

# **Master's Thesis**

Submitted to:  
Reykjavík University  
School of Business

International Business  
Cultural Awareness in the  
Icelandic Tourism Industry  
An exploration of cultural awareness and workplace  
diversity management in an expanding industry

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## **Abstract**

Tourism has experienced rapid growth over the last decades and is now among the fastest growing economic sectors in the world. With increased globalisation and expansion of the Icelandic tourism industry, Icelandic tourist practitioners are now facing a wider variety of foreigners coming to the country both as tourists and employees. Global changes in tourist demographics require need of cross-cultural awareness, understanding and acceptance of cultural differences by tourism practitioners.

The purpose of this research is to investigate the level of cultural awareness and workplace diversity management within the Icelandic tourism industry. The study is based on two quantitative researches among managers and employees from the Icelandic tourism sector. The main results of the research indicate that there is lack of cultural awareness and organisational development in line with the growing industry.

**Keywords:** cross-cultural awareness, diversity management, tourism, multiculturalism, globalisation, international business

## Preface

This research is my master's thesis in the International Business programme at Reykjavík University and was done in the fall of 2012. After having written the thesis I know for sure that the hard work and emotional rollercoaster that one goes through in the research process is somewhat inevitable; no matter how smart you think you are or how much time you have for the task at hand. The gain of this emotional rollercoaster when looking back at all the moments you thought you wouldn't survive the next drop or loop, is the feeling of victory at the end of the ride when you realise that the saying about what doesn't kill you can only make you stronger – and wiser – is in fact true.

I want to thank everyone who helped me in one way or another to achieve the goal of writing this thesis with the limited time I had. Those thanks go to among many others; my manager and co-workers who have shown me invaluable tolerance and help, and my supervisor Dr. Gerhard Apfelthaler for good and prompt guidance. Special thanks go to my fellow student and good friend Inga Jessen who encouraged me from start to finish line, and my son Ari Þór who has been my foremost inspiration and encouragement in my educational journey the past 7 years.

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This work has not previously been accepted in substance for any degree and is not being concurrently submitted in candidature of any degree. This thesis is the result of my own investigations, except where otherwise stated. Other sources are acknowledged by giving explicit references. A bibliography is appended.

By signing the present document I confirm and agree that I have read RU's ethics code of conduct and fully understand the consequences of violating these rules in regards of my thesis.

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## 1. Introduction

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Tourism has experienced rapid and continuous growth over the last decades and is now among the fastest growing economic sectors in the world. As the number of new destinations is growing, tourism is now a key driver for economical progress in many countries around the world, with an estimated 5% of direct global GDP. According to the World Tourism Organization, international tourist arrivals grew by nearly 4% in 2011 from the previous year and are estimated to grow between 3% and 4% in 2012 (World Tourism Organization).

The contribution of tourism to economies has produced both economic and employment benefits, with around 980 million international travellers in 2011, it is estimated that 235 million jobs have been created worldwide within the tourism industry. With such a high business volume in the global tourism sector, many tourism companies are now among the major players in international commerce which calls for an increase of diversification and competition among the many destinations distributed worldwide (World Tourism Organization).

Iceland has learned to turn economic troubles into a tourism adventure (Quest, 2012). The tourism industry in Iceland has grown rapidly in the last decades, with the number of international tourist arrivals having more than quadrupled since late 20<sup>th</sup> century<sup>1</sup> and the average growth of total contribution of travel and tourism has been over 3% in the last few years, and has been providing the Icelandic government with a large portion of foreign currency<sup>2</sup>. After the financial crises hit Iceland in the last quarter of 2008 the Icelandic government has increasingly been investing in the tourism industry. Now being one of the major industries in Iceland, the tourism industry has been seen as an important sector of future opportunities to rebuild the economy and unemployment (Jóhannesson, 2012).

As Icelandic tourism is a part of the world's economy and operating in a business environment that is becoming more integrated and interdependent with globalisation, companies within the industry need to be aware of the global marketplace that is being created with the merging of nations and cultures. This continuously growing marketplace

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<sup>1</sup> See Figure 2 (Blanke & Chiesa, 2011)

<sup>2</sup> See Figure 3 (World Travel & Tourism Council, 2012)

is becoming extremely competitive, where tangible along with intangible resources such as human resources and knowledge must be managed in accordance with the changing business strategies.

In this globalising process, the world is becoming a melting pot of different cultures. With an increasing number of international and multinational organisations, cultural differences and workplace diversity have become a demographical reality in most organisations. With more exposure of cultural differences, leaders and managers are now facing cultural challenges in a much greater way than ever before. Communication has become largely cross-cultural in the global environment (Adler, 2008; Mor-Barak, 2005; Nickson, 2007), but there is still a tendency of lack of awareness of the multicultural concept and the potential cultural barriers related to both verbal and nonverbal actions. Cultural barriers such as language and behaviour barriers and the different cultural norms, values and attitude, can harm organisations or keep them from achieving competitive advantage if the cultural differences are not acknowledged and dealt with (Mor-Barak, 2005).

With these global changes, there is an increased need to work through organisational designs, structure and issues as well as to analyse and evaluate the effects, challenges and opportunities. Increased understanding of the new global business model needs to be encouraged, and how it should be structured to enable the global organisational change and functions (Brewster, Sparrow, Vernon, & Houldsworth, 2011).

### **1.1 Arguments for the Chosen Subject**

More and more tourists on holidays and on business go to Iceland and the numbers seem to grow steadily with every year (Statistics Iceland, 2012). The Icelandic government has detected the opportunity and has been investing more in marketing and the industry as a whole. There is however still a lack of research and analysis of the industry and tourism seems to be hidden in the shadow of many other industries, such as fishery and agriculture (Gíslason, 2009).

With the increased globalisation and expansion of the global tourism industry and jobs, both directly and indirectly connected with tourism, Icelandic tourist companies are now facing a broader variety of foreigners coming to the country, both as tourists and employees. This calls for changes in the organisational processes and mindsets within the

industry. According to an analysis that was done of managerial trends and the educational level in the Icelandic tourism industry in 2005, it was noted that there might be a lack of education, training and cultural awareness in the industry at that time. Iceland is however one of the top three countries regarding human resource competences within the global tourism sector according to the 2011 Travel & Tourism Competitiveness Report based on strong educational systems, flexible labour markets and the ease of hiring foreign and seasonal labour (Blanke & Chiesa, 2011). It is therefore the goal to research whether the Icelandic tourism industry is using those competences for cultural awareness and workplace diversity management.

Since many changes have occurred in the Icelandic tourism industry in the last few years after the financial crisis hit Iceland harshly in 2008, with more travellers coming from more destinations and cultures (Statistics Iceland, 2012), the goal of this research is to investigate the level of cultural awareness in the increasingly growing industry and see if emphasises of cultural differences are developing in line with the volume of the industry. The purpose is to research how managers and employees within the Icelandic tourism industry perceive cultural differences in their companies. The goal of the research is to investigate (1) whether managers and employees feel that the needs and demands of customers from different cultures are different, (2) whether managers and employees feel that cultural awareness could increase their level of service, (3) whether managers and employees feel that the needs and demands of employees from different cultures are different, and (3) whether they feel that cultural awareness could increase the efficiency from the workforce.

## **1.2 Objectives and Research Design**

In this research, the Icelandic tourism industry will be studied and analysed to research whether there is a need for more cultural awareness and workplace diversity management within Icelandic tourism companies. Secondary data and previous research will be used to analyse and get a thorough picture of the Icelandic tourism industry, its past, future expectations and possible needs of changes and opportunities. In the theoretical part of the research, theories based on cultural differences, cultural awareness and management of workplace diversity will be explored and presented.

In the second part of the research, the methodology on how primary data is approached with the help of quantitative research will be introduced. A survey in the form of a questionnaire was sent to managers in companies that are registered under The Icelandic Travel Industry Association where they are asked to evaluate the need for better cultural awareness within the industry. Another questionnaire was sent to all employees working for Hostelling International in Iceland to get a broader perspective of the subject. Results from the two questionnaires will then be presented and analysed in accordance to the theoretical background.

## 2. The Icelandic Tourism Industry

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Tourism is an industry involving all individuals and organisations that are involved with travelling and in making travel experience for travellers (Cooper, Fletcher, Fyall, Gilbert, & Wanhill, 2005). The tourism industry in Iceland is a relatively new line of business in Iceland but has been expanding rapidly in the last three decades, as the opportunities and potentials within it have been recognised and given more importance within the Icelandic government. After the financial banking crisis that hit the Icelandic economy in 2008, the tourism industry has been seen as an opportunity to rebuild the economy with more foreign currency coming into the economy. Although the potential recognition, researches and development projects in the Icelandic industry have been scarce compared to other industries, and the policy making within the industry has been criticised as being heterogenic (Jóhannesson, 2012).

Iceland as a tourist destination has becoming more and more popular over the years with the industry constantly growing. According to a survey done by the Icelandic Tourist Board done among tourists in 2011, the Icelandic nature, history and culture is what attracts the most tourists to the North Atlantic island. Other factors, such as stopover opportunities between Europe and North America have also had a significant effect on increased tourism (Gísladóttir, 2012).

