

The role of national culture for human resource management and leadership within an international context

Jasmina DEDIĆ^a, Bojan MORIĆ MILOVANOVIĆ^b

^aLibertas International University, Trg J.F. Kennedyja 6b, 10000 Zagreb, Croatia

^bInstitute of Public Finance, Smičiklasova 21, 10000 Zagreb, Croatia

Abstract

Over the last decades, globalization has brought many positive effects for the companies operating overseas including exposures to new cultures and belief systems. However, such international exposure has also brought certain problems in terms of cultural differences from different markets. Expatriates (international managers) when running international operations and managing foreign teams come across many obstacles caused by differences in national cultural systems, therefore it is important to have a good understanding how cultures differ from each other and what is the best way to approach each one of them in the right way. Therefore, the aim of this paper is to determine how intercultural differences affect human resource management in an international context and how expatriates should adapt their leadership styles to the requirements of local markets. Moreover, the paper elaborates on differences between domestic and international management styles and on the differences between leadership styles across different regions.

Keywords: national culture, human resource management, leadership, international business

JEL Classification: F13, M16, M50

1. Introduction

Contemporary international business environment is characterized by accelerating process of globalization and development of new technologies. These conditions provide opportunities for companies, regardless of their size, to expand their reach beyond traditional national markets and to capture certain share on foreign markets. In turn, companies which are able to achieve aforementioned are able to make higher profits, develop their competitive strengths, and further strengthen their market positions. Besides many positive aspects which globalization brings to companies operating on international markets, it also brings certain negative aspects, as well, especially in terms of cultural differences. International entrepreneurs and managers are faced with various issues, problems, and obstacles caused by differences in culture, therefore, it is of great importance to understand how cultures differ from each other

and how to approach them in the right way. However, it is necessary to point out that culture is not a unidimensional concept and in its simplest form can be distinguished between national and organizational culture. National culture has a stronger foundation than organizational culture, and is more deeply rooted in human behavior as it is passed down through the generations, and it is in some way innate to every individual.

When working in an environment where multiculturalism is present, national culture can be a very important factor that determines the success of interpersonal communication in the workplace, and thus the business success of a company. For example, members of one culture may prefer a direct mode of communication, and members of another culture an indirect one. When engaging in any kind of mutual communication, such differences carry a high risk of misunderstanding, ambiguity, misinterpretation, etc. Likewise, some cultures prefer teamwork, while others value individualism. Moreover, disagreements within teams, or between management and their subordinates can have serious consequences on business performance, such as: reduced productivity and motivation of employees, just to name a couple.

As mentioned earlier, there are many other ways in which national culture can have an influence on firm dynamics and in turn on human resource management and leadership. Besides the main focus of this paper being placed on national culture, organizational culture is also elaborated. Like national culture, organizational culture also has a significant impact on employee behavior and their attitudes toward work, however, it is more susceptible to change and therefore more flexible. The aim of this paper is to determine how intercultural differences affect human resource management in an international setting, and why international managers (expatriates) should adapt their leadership styles to the requirements of local markets.

2. International management and national culture

2.1. The concept of international management

Unprecedented development of Internet and communication technologies allowed rapid and efficient flow of information from almost all parts of the globe which further fueled process of globalization, i.e. it enabled the rapid flow of information, services, capital, and people (Bedeković and Golub, 2011), which has in turn led to the establishment of more international companies. However, expanding business beyond the borders of the domicile country requires a slightly different approach to management because international management differs from the domestic management. Therefore, many authors provide various views on the concept of international management and how to describe it. Therefore, Hodgetts and Luthans (2003) consider international management as a process which applies management concepts and techniques within an international setting and by having a focus on the

operations of international companies in the host countries. Beamish et al. (2003) view international management from the perspective of how it deals with the creation and maintenance of companies within the international field. That is, they look at how companies of different sizes, originating from different countries, cope with the growing competitive global environment. Weihrich and Koontz (1994) point out that international management focuses on the operations of multinational companies in host countries, where their main objective is managing the flow of people, goods and money. It could also be said that the ultimate goal of international management is to better manage situations that arise from crossing national borders (Buble, 2009).

