of the previous studies within the nomothetic approach, with which I was familiar at the moment. As eventually I chose to assume the ideographic approach, it will be useful to review the questions I asked according to this approach.

This thesis indicated the major traits of each culture; it would be very interesting to study these traits in more depth, as well as to study further the relationships between the traits. For

instance, relationships between authority and power in each culture is an area deserving further attention; another interesting area is the personal relations at all levels, including smaller and larger groups and networks. Furthermore, while I focused on the main cultural dimensions of Norway and Russia, some dimensions of culture are less stable than others. Further research is needed to find which dimensions are likely to change under the influence of economic and technical factors or under external influence, and which are of a more permanent nature. For instance, it will be interesting to study in more detail how and to what degree the Soviet regime has influenced contemporary Russian culture. How did cultural features of pre-revolutionary Russia affected and were affected by the communist regime and ideology? How will this culture change due to interaction with the foreign economies? This study is the first step towards this understanding; as the Russian society now is in the state of the great transition, a longitudinal study is in the best position to provide the answer to this question.

I have suggested that cultural awareness is an essential competence of the international company and should become a part of the company's strategy. I have also suggested that the company should be able to actively utilize its competence, that is the people should possess the skills to apply their knowledge on everyday basis. The next step will be to study the effect of increased cultural awareness on the company's performance and competitiveness. As I proposed intercultural training as one of the major means to reach this goal, it would be interesting to see what effect this training produces. Often companies have an idea what they have to do in order to enhance their performance, but do not know exactly how to do it. The results of the studies will be useful to answer questions: Is certain type of the training suggested more efficient than others and for what type of organization?

It would be also useful to study companies with different degrees of international involvement, as well as the companies involved in different activities, to determine which role intercultural issues play in each of them: which organizational processes are affected, at what organizational level, the type of intercultural skills and knowledge needed, etc. Another area of inquiry is how the organizational culture affects acquiring, sustaining and developing cultural awareness and intercultural skills.

Appendix Interview guide

Name

Age

Company

Position

I. Background

1. Background: education, carrier, etc.
2. When did you first time have contact/ business contact with Russians?
3. When did you go to Russia for the first time?
4. For how long/ how often have you been there since then?
5. What type of cooperation your company have/ had with Russian company?
6. What is/ was your job and position in the organization?
7. Did you receive some training/ instructions before you went to Russia?
8. If yes:
 - What kind?
 - What effect do you think it produced on your subsequent working there?
9. If you lived in Russia:
 - How would you describe your first impression of business culture?

- Would you say you have experienced "culture shock" (frustration with unfamiliar environment, behavior, traditions, etc.) and how did you cope with it?
- Could you describe your adaptation period?

II. Cultural differences between Norway and Russia

1. Do you see any differences between Norwegian and Russian cultures, and if yes, which?
2. Which of them do you think are the most critical for business relationships?
3. Can you think about business-related situations (within Norwegian-Russian context) where the cultural differences played certain role or created misunderstandings/ problems? Can you describe them: what happened, how you and your colleagues acted, did you try to adjust your behavior then and after?
4. Did you try to foresee and approach similar situations in a certain way afterwards? Did it work?

II. Specific characteristics

Each question relates to both Norway and Russia. Ideally, the respondents can give examples of the situations (which they have experienced or witnessed) that illustrate their points.

1. How would you describe power relations in society?

Key ideas:

- Relationship between people in unequal positions, for instance between the boss and the employee
- Organizational structure: hierarchical or lean?
- Leadership style
- Does it make difference if the boss is a foreigner (Norwegian) compared to if he/ she was Russian?

- Feed-back (positive - negative, frequent – rare)
- What do hiring and promotion depend upon? (e.g. background, charisma, power, age, qualifications, experience, former achievements)
- Role of status symbols in the society? (i.e. car, office, etc.)

2. How will you characterize relationship between people in the society?

Key ideas:

- Do people have a “sense of a group” or are rather independent?
- Representation at the business meetings, negotiations: done by groups or by individuals?
- Are personal relationships important for business?
- The nature of the boss - employee relationships
- Is it common for one to speak up even though it might lead to a conflict, or rather to avoid confrontation with colleagues?
- Decision-making process: how is a decision made? (quickly or not, by one or few people, goes through many stages or not, etc.)
- Motivation instruments? (money, bonus, recognition, promotion, signs of status, etc.)

3. Do you think people divide particular spheres of their life, e.g. work and private life?

Key ideas:

- What is included in private (personal) and public (work, social life, etc.) spheres?
- Are business and personal relationships intertwined and/ or overlap?

4. How will you characterize attitude towards rules, regulations, and laws?

Key ideas:

- Are there many rules and regulations?
- Are rules usually followed closely or it is rather up to the circumstances?
- Is it easy to change a rule?
- How is change accepted?
- Attitude to laws
- Attitude to contracts (how detailed they are, are they being followed precisely in terms of timing, conditions, etc.)

5. Does the ideal of high performance and efficiency or of caring for others prevail?

Key ideas:

- How are the deviations from the common/ average in the society taken?
- Attitude to work ("work to live" or "live to work"?)
- Do conflicts tend to be resolved by force or by compromise?

6. How will you describe attitude to time?

Key ideas:

- Do people think long-term or short-term? What do you understand by both terms?
- How important are past, present, and future with relation to each other?
- Is it common to do several things at a time?
- Do people have precise schedules, and work in accordance with them?
- Is it accepted to prioritize more important event or person, even if it breaks the schedule?
- Is punctuality important?

7. Is it common and proper to show feelings openly, in particular at work?

IV. Are there differences between Norwegian and Russian business etiquette?

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