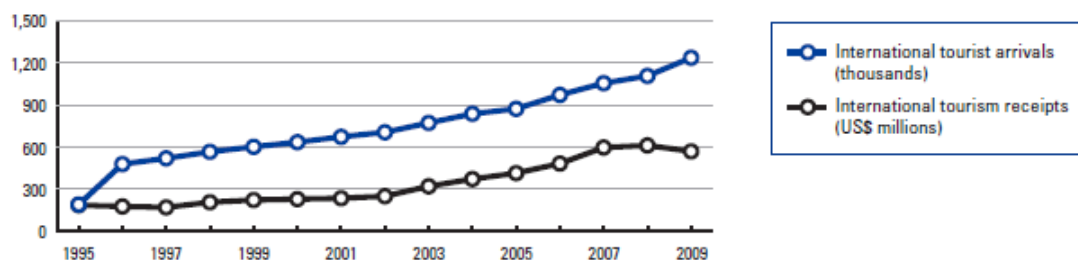


Figure 1 – Factors influencing decision to travel to Iceland in percentage (Gísladóttir, 2012)

Iceland is currently in the eleventh place of the most competitive nations in tourism out of 139 countries, based on the World Economic Forum's competitiveness index<sup>3</sup> (Guðjónsson, 2011).

## 2.1 Development and Growth

The tourism industry in Iceland is relatively young compared to other industries and other countries. The industry has however bloomed significantly in the last two decades with an increase of 69% between the years 1995 to 2004 of foreign tourists that came to Iceland, compared to 24% in the rest of the world (Einarsdóttir & Stefánsdóttir, 2005). In the year 2009, there were 8.500 people working in the Icelandic tourism industry, which is 5,2% of the total number of jobs in Iceland, making it a large portion of the total population that works within the industry (Gísladóttir, 2012). The direct contribution of travel and tourism to employment has grown by 5,5% on average since 2006<sup>4</sup> (World Travel & Tourism Council, 2012).



**Figure 2 – International tourist arrivals and tourism receipts in Iceland 1995 to 2009 (Blanke & Chiesa, 2011)<sup>5</sup>**

The number of international tourist arrivals quadrupled from late 20<sup>th</sup> century though out the first decade of the 21<sup>st</sup> century (Blanke & Chiesa, 2011), and the visitor exports, i.e. the spending within Iceland by tourists for business, leisure trips and transport, has grown by

<sup>3</sup> See chapter 2.4

<sup>4</sup> See Figure 3

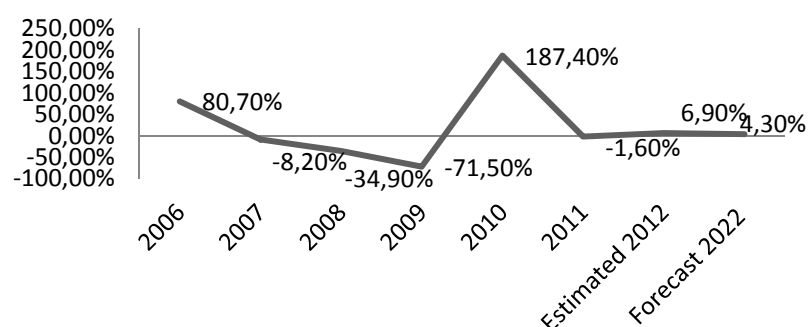
<sup>5</sup> The number of international tourist arrivals includes exclusively overnight visitors, same-day visitors are not included. The number of arrivals does not necessarily correspond to the number of persons. The same person who makes several trips to a given country during a given period will be counted as a new arrival each time (Blanke & Chiesa, 2011).

8,6% on average since 2006 and the internal tourism consumption by 4,3% at the same time (World Travel & Tourism Council, 2012).

**Table 1 - Growth between years in the Icelandic Tourism Industry from 2006-2012 (World Travel & Tourism Council, 2012)**

<b>Iceland Growth in %</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>Estimated 2012</b>	<b>Forecast 2022</b>
1. Visitor Exports	12,8%	4,9%	27,5%	11,3%	-5,9%	13,7%	-3,9%	3,6%
2. Domestic Expenditure	-12,6%	-15,3%	38,5%	-2,0%	-13,1%	-3,2%	3,7%	3,8%
3. Internal Tourism Consumption	0,3%	-3,4%	30,1%	6,0%	-8,5%	7,4%	-1,6%	3,6%
4. Purchases by Tourism Providers and Imported Goods	-2,1%	-3,1%	28,1%	4,7%	-8,5%	7,5%	-1,6%	3,6%
5. Direct Contribution of Travel and Tourism to GDP	1,8%	-3,4%	30,9%	6,6%	-8,1%	7,4%	-1,6%	3,6%
<b>Other Final Impacts</b>	1,4%	-3,8%	30,1%	6,3%	-8,1%	7,4%	-1,6%	3,6%
6. Domestic Supply Chain								
7. Capital Investment	80,7%	-8,2%	-34,9%	-71,5%	187,4%	-1,6%	6,9%	4,3%
8. Government Collective Spending	-2,4%	0,5%	4,4%	3,2%	-7,0%	-4,1%	-2,0%	2,4%
9. Imported Goods from Indirect Spending	-383,6%	-29,7%	-139,5%	127,2%	51,3%	5,3%	-4,3%	3,4%
10. Induced	5,1%	0,1%	8,0%	-4,8%	4,8%	2,3%	-0,4%	3,0%
11. Total Contribution of Travel and Tourism to GDP	8,6%	-2,5%	10,6%	-7,3%	5,9%	3,7%	-0,4%	3,4%
<b>Employment Impacts</b>	1,2%	-4,3%	31,4%	11,6%	-6,6%	6,9%	-1,9%	2,6%
12. Direct Contribution of Travel and Tourism to Employment								
13. Total Contribution of Travel and Tourism to Employment	5,8%	-4,3%	13,7%	-2,2%	7,8%	2,8%	-1,4%	2,1%
<b>Other Indicators</b>	11,9%	7,4%	-14,7%	-26,1%	-0,5%	10,9%	2,3%	2,1%
14. Expenditure on Outbound Travel								

As seen by the World Travel & Tourism Council compilation of the Icelandic tourism industry since 2006, most of the economical sectors of the tourism industry have been growing in the last years. The internal tourism consumption is recovering after the financial crisis as well as the contribution of tourism to employment. What has made the most impact on the Icelandic tourism industry in the last year is the level of capital investment into the industry, which was negative in 2007 to 2009 but grew by 187,4% in 2010 with the greatest marketing campaign of the industry so far.



**Figure 3 – Growth of capital investment in the Icelandic tourism industry 2006-2013 (World Travel & Tourism Council, 2012)**

### 2.1.1 Number of Tourists

The growth numbers for the tourism industry in Iceland have been extremely positive over the past years, and it is obvious that marketing campaigns such as *Inspired by Iceland* have been working successfully. From the year 2000 the number of tourists that have visited the island has almost doubled, going from 300.000 to 565.000 in the year 2011 with an average annual increase of 6,1%. With the same growth rate, the number of tourists can be expected to go up to one million in the year 2020 (Gísladóttir, 2012).

**Table 2 - Number of tourists coming to Iceland 2000-2011 (Statistics Iceland, 2012)**

Number of Tourists		Growth	
<b>2000</b>	302.900	2000-2001	-2,3%
<b>2001</b>	296.000	2001-2002	-6,1%
<b>2002</b>	277.900	2002-2003	15,1%
<b>2003</b>	320.000	2003-2004	12,6%
<b>2004</b>	360.400	2004-2005	3,8%
<b>2005</b>	374.100	2005-2006	12,9%
<b>2006</b>	422.300	2006-2007	14,8%
<b>2007</b>	485.000	2007-2008	3,5%
<b>2008</b>	502.000	2008-2009	-1,6%
<b>2009</b>	493.900	2009-2010	-1,1%
<b>2010</b>	488.600	2010-2011	15,8%
<b>2011</b>	565.600	<b>2000-2011</b>	<b>86,7%</b>



### 2.1.2 Economic Benefits

The economic contribution of travel and tourism can be significant and an important activity for economies in most countries around the world. The economical advantage from tourism can be especially significant for small nations such as Iceland as it boosts the economy with foreign currency and creates endless new opportunities for the labour market (Einarsdóttir & Stefánsdóttir, 2005).

By bringing in more tax revenues and foreign exchange, creating more local jobs that are both directly and indirectly related to the tourism industry and encouraging infrastructure growth and development, travelling and tourism can stabilise as well as diversify economies. One of the most mentioned economical benefits of tourism is the multiplier effects of tourism, which refers to the external money that is brought into the economy and then returned to the local economy where it circulates in the economy (Stynes, 1997). This means that money that is spent by tourists for accommodation creates employment directly at the hotel as well as indirectly elsewhere in the economy as the hotel relies on other businesses for food and clothes for an example (Barcelona Field Studies Centre S.L., 2012).