On the other hand, instead of international management, Hocenski, Kuharić and Tolušić (2015) believe that the term "intercultural management" is more appropriate since it better reflects the characteristics of the contemporary global economy. More precisely, when the term intercultural management was coined, its goal was to understand other cultures in order to improve and enhance business. However, today it has a much broader meaning and purpose, it emphasizes the need to understand that all nations are different and that their differences should be implemented not only in business but also in daily interactions. Therefore, for Adler (2002) cross-cultural management provides explanation for how people behave in international companies and provides understanding for the interaction of employees, managers, executives, customers, suppliers, and partners, who originate from countries and cultures around the world (Browaays and Price, 2015).

2.2. Differences between domicile and international management

In its simplest form, the main difference between domicile and international management can be viewed in respect that employees move across national borders to carry out foreign operations for the international companies. Dowling, Festing, and Engle (2013) list six factors which make international management more complex and different from the domicile management: a) more HR activities, b) the need for a broader perspective, c) more involvement in the personal lives of employees, d) changes in the HR focus due to the variations in the mix of expatriates and local employees, e) risk exposure, and f) wider external influences. More HR activities refers to a larger number of activities that the HR department has to deal with when expanding its business beyond its domicile borders. For example, tax equalization policies need to be implemented, as often expatriates find themselves in a situation where they bear tax obligations in both the domicile and the host country. In addition, these activities include tasks that ensure that employees are adequately prepared for the work in a foreign country. This includes, for example, training employees prior to the departure, providing information regarding travel, accommodation, medical care, schooling, etc. Other important HR activities include the provision of administrative services to expatriate employees in host countries, the maintenance of good relations

between international managers and government officials, and the provision of translation services.

The need for a broader perspective arises when managers cross national borders where a government's universal compensation policy and taxes apply, therefore HR needs to design and administer programs for not only national group of employees. Greater involvement in the personal lives of employees is required for the purpose of selection, training and conducting an effective management. Therefore, role of HR is to assure that employees understand all the details regarding accommodation, health care, cash benefits, premiums, taxes, etc. One of the examples of risk exposure refers to the costs of premature return of an expatriate, as these costs, such as: salary, training, travel, and relocation costs, can cost the parent company up to three times more than their respective salary in their home country. One of the main external factors influencing international management is the type of the government, the economic situation in the country, and generally accepted business practices in each of the foreign countries in which the company operates. For example, in developed countries, government is more involved in issues related to labor, taxation, health, and safety, while in the less developed countries, the situation is reversed. Therefore, it is expected from the expatriates to adapt to the local way of living and doing business.

2.3. The concept and meaning of national culture

Since the concept of culture is very broad and complex, there is a large number of definitions that try to convey more closely its meaning and role, both in business and in other areas of life. Culture is a ubiquitous concept in various spheres of human life and can be observed both at the micro and the macro level. There are many different definitions of what culture truly is since culture is a rather subjective concept. For example, Tylor (1873) defines culture as a mix of knowledge, beliefs, norms, and any other skills and behaviors that a person acquires as a member of a certain group. Hall (1976) views culture as a set of learned human behaviors, patterns, and attitudes. Hofstede (2001) argues that culture is the collective programming of the mind on the basis of which members of one social group differ from another. Trompenaars (1993) defines culture as a shared system of meaning, a way in which a social group seeks to solve problems concerning relationships with others. Luthans and Doh (2009) argue that culture is acquired knowledge that shapes values, encourages attitudes, and influences behavior, and that members of society use to interpret experiences and generate social behavior (Brewster et al., 2016).

According to Deresky (2014), national culture can be defined as a set of shared values, agreements, assumptions, and purposes that are passed down from one generation to the other. All of these common characteristics influence development of common attitudes, codes of conduct, and expectations that subconsciously shape

certain forms of behavior. Culture is not something that an individual is born with, but is acquired through the process of learning and socialization. In addition, culture is prone to change over time as societies become accustomed to changes both in their internal and external environment.