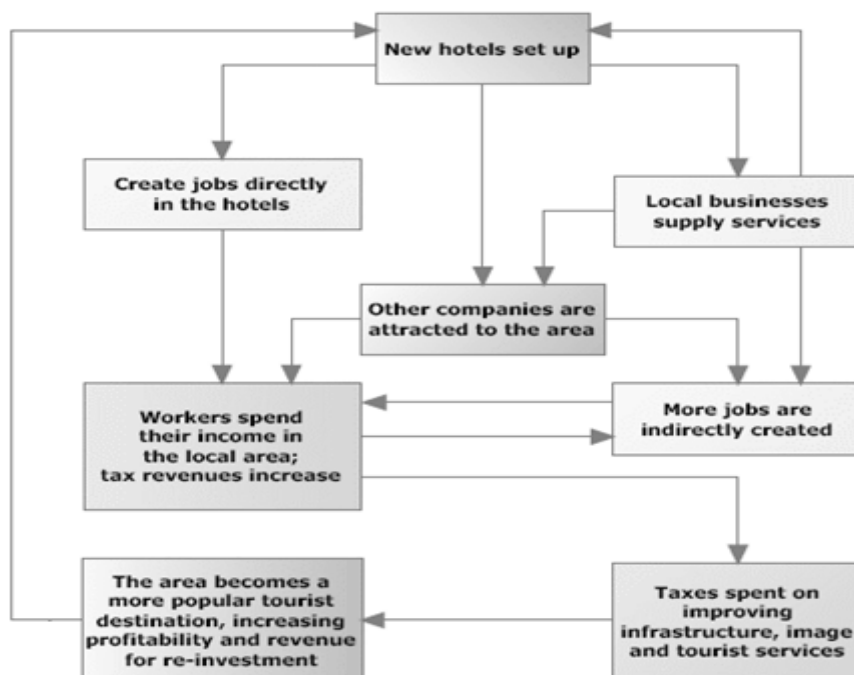
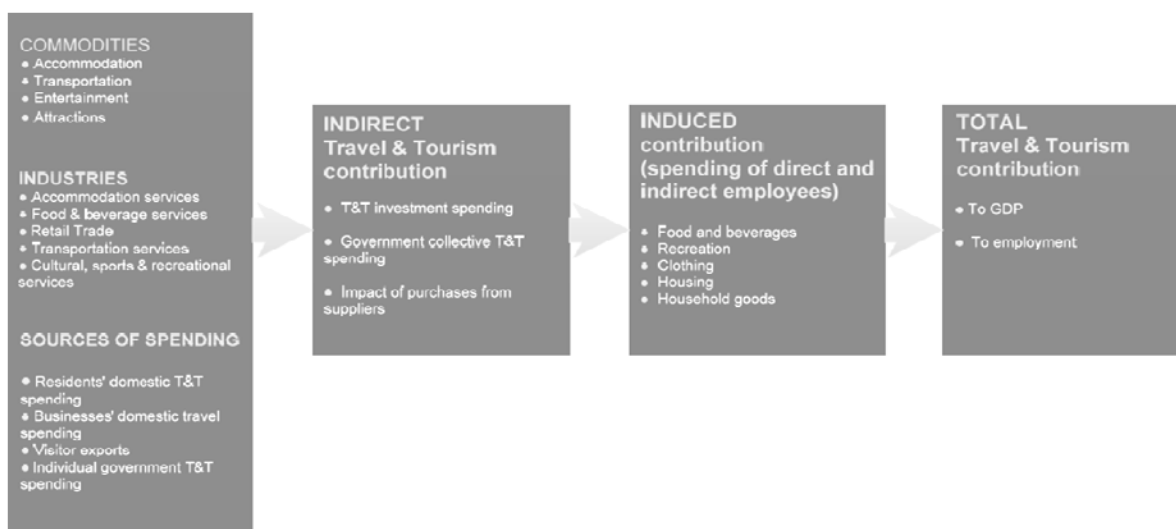


Figure 4 – The multiplier effects of tourism (Barcelona Field Studies Centre S.L., 2012)

The World Travel & Tourism Council has recognised and quantified both indirect and induced impacts on economies from the contribution of tourism industries. Internal

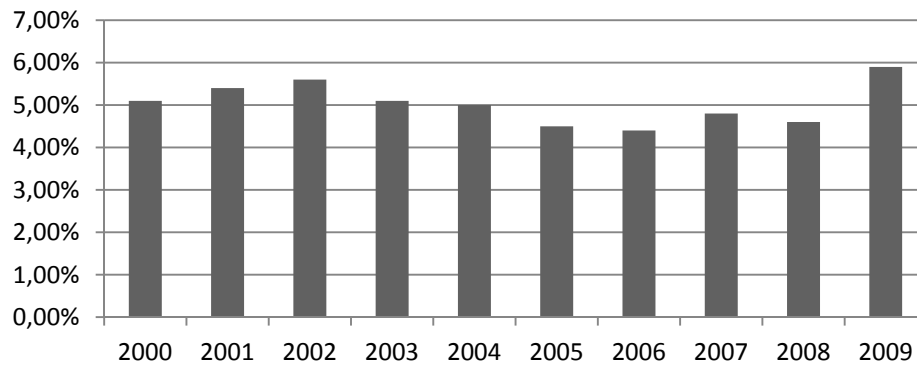
spending on travel and tourism, or the combined spending by residents, non-residents, and governmental spending for business and leisure purposes are all elements with direct contribution of travel and tourism to GDP. This direct contribution of the tourism industry is calculated with the total internal spending which is then “netted out” by all purchases that are made by the various tourism sectors (World Travel & Tourism Council, 2012).

By adding contributions and aspects that have wider impacts, such as indirect and induced impacts, the total contribution to GDP can be calculated. According to the World Travel & Tourism Council’s definitions, indirect contributions affect the GDP along with jobs that are supported by all investment spending in the tourism industry, which includes both current and future investment activities, such as construction. Government collective spending are as well an indirect contribution to GDP, as many sectors of the tourism industry are affected by it, such as tourism marketing promotion as well as the aviation and security sectors, etc. The domestic usage and purchases of services and goods are also a part of the indirect GDP contribution of the tourism industry, by for an example providing services to tourism companies, as well as all those who are directly or indirectly employed in the tourism industry (World Travel & Tourism Council, 2012). As illustrated in figure 7, the total travel and tourism contribution to GDP and employment is therefore affected by direct, indirect and induced contributions; direct contribution consisting direct commodities such as accommodation and transportation, industry services and sources of tourist spending, while indirect and induced contribution consists of industry investment spending and spending of direct and indirect employees.



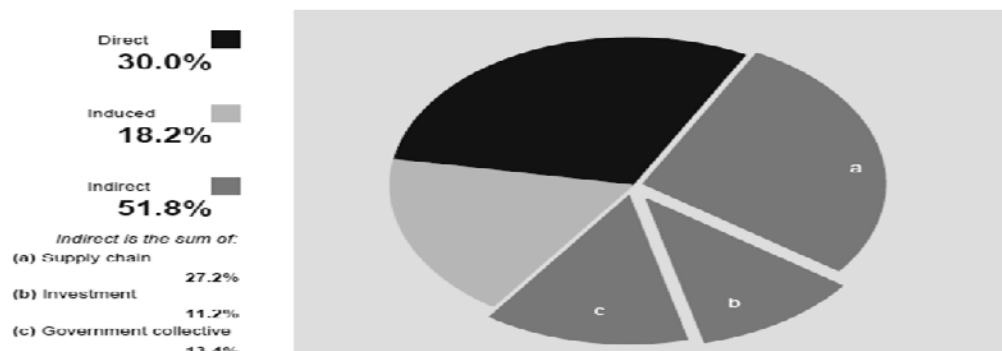
**Figure 5 – Direct, indirect and induced contribution of travel and tourism (World Travel & Tourism Council, 2012)**

International visitors spent ISK 111 billion in travel consumption in Iceland in 2009 or around 60% of the domestic travel consumption. Between the years 2008 and 2009, the share of Icelandic tourism of the gross domestic product grew from 4,6% to 5,9% with the proportion of tourism in Iceland being 14% of the total export revenue (Gísladóttir, 2012)



**Figure 6 – Direct contribution of travel and tourism on GDP in Iceland 2000-2009 (Statistics Iceland, 2011)**

In 2011, the direct contribution of travel and tourism to GDP in Iceland was ISK 85,5 billion, or 5,2% of total GDP. The total contribution to GDP of travel and tourism was however ISK 284,7 billion or 17,4%. The World Travel & Tourism Council estimates that the direct GDP contribution will fall by 1,6% in 2012 and then rise annually by 3,6% up to ISK 120 billion to the year 2022. By looking at the different kind of contribution to GDP from the tourism industry for 2011, 30% of the contribution is direct, 18,2% induced and 51,8% is indirect contribution which 27,2% stems from supply chain, 11,2% from investments and 13,4% from government collective (World Travel & Tourism Council, 2012).

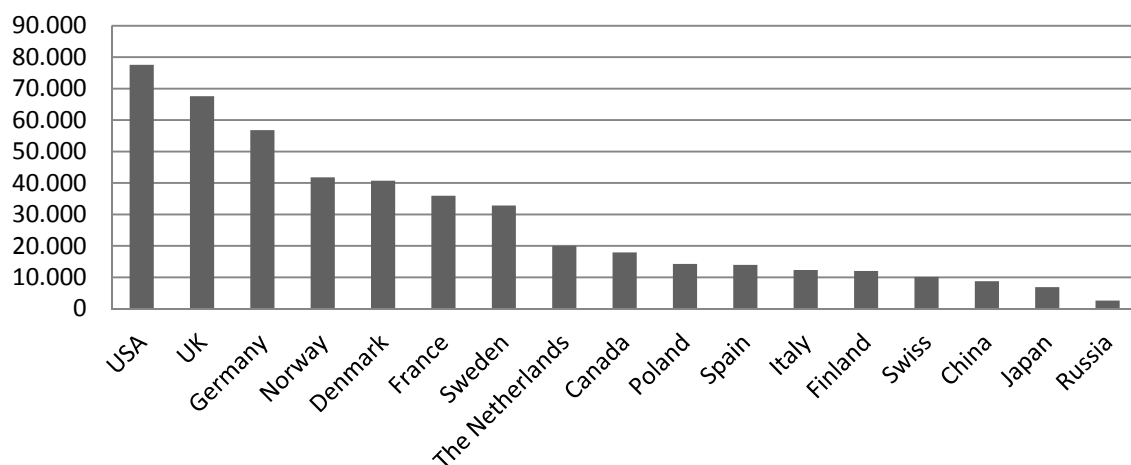


**Figure 7 – Breakdown of travel and tourism's total contribution to GDP in Iceland 2011 (World Travel & Tourism Council, 2012)**

According to the president of Iceland, Mr. Ólafur Ragnar Grímsson, the economic benefits of tourism spreads through the economy and all over the country in a way that no other sector does. With an extraordinary growth in recent years and 600.000 tourists arriving to Iceland in 2012 which is double the country's population, the visitors are a great helping drive in Iceland's 2,7% economic growth (Quest, 2012).

### 2.1.3 Tourist Demographics

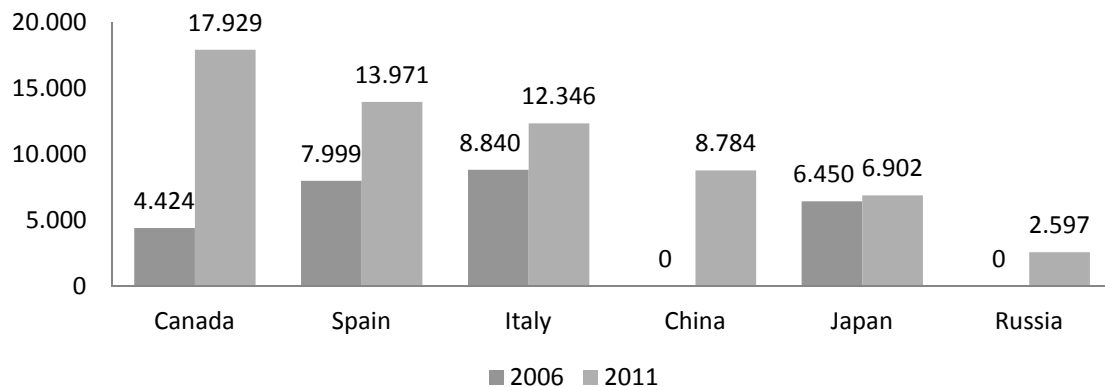
Over the years, the nationalities that visit Iceland the most are tourists from the United States, United Kingdom, Scandinavia and central Europe (Statistics Iceland, 2012). As few non-Icelandic airlines fly to Iceland, the trend of nationalities coming to Iceland is in great coherence with the Icelandic airlines' destinations, with UK and Scandinavian cities having the most traffic to and from Iceland. Iceland is a popular destination for stopover for airlines that travel between North America and Europe, which is one of the reasons for the high number of Americans visiting Iceland. Below is a table of tourists in Iceland by nationality in 2011.



**Figure 8 – Tourists in Iceland by Nationalities 2011 (Statistics Iceland, 2012)**

When looking over the trend in the last five years which nationalities are coming to Iceland, people from other parts of the world are coming in much higher numbers now than before. No Chinese or Russian travellers came to Iceland in 2005. Compared to none in 2005, 8.784 Chinese travellers came to Iceland in 2011. Chinese travellers are now about 2% of all tourists who come to Iceland, compared to 14% of Americans that are currently

the nationality that travels the most to Iceland. The number of Canadians coming to Iceland has increased impressively by 423% over the last five years, which can be tracked somewhat to improved airline service between the two countries. The number of travellers from Spain has increased by 119% at the same time and 38% more Italians are coming to Iceland now than five years ago (Statistics Iceland, 2012).



**Figure 9 – Growth of new nationalities coming to Iceland (Statistics Iceland, 2012)**

It is estimated that the number of tourists travelling worldwide will be at least 1,56 billion in the year 2020 or which counts for 4% increase between the world's countries every year. Along with the growth of the Icelandic tourism industry, it is estimated that changes in travelling trends will progress in this decade. Europeans and North-Americans have been the largest target groups for tourism, but travellers from other parts of the world, such as East-Asia, East-Europe and the Pacific are becoming much more visible now which the tourism industry needs to be well aware of in order to keep up good service quality (Einarsdóttir & Stefánsdóttir, 2005). The Icelandic tourism industry has therefore not just grown significantly in the last decade, but the tourist demographics are also expanding along with the tourism labour force which calls for recognitions on how these changes can be met and managed in travel and tourist related companies.

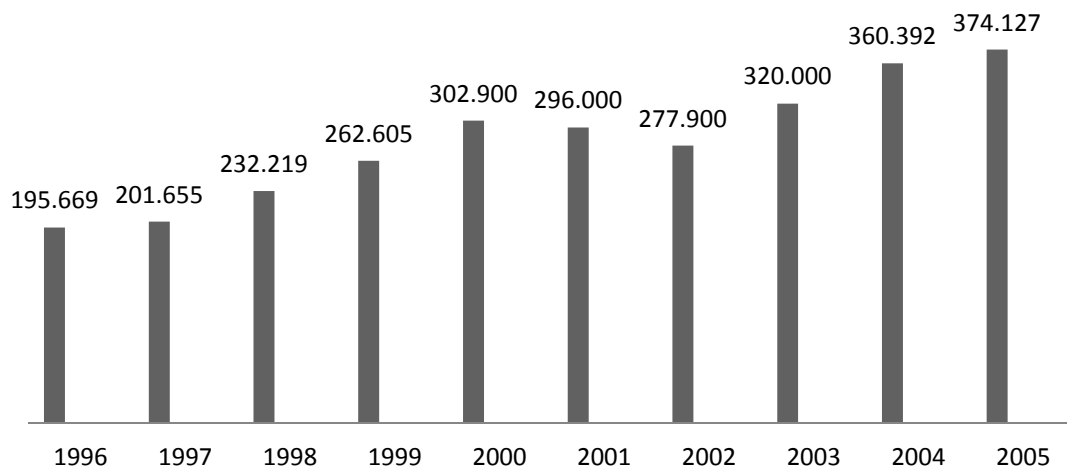
## 2.2 Governmental Policies and Strategies

The prosperity of tourism is greatly based on governments' policies and strategies on the industry and how important they regard it for the economy. The profit of tourism is something that affects societies and economies as a whole, which makes it the governments' responsibility to support the industry as entity, not individual organisations,

for sustainable and industrial development and national marketing. Among the governments' assignments within the tourism industry, is governance of mutual strategy management, quality control, innovation support, employment development and education, national promotion, and protection of popular landmarks (Iðnaðarráðuneytið, 2008).

At that point there had only been speculations from the 1970s on how to build up a sustainable industry, but those speculations never developed, resulting in a stagnated and undeveloped industry. Over the years and decades, a few proposals for the tourism industry and its opportunities found their way into the Icelandic parliament but the interest and enthusiasm never seemed to be enough to take any actions. It was not until 1996, in a report published by the Ministry of Communication in Iceland that the first steps of strategic development of the Icelandic tourism industry were taken. At that point, the importance of industrial development for the tourism section was argued and a 9 year plan was made (Samgönguráðuneytið, 1996).

From the year 1996 to 2005, a significant development took place within the industry, more than anyone had foreseen, with the number of tourists increasing more than 91% in the period.



**Figure 10 – Number of tourists coming to Iceland 1996-2005 (Statistics Iceland, 2008).**

Due to the progressive increase of tourists coming to Iceland, great expansion of the industry and the positive effect it had on the economy, a new development plan was made for the industry for the time period 2006 to 2015 where the emphasis was on building a stable industry with harmonised goals for all sectors within the tourism industry to increase

efficiency and sustainable development (Samgönguráðuneyti, 2005). In 2008, the Ministry of Transport formed a special tourism committee, the Icelandic Tourist Board, to analyse the industry and come up with a financial strategy for the tourism industry. The board concluded that the government did, at the time, not invest enough in the tourism industry and suggested that more of the national budget should be invested into tourism, both in marketing, research and education which would lead to an improved economy and increased work opportunities (Iðnaðarráðuneytið, 2008).

### **2.3 Governmental Investment the Tourism Industry**

Tourism policies can often be based on the effect of complex set of relations and unexpected conjunctions and coincidences (Jóhannesson, 2012). In his report on governmental strategies within the Icelandic tourism industry, Jóhannesson (2012) argued that tourism policies and strategies made in the Icelandic tourism industry are characterised by an apparent lack of relations between the government and the sector which have been an influencing factor in shaping the policies and strategies within the industry.

The main goal authorities in Iceland have been trying to accomplish in the years since the Icelandic Tourist Board was introduced are to make a strong foundation and to unite all sectors within the industry, making it whole, working towards the same goals. All tourists that come to the country need different service from different tourist sectors so the importance of “clustering” and unification is beneficial for everyone. Along with the pressure of collaboration between organisations and authorities, other natural forces have helped even more with these plans (Jóhannesson, 2012).

It was not only the Icelandic economy that had exploded. So did Eyjafjallajökull in April 2010 which led to the cancellation of over 100.000 flights making it the single most airline disruption since World War 2 (Quest, 2012). In 2010, there were volcano eruptions on both Fimmvörðuháls and Eyjafjallajökull (e. Eyjafjalla Glacier) in Southern Iceland. Due to these eruptions, the most extensive marketing campaign in the history of Icelandic tourism was born.