On the other hand, organizational culture, unlike the national culture, is much narrower and represents the micro culture of a company, organization, institution or a group. It encompasses rules, values, and goals that are common to members of a particular group. The differences in organizational culture between companies can be enormous. In fact, it is often the case that different companies have completely different modes of interacting and doing business. These differences can manifest themselves in the form of dress codes, organizational structure, internal environment, and the way employees communicate (Deresky, 2014).

2.4. Research in the field of national culture

Hall (1959) introduced an interesting concept about the role of context in communication in different cultures, thus laying the foundation for a number of further researches and ideas that began to be applied in the business world. Namely, he divided the countries into two groups - a high context group and a low context group. At the heart of this division is the belief that countries differ in their ways how they are communicating. In high context countries, most information is pre-programmed within the recipient of the message, while the amount of information transmitted by the message is minimal. What is characteristic of such cultures is that they rely on a common background, shared experiences, as well as the context of the situation when understanding messages in communication, instead of relying only on words. Most information is already internalized within individuals and groups. Because they do not count on words as the only source of information, they have a high level of understanding of nonverbal cues, such as: body language and the use of silence. Some examples of high-context cultures are: China, Korea, Japan, Taiwan, countries in Africa, the Middle East, Latin America, and the cultures of Central and Slavic Europe. In low-context countries, the situation is reversed. Because there are fewer common backgrounds, in these cultures a more detailed description of the situation is required. The boundaries between groups are more fluid and such cultures are more prone to change, so contexts between generations can vary considerably. Common expectations are less accurate, so communication is more direct and verbal. In such cultures, directness, accuracy and clarity in speech are valued. Low-context cultures include most English-speaking and German-speaking countries, such as: the United States and Australia, and Northern European countries, such as: Germany, Denmark, Austria, and Switzerland (Brewster et al., 2016).

One of the most famous researches in the field of national culture is that of Geert Hofstede (1980, 2001), which was conducted in the period from 1967 to 1973. Based

on this research, Hofstede created a new paradigm for the study of culture, i.e., a model consisting of four dimensions was provided. This model formed the basis for many other studies which followed in the field of intercultural management. Before Hofstede, researchers viewed culture as a single variable, while Hofstede conceptualized it as several separate dimensions. Therefore, according to Hofstede, dimensions of national culture are: (a) power distance, (b) uncertainty avoidance, (c) individualism vs. collectivism, and (d) masculinity vs. femininity. Power distance measures the extent to which societies accept that power is unevenly distributed within enterprises and institutions, that is, how much different nations prefer strict and autocratic leadership styles. In companies with a greater power distance, it is natural that there is a hierarchical structure in companies, as well as that superiors are perceived as much more powerful than subordinates. As shown in Table 1, some of the countries with high power distance are: Malaysia, India, Indonesia, and Brazil. On the other hand, countries with low power distance are: Denmark, Austria, Finland and Australia.

Uncertainty avoidance refers to the level of vulnerability that societies feel in insecure situations and their willingness to avoid such situations. In countries where uncertainty avoidance is greater, organizations adopt strong bureaucracies, strive for career stability, and generally do not encourage risky activities. An example of such country is Spain. On the other hand, countries with a lower degree of uncertainty avoidance prefer more flexible structures and greater risk-taking. Such countries are: the United Kingdom, Ireland and Denmark (Table 1).

Individualism vs. collectivism refers to the extent to which individuals are integrated into groups. In countries where individualism is high, it is natural that people care exclusively about themselves and their immediate family. An example of such a country is Australia. Where individualism is low, people are integrated into strong groups that operate on the principle of mutual protection and loyalty, as is the case, for example, in Turkey (Table 1). In the business world, individualism represents the desire for self-realization and gaining respect within the organization, while in collectivism the focus is on fitting into the organization and preserving prestige.

Masculinity vs. femininity is the extent to which the dominant values of a society are "male," such as acquisition of money, assertiveness, and a lack of care for other people. In countries with pronounced masculinity, gender roles are often more noticeable than in countries with pronounced femininity. Countries where masculinity is pronounced are: Japan, Austria and Mexico. On the other hand, in Scandinavian countries, femininity is more pronounced and there is a greater emphasis on the work-life balance (Brewster et al., 2016).