The eruption affected and shut down air traffic all over the world. Effects of the eruption were shown in the media all over the world, displaying dramatic photos from Iceland and the eruption which led to many tourists cancelling their already planned holidays to Iceland

in the upcoming summer of 2010. The tourism industry was desperate; the summer of 2009 had been the largest tourism summer in the history of Iceland, and it had been expected that 2010 would be even larger. In April 2010 there was a decline of tourists that came to Iceland of 22% compared to the previous year and it was expected that more than 100 thousand tourists would cancel their plans to come to Iceland in 2010, which would affect the government's foreign revenue significantly (Ministry for Foreign Affairs, 2010).

In this desperate situation, the Ministry of Industries in Iceland and the Icelandic Travel Industry Association decided to launch a marketing campaign in May 2010. With the total of ISK 700 million put into the campaign, half of it coming directly from the Icelandic government, the Inspired by Iceland campaign was at the time the largest marketing campaign for Icelandic tourism that had been launched (Ministry for Foreign Affairs, 2010).

"Icelanders never waste a good crisis. They saw the opportunities in it and started this campaign, Inspired by Iceland. It was a huge success" (Quest, 2012).

The Inspired by Iceland campaign was launched in the most important markets for Icelandic tourism and in markets where research had shown that the Icelandic image had suffered the most: Germany, France, The Netherlands, Italy, Spain, the UK and Denmark (Íslandsstofa, 2011), although the effect of it reached further than that as it has proven to attract tourists from elsewhere in the world to Iceland as well.

The main challenges that were faced in the campaign were to save the performance of the Icelandic tourism industry, to encourage a positive attitude towards Iceland and to encourage tourists and visitors to influence others to go to Iceland by positively sharing their experience with others (Íslandsstofa, 2011). The campaign's objective was therefore to educate customers about the positive Icelandic culture and nature and prove to them that Iceland was not a dangerous place to visit along with improving the weakened image of Iceland.

It is estimated that the campaign returned ISK 34 billion in the year of 2010, affecting the increase of tourism growth between the summer of 2009 and summer of 2010 by 0,6% instead of a 22% decrease that had been expected before the launch of the campaign. After a great success with the Inspired by Iceland campaign, the Icelandic government has now decided to support another campaign built on similar foundation to increase the tourism in low seasons and to avoid or decrease the seasonal fluctuations in the industry. The



Icelandic government has agreed to pay ISK 300 million per year and private companies another ISK 300 million per year to the project in the next three years. Along with establishing a good image of Iceland as a tourist destination, it is hoped that by getting more tourists outside the high season, the labour opportunities in the tourist industry will increase along with more annual and stable profitability (Guðmundsson, 2012).

In a conference meeting hosted by the Icelandic Travel Industry Association in December 2012, Jón Ásbergsson, CEO of Promote Iceland, explained the uncertainty for the future as he feared that both the Icelandic government and private organisations would end up withdrawing their part of the promotion after the current campaign. He feared that the industry sector did not realise how important it was to invest in both marketing and reconstruction of the industry, with more emphasis on education, as now already quite a few organisations have withdrawn their financial participation in the campaign, resulting in less financial investment from the government. The decrease of participation and enthusiasm on behalf of the sector is a matter of concern and an indication of other matters, such as education and employee improvement (Ásbergsson, 2012).

## **2.4 Travel & Tourism Competitiveness**

Since the year 1979, the World Economic Forum has been researching and analysing tourism competitiveness between nations. The objectives for the researches is to get a better understanding of why some countries become economically strong while others do not. The researches have pointed out that the importance of tourism for specific countries and economies have increased a lot over the years. In the World Economic Forum's report on Travel & Tourism Competitiveness there are some main factors presented that are driving forces to measure competitive tourism all over the world. The travel and tourism competitiveness index measures the various business related issues along with regulatory environment that have been proven as levers for how countries can become more competitive in the global tourism sector. The competitive index measures factors and policies that make a country attractive for tourist development such as environmental sustainability, safety, infrastructure and supply of educated employees. The aim of the index is to provide countries with a comprehensive and strategic tool that can be used to measure factors, policies and development for travel and tourism sectors and their attractiveness (Blanke & Chiesa, 2011).

As can be seen in the table below, one of the main categories in competitiveness across nations is connected with human resources, education and training, the supply of a trained workforce and the nations' affinity for travel and tourism.

**Table 3 - Travel and tourism competitiveness index divided into three sub-indexes composed of by numbers of pillars (Blanke & Chiesa, 2011)**

<b>Regulatory framework</b>	<b>Business Environment and Infrastructure</b>	<b>Human, Cultural and Natural resources</b>
<ul style="list-style-type: none"> <li>• Policy rules and regulations</li> <li>• Environmental sustainability</li> <li>• Safety and security</li> <li>• Health and hygiene</li> <li>• Prioritization of Travel &amp; Tourism</li> </ul>	<ul style="list-style-type: none"> <li>• Air transport infrastructure</li> <li>• Ground transport infrastructure</li> <li>• Tourism infrastructure</li> <li>• ICT infrastructure</li> <li>• Price competitiveness in the industry</li> </ul>	<ul style="list-style-type: none"> <li>• Human resources</li> <li>• Education</li> <li>• Supply of educated employees</li> <li>• Affinity for Travel &amp; Tourism</li> <li>• Natural resources</li> <li>• Cultural resources</li> </ul>

The level of education and the labour's abilities are the main strengths within the industry as a whole. The research emphasises both on the total level of education nationally and within the industry, where employees with specified education and companies' endeavour towards occupational education and emphasis on training play a big role (Guðjónsson, 2011).

Iceland is currently in the eleventh place over the most competitive nations within the tourism industry according to the extensive Travel & Tourism Competitive research, with Swiss, Germany and France in the top three places. When compared to the research done in 2009, Iceland has moved up from sixteenth place when looking at all countries, and moved up to eighth place from eleventh place when only looking at European countries (Guðjónsson, 2011).

## **2.5 The Tourism and Hospitality Labour Force**

Wood (1997) described the tourism labour market as *marginal workers*, i.e. the majority of all labour force working within the global tourism industry are women, young workers, casual employees, students, part-time workers, seasonal workers and migrant workers. This is in line with an extensive report done by the International Labour Organization in 2001, on the global tourism and hospitality industry (Wood, 1997; Nickson, 2007; International Labour Organization, 2001).

Keep and Mayhew (1999) made a review of the tourism and hospitality industry regarding skills issues within the industry. In their review, they suggest that there are some personnel problems that are noticeable for the industry which gives a negative perception of the employment practices within the tourism section, and which might be related to the lack of HRM structure and strategies. The prominent overall personnel problems Keep and Mayhew suggested did include the following:

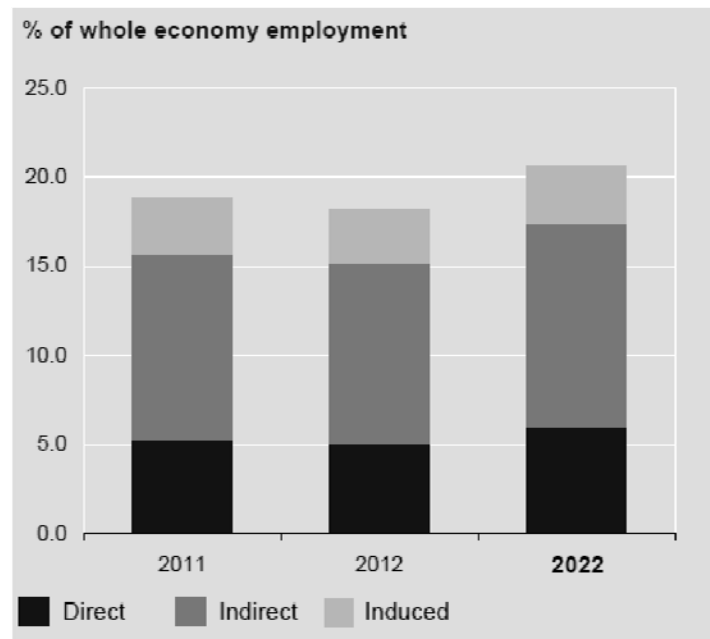
- On average low wages.
- Neither family nor social friendly work hours.
- Undeveloped equal opportunities; overrepresentation of women and ethnical minority groups in the low-level positions, as men are more likely to be holding higher status and more skilled jobs.
- Lack of career structures, and high usage of casualised seasonal employees.
- Lack of HRM practices
- High labour turnover
- Difficulties in recruitment and in retaining employees.

(Nickson, 2007; Keep & Mayhew, 1999).

Keep and Mayhew (1999) suggest that by improving the level of skill among employees will require upgrading of product market strategies, i.e. better and improved HRM practices would enrich the level of jobs. Riley et al. (2000) reason that HRM policies and practices in tourism industries are mostly affected by economies. They point out that this is especially true in the tourism industry, as managers within the section struggle with many short-term and seasonal problems. This does not mean that tourism managers do not recognise or disapprove of human resource management; these problems rather limit the managerial actions. Because of the organisational arrangements and structures, the economic imperative generates a short-term perspective on HRM strategies and other managerial decision-making, which can lead to poor labour force. The lack of HRM strategies within the tourism industry leads to short-term decisions and issues regarding recruitment, selection and basic training instead of long-term decisions that could offer more development and career progression (Nickson, 2007).

In Iceland 2011, travelling and tourism supported directly 9.000 jobs which counts for 5,2% of total employment, including hotel, travel agencies, airlines, passenger transportation and leisure industry employment that is directly supported by tourists. The

World Travel & Tourism Council estimates an annual increase of 2,6% of direct tourism jobs over the next years, making the tourism industry account for direct 11.000 jobs in Iceland by 2022. When looking at the total contribution, including indirect jobs, it is estimated that employment in the tourism industry was 18,8% of total employment in 2011 or 31.500 jobs. An annual increase of 2,1% is estimated over the next ten year period, making the total contribution of travel and tourism to employment 20,6% (World Travel & Tourism Council, 2012).



**Figure 11 – Total Contribution of the Tourism Industry to Employment in Iceland (World Travel & Tourism Council, 2012)**

## 2.6 Response to Industry Growth

Along with the industry growth, organisations within the industry are growing with more opportunities and more exposure. In response to the industry's growth and changes in the tourist demographics, companies and service providers in the tourism sector need to adapt these changes to their structures and processes in order to increase service quality and retain their competitive advantages. It seems however that the organisational structures within smaller companies is not developing at the fast pace of the tourism market in Iceland.

The Icelandic Ministry of Transport made a development plan in 2004 for the Icelandic tourism industry for the years 2006-2015. There it is stated what needs to be done to

increase growth in the tourism industry and how it needs to meet needs of the labour market and the economy as a whole (Samgönguráðuneyti, 2005). In response to that development plan, a thorough, and currently the only, analysis was done on the Icelandic tourism industry based on organisational needs of changes. The results of the analysis implied a need of more education and awareness within the industry is evaluated as a guideline for the government, labour unions, educational institutions and tourist companies to increase their global competitive advantage (Einarsdóttir & Stefánsdóttir, 2005).

In the analysis it is made clear that there is a significant need for specialised education within the field of tourism in everything from management, foreign languages, IT education, business, environmental issues, human resource management, communication, organisational behaviour and in awareness of different cultures. It is also pointed out that in larger companies, there is a wider variance of higher educated positions whereas in smaller companies the level of education is lower and employees tend to attend to different positions, without any specialties, to meet the companies need (Einarsdóttir & Stefánsdóttir, 2005).

Latest numbers estimate that around 45% of all employees that are hired into the industry are hired based on networking and friendship instead of using HR practices, aiming for the best fitted employees. The fact that not more companies use another approach in the hiring process is in particular interesting as most employers think it is difficult to find employees with the right background and education (Einarsdóttir & Stefánsdóttir, 2005). There is a sense of informality when it comes to the hiring process within the Icelandic tourism industry. Along with avoiding specific recruitment processes to look for the most fitted labour, research shows that half of all tourism companies in Iceland do not emphasise on any training for new employees which implies that there is no emphasis on hiring for long-term basis, and that the positions are not too appreciated (Einarsdóttir & Stefánsdóttir, 2005).

According to the research done on the Icelandic tourism industry and what it lacked to grow and become more competitive, Einarsdóttir & Stefánsdóttir (2005) noted that the tourist companies need to develop clear strategies regarding hiring and training, both to get the best fitted labour into the market, to make the industry more appealing, and to give the companies more competitive advantage globally. The research noted a significant lack of human resource management within the industry and that there should be more emphasis

on education for managers in the industry in the field of HRM. It was also the researchers' conclusion that there was a significant gender inequality within the industry and that its image in the labour market was poorly paid jobs for women.

Customers within the tourism industry are now more independent and experienced with new values and lifestyles which pressures companies to be more aware customer needs (Einarsdóttir & Stefánsdóttir, 2005). Efficient information communication technologies (ICT) are among the factors that are measured in the travel and tourism competitiveness index (Blanke & Chiesa, 2011). As interaction between technology and tourism has brought essential changes to the industry and customers' perception of its nature, the universal communication access has brought the industry as a whole to a new level of interactivity (Buhalisa & Law, 2008). The rapid IT development has a great impact on customer needs and therefore employee cultural skills and knowledge.

The technology has made it easier for local companies to reach out to customers worldwide as everything from promotion to selling goes through via technology. As most of the customer relationship and communications takes place via technology in many branches of the tourism industry, such as in accommodation and travel agencies, awareness of cultural differences among employees is extremely important as the service provider and customers never meet face to face, eliminating the use of facial and body language. With the modern technology it has therefore never been as important for companies to provide the best service possible, making it more important than ever to have the best fitted employees as customer reviews and experience can be published to future customers within seconds all over the world.

There has been development and changes in the tourist industry around the world in the last decades. The trend of foreigners that come to Iceland on either holiday or for business have mainly been from specific areas in Europe and from North America in the past. In recent years there has been significant increase of tourists from other areas of the globe that chooses Iceland as a destination, areas such as East-Asia, East-Europe and from countries in the Pacific. Due to those changes, it is believed that there is an even more importance to emphasise not only language training but cultural training as well to be able to provide a better service to foreign customers and to be able to deal better with cultural conflicts (Einarsdóttir & Stefánsdóttir, 2005).

Einarsdóttir & Stefánsdóttir (2005) acknowledged that there was a definite need to increase the understanding and knowledge of different national cultures in the Icelandic tourism industry, as the industry is growing at a fast rate, both internationally and in Iceland, which will lead to an increase of tourists coming from new countries and cultures. According to their qualitative research among managers in the field, there was a certain concern regarding the fast development and how the numbers of travellers are expected to multiple in the coming years. Without being prepared for the many changes the industry is facing in the near future, the level of service could be threatened. The level of cultural awareness and emphasis on it among managers for better communication and interactions between employees and customers, should therefore be improved. As recommendation for the future, Einarsdóttir and Stefánsdóttir (2005) emphasised therefore further development in the tourism workforce by increasing the understanding and knowledge of different languages and cultures unknown to the employees.

### **3. Culture**

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As the world is becoming more integrated with increased globalisation, the level of interaction between cultures is constantly increasing, and the cost of ignoring cultural diversity and differences between countries can be too high to ignore for many if not all business environments. Business management was to start with perceived as a “culture-free science” and that the keys to organisational success were universal applications of rational and scientific models which were applicable to any business model or context without any special adaptation (De Anca & Vazquez, 2007). Early management models of commonly held assumptions of human behaviour soon began to lose their efficiency when they were applied in culturally different contexts in the management process and when multinational organisations started to expand in the 20<sup>th</sup> century. Academics and theorists soon found out with increased globalisation that culture was important in any business world and that people and employees responded to different motivation and behaviour in different cultures (De Anca & Vazquez, 2007).

#### **3.1 What is Culture?**

National cultures are somewhat a multidimensional phenomenon that is complex to define as it has no consensus definition. Culture can be compared to civilisation and religion and refers to a pattern of human behaviour and activities. Cultures can have different types and levels and they can be either intangible or tangible elements and endless numbers of subcultures. Cultural differences and identities are becoming increasingly important as the world becomes more globalised and are an important index in tourism industries where cross-cultural communication is unavoidable. Culture can also influence travel and destination decisions. All these facts emphasise on the importance of analysing different cultures in a multinational service or business where cultural differences are measured by using cultural diversity indexes (Reisinger, International Tourism, Cultures and Behaviour, 2009).

Many researches imply that customers from different cultures have dissimilar attitude and perception of service providers and employees along with having different expectations to the employees. This affects how customers interfere with service employees and how they evaluate and perceive the service provided from employees (Mattila, 1999; Strauss & Mang,



1999). Through the years, many definitions have been made of what culture is and how norms, values and behaviour are dispersed among different countries and social groups. Kroeber and Kluckhohn's (1952) description of culture is:

Culture consists of patterns, explicit and implicit, of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artifacts; the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other, as conditioning elements of future action.

(Kroeber & Kluckhohn, 1952, p. 181)

Culture and cultural differences have been researched by many anthropologists, sociologists and psychologists to understand how and why behaviour is different in specific cultural contexts, although the concepts and the importance of them remain vague to many (Nickson, 2007). To be able to manage a multicultural business, it is crucial to understand what culture is, what it stands for and how it affects people's way of thinking and how different cultures vary around the world. The many cultural systems within any business can have implications for managers that need to get the most out of their employees and make sure communication and interactions are understood from all parties involved.

Culture is passed on from older members of a specific group to younger members of the group and is therefore shared by everyone that belongs to the specific social group. Culture shapes behaviour and perceptions of the world and is based on everything from morals, customs and written and unwritten laws and rules. In the eyes of managers, culture can be seen as a collective programming of the mind which distinguishes one group of humans from another and how human groups respond to their environment (Adler, 2008).

Cultural distinctiveness is different values, ideas and beliefs that are shared among members of different social societies. These distinctions have to be taken into organisational settings as they are an influencing factor for all individuals' workplace behaviour (Nickson, 2007). According to Tayeb (1994), a cultural perspective and awareness is important due to three main reasons:

- A cultural perspective recognises differences in cultural norms, values and behaviour between different social societies, so that individuals' attitude and thinking is most likely shaped of what is considered appropriate or right behaviour within that society.
- There are differences in the underlying values and behaviour among different cultural groups, which can lead to different behaviour from one group to another under similar circumstances.
- Culture is highly important and a great part of shaping a social institution, work organisation, managerial behaviour and personnel policies.