Table 1. Hofstede's ranking of countries based on four dimensions (Brewster et al., 2016)

Country	Power distance	Uncertainty avoidance	Individualism	Masculinity
Malaysia	1	46	36	25.5
Philippines	4	44	31	11.5
Mexico	5.5	18	32	6
Arab Countries	7	27	26.5	23
Indonesia	8.5	41.5	47.5	30.5
India	10.5	45	21	20.5
Singapore	13	53	40	28
Brazil	14	21.5	26.5	27
France	15.5	12.5	10.5	35.5
Hong Kong	15.5	49.5	37	18.5
Turkey	18.5	16.5	28	32.5
Chile	24.5	12.5	38	46
Greece	27.5	1	30	18.5
South Korea	27.5	16.5	43	41
Taiwan	29.5	12.5	44	32.5
Spain	31	12.5	20	37.5
Pakistan	32	24.5	47.5	25.5
Japan	33	7	22.5	1
Italy	34	23	7	4.5
Argentina	35.5	12.5	22.5	20.5
South Africa	35.5	39.5	16	13.5
USA	38	43	1	15
Canada	39	41.5	4.5	24
Netherlands	40	35	4.5	51
Australia	41	37	2	16
Great Britain	43	47.5	3	9.5
West Germany	43	29	15	9.5
Finland	46	31.5	17	47
Sweden	47.5	49.5	10.5	53
Ireland	49	47.5	12	7.5
Denmark	51	51	9	50
Israel	52	19	19	29
Austria	53	24.5	18	2

It is worth to point out that the GLOBE (Global Leadership and Organizational Behavior Effectiveness) project is one of the most significant research projects investigating the influence of national cultures on leadership styles. Due to the exhaustive nature of this project, to this day it is considered one of the most sophisticated research projects in this field. The main goal of the project is to describe, understand and predict the impact of individual cultural variables on the processes of leadership and organization, and on their effectiveness, based on specific data collected. The results were divided into ten different national groups based on the preferential leadership styles. Charismatic, team-oriented and participative stood out as the most effective leadership styles. The only problem with this research is the different interpretations of terms between various cultures, so, for example, a "charismatic" leadership style can have a different meaning in different countries.

However, in general, this research proves that leadership is actually conditioned by the culture, although the main characteristics of successful leaders are similar among nations (Brewster et al., 2016).

3. The influence of national culture on management

3.1. Intercultural similarities and differences

From the start of the internationalization of companies in the 1970s, most managers have realized that business cannot be done in the same way in all the countries their respective companies operated in. In the same vein, academic researchers started looking at similarities and differences between doing business in different countries and different cultures. Therefore, Luthans et al. (1993) conducted a survey among managers at Russia's largest textile factory and realized that there are similarities between Russian and American managers. Namely, both groups of managers carried out management activities, communication, human resources, and networking activities in a traditional sense. The research also showed that communication and networking activities in both countries greatly increase the efficiency and opportunity for the development of the manager. Similarly, Sommer et al. (1995) compared Korean and U.S. employees in terms of commitment to the company, where again, both groups experienced similar results (Doh and Luthans, 2018).

On the other hand, Trompenaars (1999) studied how managers rated employees in foreign subsidiaries where the main evaluation criteria were set by the parent company, while the method of prioritizing these criteria was left to each subsidiary. The assumption was that these criteria, i.e., their rank, will differ significantly between countries, because the criterion that is most important to one subsidiary, may be less significant to another. In the case of Royal Dutch Shell plc, Trompenaars (1999) found that the company uses the HAIRL rating system, whose acronym represents: helicopter (ability to have a wider view from above), analysis (ability to thoroughly and logically assess the situation, imagination (ability to think creatively and unconventionally), reality (ability to use information realistically), and leadership (ability to successfully encourage and inspire employees). Royal Dutch Shell plc employees in four subsidiaries were asked to rank these five criteria from most important to least important. Results are shown in Table 2.

Table 2. Rankings of the most important evaluation criteria in Royal Dutch Shell subsidiaries (Doh and Luthans, 2018).

Netherlands	France	Germany	Great Britain
Reality	Imagination	Leadership	Helicopter
Analysis	Analysis	Analysis	Imagination
Helicopter	Leadership	Reality	Reality
Leadership	Helicopter	Imagination	Analysis
Imagination	Reality	Helicopter	Leadership

From these results, it is obvious that the way in which these criteria are prioritized differs significantly between countries. Each of the observed countries has a different order of criteria, and it is interesting that none of the criteria were rated as the most important in two or more countries. Moreover, the criteria that are in the first place in some countries are in the last place in the others. For example, in the Netherlands, reality is marked as the most important, and imagination as the least important, while in France it is the other way around. Likewise, in Germany leadership is considered the most important and the helicopter the least important, and in Britain the opposite is the case. In fact, what is interesting is that the German and British lists are identical, only in reverse order (Doh and Luthans, 2018).

3.2. Advantages and disadvantages of diversity

Managers in both domicile and foreign countries often find themselves in situations where they have to lead teams consisting of people of different cultures and a generally diverse population of older and younger people, men, women, people of different races, nationalities, etc. The success of a company can often be measured by the level of success of being able to manage multiculturalism and diversity. Therefore, it is important for companies, as well as for managers to understand these diversities and learn how to work with them.

Diversity can have a number of negative consequences on the productivity and efficiency of work units. One of the problems of a diverse workforce can be a difference in attitudes. For example, in situations where they work together, American managers often complain about how Japanese managers discuss with each other in their native language, which makes them think they are discussing something they do not want others to hear. In reality, it is true that it is simply more natural for Japanese managers to speak their mother tongue if there are no Americans nearby. Such situations can create misunderstandings and mistrust in the work environment. Another possible problem may be stereotypes. Namely, engineers from developed countries are often considered far more competent than those from less developed

countries, which results in them being given more complex tasks that they may not be able to perform. Another possible problem is miscommunication or misinterpretation. For example, a foreign manager may use words and terms that are unfamiliar to his colleagues, or even have opposite or ambiguous meanings, which can lead to misunderstandings and confusions. Misunderstandings in communication can also be non-verbal, for example in Japanese culture it is common and polite to nod when someone speaks, although the listener may not agree with what is said, which the speaker may perceive as confirmation or agreement (Doh and Luthans, 2018).

On the other hand, there is evidence that diversity in the workplace can lead to increased creativity, efficiency, and better decisions. Diversity can influence the creation of more ideas that are of better quality. Because teams are made up of many people who come from different countries and cultures, they contain many different perspectives, and thus come up with many unique and creative solutions and ideas that are not common. In addition, another positive thing is that diverse teams can prevent group thinking, which arises from social conformism and pressure on individual members to adjust to the rest of the team and thus reach an agreement. Multicultural teams do not have this problem because members do not think similarly, moreover, their opinions differ significantly, so there is no pressure to adapt to the rest of the team. In this environment, co-workers encourage each other to think by asking each other questions and making suggestions that are different from those already offered. Teams like this may need more time to reach an agreement, but decisions are often more effective and original (Doh and Luthans, 2018).

4. The influence of national culture on leadership

In addition to economic, legal, political and technological differences, there are number of cultural differences between countries that affect business and the execution of tasks in these areas. The question now is whether and in what way these differences affect leadership and how much leadership styles differ between countries. According to previous research, there are similarities and differences. Most international leadership research focuses on Europe, the Middle East, East Asia, and developing countries such as India, Argentina, Chile, and Peru.