(Tayeb, 1994)

In a globalised and competitive environment, it is critical to develop cultural competences within organisations and among employees that support communication, negotiation and to help assisting the culturally different employees to understand the values and views of others. Hoecklin (1994) states that not dealing with cultural differences correctly or ignoring them completely can result in a lack of ability of both motivation and in retaining to employees. This failure of cultural awareness and/or acceptance can also affect the competitive advantage as potential for strategic alliances in different regions and cultures are being neglected (Hoecklin, 1994; De Anca & Vazquez, 2007).

Culture is a widely discussed subject within any kind of management and many research shows that to understand the impact of national cultures in management. Culture has been a part of the academic world for a long time and can be an influencing factor in all business strategies and organisational structures, especially where different national cultures meet. Cultural awareness and good analysis of cultural differences can therefore be the first step of competitive advantage in international business (Aðalsteinsson, Guðmundsdóttir, & Guðlaugsson, 2011). When it comes to tourism, Burns and Holden (1995) argue that it is important to distinguish between different cultures among travellers along their norms, values, social behaviour, attitude, perception, needs, expectations, experience, religion, habits, motivations and communication habits with or without words.

One of the most exposed theories and methods that have been used to analyse and differentiate cultures is Geert Hofstede's research on cultural differences and his cultural dimensions. Hofstede's research on the exposition of different cultures has had a great

impact on common understanding and awareness of cultural differences and cross-cultural management and communication.

### 3.2 Cultural Awareness

“Cultural awareness is the foundation of communication and it involves the ability of standing back from ourselves and becoming aware of our cultural values, beliefs and perceptions” (Quappe & Cantatore, 2005, p. 1). Understanding cultural differences is essential in all international business where there is any kind of cross-cultural communication as much of the success depends on how well managers and employees understand and can work with critical human factors (Koslow & Scarlett, 1999; Bonvillian & Nowlin, 1994). Managers and employees need to be aware of and understand the wide range of differences in communication, behaviour, religion, personal space and intercultural socialisation to increase the probability of achieved success (Bonvillian & Nowlin, 1994).

Cultural awareness becomes fundamental when there is interaction between people from different cultures, as individuals see, interpret and evaluate things differently across cultures (Quappe & Cantatore, 2005). With global changes in tourist demographics and increased number of tourists with different cultural backgrounds, there is a great need of cross-cultural awareness, understanding and acceptance of cultural differences by tourism practitioners. Reisinger and Turner (1997) recommend that cultural awareness and understanding should be the basis of employee training within the tourism industry.

The term *intercultural service encounters* is the relationship between service employees and customers that are from different cultures (Strauss & Mang, 1999). With tourism numbers increasing everywhere in the world due to globalisation, the service encounters have exceedingly increased in line with that along with rising purchasing power indexes of ethnic minorities globally (Furrer & Pierre, 2007; Ng, Lee, & Soutar, 2007; Sharma, Tam, & Kim, 2009). There are many socio-psychological processes underlying in intercultural service encounters that needs to be evaluated and comprehensively managed in cross-cultural service relationships, such as customer experience, cultural shock, cross-cultural interaction comfort, intercultural sensitivity and consumer ethnocentrism (Sharma, Tam, & Kim, 2009; Barker & Härtel, 2004; Strauss & Mang, 1999; Paswan & Ganesh, 2005; Sizoo, 2006; Sharma, 2005). Many studies show that customers and consumers from the

different cultures around the world have substantially different feelings and attitudes concerning service providers and employees, as well as the expectations from them which influence how they interact with service providers and how they evaluate service performance (Mattila, 1999; Raajpoot, 2004; Strauss & Mang, 1999; Sharma, Tam, & Kim, 2009). According to Barker and Härtel (2004) many customers that are culturally diverse distinguish and perceive some discrimination in service providers' behaviour which leads to lower satisfaction level as the service is perceived as inequitable.

It has been argued that some particular ethnic customers are not as experienced and aware of cultural differences, and have, due to that, more difficulties with communication which results in perception of poor service (Bendapudi & Berry, 1997). The responsibility of successful service is however both the customers' and service employees' although the opportunity cost lies within the organisations, making it even more important for managers to train and educate their frontline service employees with cultural diversity values. By being aware of cultural differences and the obstacles that customers and employees from different cultures might face, and to have protocols on how to deal with such situations beforehand is essential to keep up with the rapidly growing multicultural interactions (Sharma, Tam, & Kim, 2009).

### **3.3 The Impact of National Culture**

Parochialism is the term for viewing the world and accepted behaviour only from one's own eyes and perspective. Someone with a parochial perspective does therefore not recognise other culture, the way others live, work or behave. In this state of thinking, it can be easy to lose track of the opportunities that can arise from different backgrounds and cultural thinking, limiting the competitiveness in a global environment (Adler, 2008).

It is no longer necessary to leave one's own country to experience other cultures and cultural differences, different national cultures are everywhere. The fast changes of the 20<sup>th</sup> and 21<sup>st</sup> centuries have minimised the world, breaking down national boundaries with information technology and global media. Some might believe that with globalisation, and some knowledge and awareness of cultural differences, that the world's many cultures are to some level converging. It is however a fact that cultural backgrounds and national cultures are imprinted in humans and their thinking and behaviour which will not easily be

changed, although the majority of the world is wearing the same branded clothes or watching the same movies (Brewster, Sparrow, Vernon, & Houldsworth, 2011).

National culture can play a significant role in motivating international tourists to travel and where to go (Hanquin & Lam, 1999; Kim & Chalip, 2004), and can be identified as a destination attribute and reason for travelling (McKercher & duCros, 2006). National cultures can influence the needs and the degree of importance of motives. Masculine cultures are usually said to be more motivated by material success than feminine cultures, along with social status, luxury and exotic vacations. Tourists from individualistic cultures can be more motivated by convenience, thrill, enjoyment, the pursuit of pleasure and self-satisfaction than collectivistic tourists who are more likely to socialise in group and nature-based activities. High power distance cultures are more likely to be motivated by social status and image when choosing travel options whereas feminine cultures are more motivated by quality time spent with friends and families (Reisinger, International Tourism, Cultures and Behaviour, 2009).

National cultures can influence the tourists' perception of local residents and service quality which can vary across cultures. National cultures can therefore lead to different perceptions of what is good and what is bad service and treatment in the host country. Chinese tourists might for an example expect their hosts to escort and provide them with tight itineraries as that is seen as high-quality service in high power distance cultures (Sheldon & Fox, 1988) while tourists from individualistic cultures might perceive such service as uncomfortable, wanting to be independent and plan their own travelling.

Travellers' national culture can have a significant influence of the external travel information source. Travellers from cultures with high power distance and high uncertainty avoidance cultures are very likely to seek information from personal sources for example. This can however be influenced by the type of travelling, as business travellers from collectivistic cultures, such as China and Japan that score high on power distance and uncertainty avoidance, rely a great deal on tour companies, travel guides and advice from friends and families. In the same scenario, it is likely that a business traveller from an individualistic culture would obtain information directly from the airlines or travel agencies (Reisinger, International Tourism, Cultures and Behaviour, 2009).

It is important for service companies that have multicultural customers to carefully take into consideration how to allocate and study the different cultures that they are dealing

with and have pre-decided guidelines on how to communicate with each one of them. By doing that they can manage and adapt their service to each culture which can be helpful for managers and employees, and help with their decision-makings, which will lead to better service for the customers and increase the companies' profit. As service qualities are very comparative, it is particularly important for businesses within the tourism industry to get a perception of what is expected service quality for different cultures and how to react to them (Liu, Furrer, & Sudharshan, 2001; Mueller, Palmer, Mack, & McMullan, 2003).

Mattila (1999) points out that those businesses that provide any kind of service to customers of diverse cultures need to define the need of cultural adaptation for the service provided. This is done by thoroughly analysing the customers' behavioural patterns and what the influencing factors are that direct the customers to the business, everything from buying behaviour, how the business relationships between the customers and service employees are established, and how comprehensive the service is. This kind of cultural adaptation process might take time and could be costly for businesses and profitability of such processes would need to be evaluated for each individual case. Grönfeldt and Strother (2006) argue however, that although the investment of cultural adaptation processes may seem too high to justify the project, it is important to make sure that aspects such as competitive advantage, the likelihood of attracting more customers and improve the overall service quality are taken into consideration as well.

Experience is always valuable for businesses, but it is important not to stop there. Based on Crotts and Erdmann's (2000) findings, the tourism industries and destinations that take cultural differences into consideration when it comes to service quality have automatically competitive advantage over those who do not. To gain competitive advantage, expand the business and provide better service quality it is essential to have policies on how to face the different needs of multicultural customers by studying thoroughly why different cultures have different needs and how it is best to approach those needs (Liu, Furrer, & Sudharshan, 2001).

### **3.4 Hofstede's Cultural Dimensions**

Geert Hofstede is one of the pioneers of understanding cross-cultural interactions. His four cultural dimensions have clear implications for individual and group expectations related to acceptable behaviours in the workplace and are used to get a better understanding of

cultural differences, and how to improve communication and tolerance among people from different cultures (Mor-Barak, 2005).

In a workplace environment, cultural diversity cannot only interfere with the basic connection building between different cultures, but also with everything from and between motivation, structure and strategy. The cultural dimensions model stems from Hofstede's research where he collected cultural data from 117.500 staff members in over 50 countries, all working within the IBM organisation, limiting errors stemming from differences in company and industry culture (Nickson, 2007). Hofstede's researches point out that national culture measured along the four dimensions, explain the difference in work-related values and attitudes. His dimensions have clear implications for both individual and group expectations to acceptable behaviours within workplaces. What supervisors expect from their employees and how employees perceive authorisation depends a great deal on the cultural perception of power distance for an example (Mor-Barak, 2005).