Haire, Ghiselli, and Porter (1966) conducted a survey of 3,641 managers from 14 countries to determine whether they preferred a more traditional or democratic participative leadership style. They explored managers' attitudes about four specific areas of leadership: the ability of employees to lead and take the initiative; information exchange - whether employees prefer short or detailed instructions for performing tasks; whether the leader supports participative leadership practices; whether employees prefer internal control or a control system through rewards and punishment. European managers have been shown to generally prefer a participative

leadership style. This is especially true for managers in the United Kingdom who do not interfere too much in the day-to-day running of the organization and have a habit of delegating authority to lower managers. Scandinavian countries are also known for using a participative leadership style by having worker representation on the boards of directors and encouraging high interaction between workers and managers when it comes to business issues and the workplace. In contrast to these countries, a stricter, more authoritarian approach to leadership is more common in France and Germany. When it comes to independence and taking the initiative, leaders in all parts of the world generally don't believe that employees possess these skills, but among all, Anglo leaders have proven to be the most trusting of workers. In addition, research has shown that higher managers generally strive for democratic attitudes regarding all four dimensions of leadership, for example in England and the Scandinavian countries. But this is not always the case, as in Germany lower managers have proven to be more democratic. Also, it turned out that younger managers are generally more democratic, especially in the case of Sweden and the United States, while in Belgium the situation is quite the opposite (Doh and Luthans, 2018).

According to research by Haire, Ghiselli and Porter (1966), Japanese managers, besides Anglo ones, have the most confidence in independence and taking initiative among employees. Likewise, Japanese managers expressed greater confidence in a participative leadership style than other managers. As for the other two dimensions of leadership, the results of Japanese managers are above average, but do not differ too much from the rest of the countries. Overall, the Japanese achieved the highest score in all four dimensions of leadership, showing that they have great confidence in the ability of employees. Another thing that is specific with Japanese managers is that they are not overly involved in all business events in the company, but mostly just provide instructions and guide subordinates. Their instructions are often very concise and general, and they expect their subordinates to know exactly what they want from them, even though they have not explicitly stated so. Japanese middle and lower managers are accustomed to knowing exactly what their superiors are asking of them at all times, but the problem arises in the international environment, for example when working with American subordinates, who are not accustomed to such an approach and do only what is explicitly asked for them to do (Doh and Luthans, 2018).

If we compare Japanese and American leadership styles, we can see that they differ significantly. According to research by Haire et al. (1966), large American companies are more often more democratic than smaller ones, while in the case of Japanese companies the situation is reversed. Another difference concerns age, i.e., younger American managers are generally more democratic, while younger Japanese managers answered more democratically only to issues of information exchange and internal control. According to Ouchi's Theory Z, there are seven key leadership characteristics that differ between Japanese and American managers. The first

characteristic is employment, which is often lifelong in Japan and layoffs are rare, while in the United States employment is often short-lived and more frequent layoffs are common. Another feature is evaluation and promotion, which in the Japanese approach is very slow and often managers will not be promoted in the first ten years of work, while in the United States the practice is much different and if managers do not achieve promotion soon, they will look for work elsewhere. Then comes the question of career paths, which are very flexible in Japan and people often switch between jobs in all areas of business, while in the United States people specialize in one area, such as accounting or sales, and stay in that area until the end of their careers. This is followed by decision-making, which is done in groups in Japan, and in the United States it is done by one manager. The next characteristic is the control mechanism, which is very implicit and informal in Japan and people rely heavily on trust and goodwill, while in the United States it is very explicit and people know exactly what and how to control. This is followed by responsibility, which is shared collectively in Japan and assigned to individuals in the United States. The last characteristic is caring for employees, which in Japan applies to their entire life, and in the United States only to the business part of life (Doh and Luthans, 2018).

Ralston et al. (1999) conducted a study on a sample of 869 Chinese managers of the new generation and compared the results with those of current and older generation managers. The research showed that there are significant differences in values between younger and older managers, i.e., the research supports the assumption that a new generation of managers with different leadership styles is emerging in China. Respondents were asked to rate the importance they attach to individualism, collectivism and Confucianism (personal, interpersonal and social harmony). The results showed that younger managers were more prone to individualism than older managers, and achieved significantly lower scores in the area of collectivism and Confucianism than older managers. Such results can be attributed to Western influence on leadership styles (Doh and Luthans, 2018).

As for managers in the Middle East, according to Politis' (2003) follow-up research to that of Haire and associates, they showed better results in terms of leadership skills and initiative than managers anywhere else in the world. On the other hand, Arab managers had significantly lower scores in terms of participation, information exchange and internal control than managers from other parts of the world. It is believed that the culture of the Middle East is largely responsible for the results of the research. But recent research shows that there are also some similarities between Arabic and leadership styles in other parts of the world. For example, due to the education of Arab managers at American universities and close business ties with the West, Western leadership styles can increasingly be found in the Arabian Gulf area (Doh and Luthans, 2018).

As for Indian leadership styles, research of Kunnanatt (2007) shows that employees perform better when managers use participative leadership styles with focus on both people and goals, but employee productivity declines when managers use leadership styles that focus on people but not tasks. This research shows that it is not enough just to focus on employees and human resource management, but managers should also pay attention to the tasks and business goals that need to be done in order to achieve the best possible results. Because of their long-lasting ties to the United Kingdom, in the Haire et al. (1966) study Indian managers showed similar results to Anglo-Americans. They agree on issues of participation, leadership and initiative skills, and internal control, but differ on information exchange (Doh and Luthans, 2018).

When researching leadership styles in Latin America, Romero (2004) found that Mexican managers use both participative and authoritarian leadership style, while managers in Argentina, Bolivia, and Chile practice an authoritarian leadership style more. In general, in Mexico, excessive communication between subordinates and superiors is considered a weakness. But recent research shows that Mexican managers working near the U.S. border are increasingly using participative leadership styles, while other Latin American countries are continuing to use authoritarian styles. On the other hand, research by Haire et al. (1966) has shown that Argentina and Chile, like India, show more participative leadership preferences, and leadership styles in Peru have proven similar to those in the United States. (Doh and Luthans, 2018).

5. Conclusion

In today's interconnected world, characterized by rapid globalization and economic development, the need for internationalization of management is more present than ever before. As companies expand their operations beyond the borders of their home countries, their respective management is faced with increasing challenges. By doing business in different environments and different cultures, and with different people, managers are forced to adapt their way of managing and doing business to the ones in host countries. Which is why many authors prefer the term "cross-cultural management" instead of international management, as they believe that it better reflects the true nature of this type of management largely influenced by the culture.

Culture can be looked as the national culture, which characterizes a set of common values, norms and behaviors that characterize a society as a whole; and as the organizational culture, which represents the micro culture of a company, or a set of rules, values and agreements adopted within a particular company. When viewed in business terms, national culture has a far greater impact on employees' behavior than the organizational culture, as it is inherited and represents the core values of individuals which are not easy to change. There are many differences in national cultures that can influence employee behavior. Some cultures are more likely to take risks than others; some prefer a more formal and others more informal way of doing

business; some are better at working in groups and teams with more instructions from superiors, while others prefer an individualistic approach to work, etc.

There are numerous studies focusing on differences among national cultures, with the most prominent being the ones of Hall and Hofstede, as well as the GLOBE project. As research shows, national culture plays a very important role in international human resource management. It shapes employee behavior, as well as their expectations of the workplace, their work habits, relationships with other employees and superiors, attitudes toward work, manner of communication, and so on. National culture affects not only employees but also the managers who manage them. For example, national culture influences the decision-making process, leadership styles, human resource management methods, motivation methods, reward systems, organizational design, communication with subordinates, work environment dynamics, and much more. Hofstede's dimensions of culture are widely accepted and are still used today as guidelines when planning business activities in foreign countries or multicultural environments.

Because national culture has such a broad impact on both managers and employees, it is crucial to consider it when planning business activities and managing employees in an international setting. Therefore, it is important that managers acquire adequate training in this field before embarking on international assignments so that the cultural differences do not interfere with their own personal success nor with the success of the company. Moreover, it is also very important that managers differentiate and understand the differences in leadership styles and practices in their host countries in order to adapt their leadership style according to the specifics of the local culture. In doing so, expatriates will not only improve efficiency and productivity of employees, but will also make them feel understood, accepted, and nurtured in their workplace.

References

Adler, N.J. (2002) *International Dimensions of Organizational Behavior*. 4th edn. Ohio: SouthWestern, Thomson Learning.

Beamish, P.W., Morrison, A.J., Rosenzweig, P.M. i Inkpen, A. (2003) *International Management*. 5th edn. New York: McGraw-Hill Education.

Bedeković, V. i Golub, D. (2011) 'Suvremeni menadžment u uvjetima globalnog poslovanja', *Praktični menadžment*, 2(3), p57-63.

Brewster et al. (2016) *International human resource management*. 4th edn. London: Chartered Institute of Personnel and Development.

Browaeys, M. i Price, R. (2015) *Understanding Cross-Cultural Management*. 3rd edn. London: Pearson Education.

Buble, M. (2009) *Međunarodni menadžment*. Zagreb: Lares plus d.o.o..

Deresky, H. (2014) *International management*. 8th edn. London: Pearson Education.

Dowling, P.J., Festing, M. i Engle, A.D. (2013) *International human resource management*. 6th edn. London: Cengage Learning.

Haire, M., Ghiselli, E.E. and Porter, L.W. (1966) *Managerial Thinking: An International Study*. New York: Wiley.

Hall, E.T. (1959) *The silent language*. New York: Anchor Books.

Hall, E.T. (1976) *Beyond culture*. New York: Doubleday.

Hodgetts, R.M. i Luthans, F. (2003) *International Management: Culture, Strategy, and Behavior*. 5th edn. New York: McGraw-Hill Education.

Hofstede, G. (1980) *Culture's consequences: international differences in work-related values*. London: sage Publications.

Hofstede, G. (2001) *Culture's consequences*. 2nd edn. London, Thousand Oaks, CA: Sage Publications.

Kuharić, D., Hocenski, I. i Tolušić, Z. (2015) 'Interkulturalni menadžment i interkulturalni trening', *Praktični menadžment*, 6(1), p50-53.

Kunnanatt, J.T. (2007) 'Leadership Orientation of Service Sector Managers in India: An Empirical Study', *Business and Society Review*, 122(1), p99–119.

Luthans, F. i Doh, J.P. (2009) *International management: culture, strategy and behavior*. New York: Irwin-McGraw-Hill.

Luthans, F. i Doh, J.P. (2018) *International management*. Tenth edition. New York: McGraw-Hill Education.

Luthans, F., Welsh, D.H.B. and Rosenkrantz, S.A. (1993) 'What Do Russian Managers Really Do? An Observational Study with Comparisons to U.S. Managers', *Journal of International Business Studies*, 24(4), p741–761.

Politis, J. (2003) 'The Role of Various Leadership Styles', *Leadership and Organization Development Journal*, 24(4), p181–195.

Ralston, D.A., Egri, C.P., Stewart, S., Terpstra, R.H. and Kaicheng, Y. (1999) 'Doing Business in the 21st Century with the New Generation of Chinese Managers: A Study

DEDIC, J., MORIC MILOVANOVIC, B. / *The role of national culture for human resource management and leadership within an international context*

of Generational Shifts in Work Values in China', *Journal of International Business Studies*, 30(2), p415–428.

Romero, E.J. (2004) 'Latin American Leadership: El Patron & El Lider Moderno', *Cross Cultural Management* 11(3), p25–37.

Sommer, S.M., Bae, S. and Luthans, F. (1995) 'The Structure-Climate Relationship in Korean Organizations', *Asia Pacific Journal of Management*, 12(2), p23–36.

Trompenaars, F. (1993) *Riding the waves of culture: understanding cultural diversity in business*. London: Economist Books.

Trompenaars, F. and Hampden-Turner, C. (1998) *Riding the Waves of Culture: Understanding Diversity in Global Business*. 2nd edn. New York: McGraw-Hill.

Tylor, E.B. (1873) *Primitive culture: researches into the development of mythology, philosophy, religion, language, art, and custom*. 2nd edn. London: John Murray.

Werihrich, H. i Koontz, H. (1994) *Menadžment*. Deseto izdanje. Zagreb: Mate.