Hofstede's researches and findings are useful in international business and in international human resource management and can be a useful tool to discover alien cultures, although analysed as a stereotypical description of national cultures by some. Although the Hofstede dimensions have seen some criticism, such as the internal validity of the dimensions and how the scales are constructed, the research and findings done by Hofstede is one of the most commonly and extensively used among researchers within the field of cultural analyses within any international business (Furrer, Shaw-Ching Liu, & Sudharshan, 2000). As being one of the most cited author in international business literature (Chandy & Williams, 1994), it can be said that Hofstede's conceptual framework has had a great impact on cultural theory development, especially in the field of tourism research as many authors have relied on his studies as the best available theories of national cultural values (Chen, 2000; Crofts & Erdmann, 2000; Money & Crofts, 2003; Pizam & Sussman, 1995; Crofts & Litvin, 2003).

The Hofstede framework can be practical for managers of culturally diverse organisations to understand cross-cultural differences, either when managing different individuals or different cultures (Nickson, 2007). The four dimensions are:

- *Power distance* (authority and social inequality),
- *Individualism vs. collectivism* (cohesion and loyalty to the group),
- *Masculinity vs. femininity* (competition in contrast to care for others)

- *Uncertainty avoidance* (tolerance for ambiguity)

### 3.4.1 Power Distance

The Power Distance dimension focuses on how much a culture values hierarchical relationships and respect for authority or not. It measures the extent to which less powerful people accept and expect that power is distributed unequally (Hofstede, *Cultures Consequences*, 2001). Power distance is therefore the extent to which inequalities are seen as normal among individuals and employees, i.e. the level of accepted hierarchy. High power distance exists in a clear hierarchy where managers direct subordinates clearly, whereas in low power distance the management is more consensual as the subordinates are allowed and expected to take part in decision-makings (Nickson, 2007). It is therefore likely to be a great hierarchical gap between managers and employees in high power distance cultures, same goes for perquisites and organisational positions. According to Hofstede's findings, South-American cultures and some South-European cultures, such as in Spain, as well as African and Asian cultures score high on the power distance index. North- and West-Europe, the United States, England and their former colonies tend to score significantly lower on the power distance index (Hofstede, 1991; Hofstede, 2001; Aðalsteinsson, Guðmundsdóttir, & Guðlaugsson, 2011).

According to Tsang & Ap (2007), it is commonly accepted that in cultures with high power distance that the social position between customers and service providers is higher than in low power distance cultures. It can therefore be expected that the service expectations from high power distance cultures are higher when it comes to respect, courtesy, warmth, empathy and the level of helpfulness within any service. Based on Hofstede's findings, Asian cultures tend to score higher on power distance than Western cultures. According to Mattila (1999) research based on the impact of culture on differences between Western and Asian customers' perceptions of service qualities using Hofstede's power distance dimension, Asian cultures are more demanding on service quality as the lower social status of employees within the service industry requires them to provide high levels of service to customers. In Western cultures which normally score lower on the power distance dimension, customers are less accepting of any status differences and expect the service relationship to be more egalitarian (Mattila, 1999).



### **3.4.2 Individualism**

The dimension regarding individualism versus collectivism focuses on how much people are integrated into groups, i.e. if they act as individuals or as a part of cohesive groups. In an individualistic environment people are expected to only look after themselves and their immediate family whereas in a collectivistic environment people are born into groups other than their immediate family. There is therefore more likelihood of people wanting to work independently in an individualistic culture whereas collectivist cultures are more likely to be more comfortable working in groups with others. (Hofstede, 1991; Nickson, 2007).

According to Hofstede's findings, Western cultures are more individualistic where everyone looks out for themselves and immediate family whereas Asian cultures are more collectivistic and in groups. He points out as well that rich countries tend to score higher on the individualism than poorer countries, with Hong Kong and Singapore being exceptions. The United States, Australia, England, Canada, the Netherlands and New Zealand are high on individualism whereas Indonesia, Guatemala, Ecuador, Panama, Venezuela and Columbia score higher on collectivism (Hofstede, 1991; Hofstede, 2001; Aðalsteinsson, Guðmundsdóttir, & Guðlaugsson, 2011).

Furrer et. al (1999) discovered that customers that come from individualistic cultures are more independent and self-centred than collectivistic customers as they are more self-responsible and self-confident. This group of customer is also more demanding of others to be efficient and want efficient and fast service. The expectations of service are high for individualistic customers as they expect to be provided with confidence but with a distance at the same time due to their self-identity (Furrer, Shaw-Ching Liu, & Sudharshan, The Relationships Between Culture and Service Quality Perceptions. Basis for Cross-Cultural Market Segmentation and Resource Allocation, 2000).

### **3.4.3 Masculinity**

Hofstede distinguishes between hard values which are considered masculine on the one hand and soft values which are considered feminine on the other hand. The dimension looks at the degree to which 'masculine' values like competitiveness and the acquisition of wealth are valued over 'feminine' values like relationship building and quality of life. It is often said that in a masculine culture people live to work and where work is valued as a

central life interest, versus a feminine culture where people work to live and are more likely to value social rewards (Hofstede, 1991; Nickson, 2007).

In masculine cultures the role of the sexes are much more distinguished and separated than in feminine cultures. Men are focused on materialism while women are more moderate and sensitive. In feminine cultures the roles of the sexes overlap resulting in more equality in the society, and both men and women are supposed to be moderate, sensitive and care about the quality of life (Hofstede, 1991; Hofstede, 2001; Aðalsteinsson, Guðmundsdóttir, & Guðlaugsson, 2011).

This can be connected with how masculine cultures and societies are when it comes to customers in service industries and whether they express their dissatisfactions if they experience poor service. Cultures that score high on Hofstede's masculinity index are more likely to express their dissatisfaction with service than are feminine cultures. In high masculinity cultures, or in countries where there are many customers from high masculinity cultures, it can be expected to get more complaints than in cultures that are more feminine (Crotts & Erdmann, 2000).

There are clearer distinctions of social gender roles in masculine cultures which is visible in service relationships as attitude distinctions toward male and female service employees are likely to exist. Men are perceived and expected to be more assertive, tough and focused on material success than women who are supposed to be modest, tender and concerned with the quality of life (Hofstede, 1991; Furrer, Shaw-Ching Liu, & Sudharshan, 2000). In masculine cultures, customers will therefore not have the same expectations for male and female service employees as they expect male employees to be more professional than females and expect female employees to be more empathic (Furrer, Shaw-Ching Liu, & Sudharshan, 2000).

Countries that score high in masculinity are Japan, Italy, Austria, Swiss, Mexico and Guatemala. England, Germany and the United States score relatively high in masculinity as well. Countries that are more feminine according to Hofstede's findings are the Netherlands, Costa Rica and the Scandinavian countries (Hofstede, 1991; Hofstede, 2001; Aðalsteinsson, Guðmundsdóttir, & Guðlaugsson, 2011).

#### 3.4.4 Uncertainty Avoidance

The uncertainty avoidance index is in essence a dimension that measures a culture's preference for strict laws and regulations over ambiguity and risk. It also indicates whether people will feel comfortable in unknown, surprising situations. In order to avoid these situations countries will set laws and regulations. People from societies that score low in uncertainty avoidance are often characterised by great endurance and self-endeavour, and they push through when necessary, respecting precision and punctuality. These cultures feel insecure when there are exceptions from the rules and they are driven by innovation. Cultures that score high in uncertainty avoidance are however insecure in obscure situations and in situations that call for any kind of risk-taking (Hofstede, 1991; Hofstede, 2001).

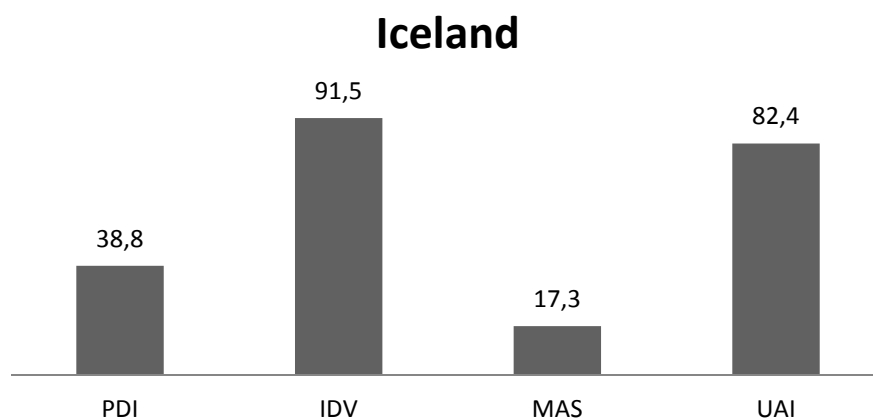
Looking from a service perspective, the uncertainty avoidance is important to take into consideration as cultures with high uncertainty avoidance have less tolerance towards service quality than those who come from cultures with low uncertainty avoidance (Reiman, Lunemann, & Chase, 2008). According to Furrer et al. (2000) the service need is also different between cultures that score high and low on uncertainty avoidance. Cultures with low uncertainty avoidance do not distinguish prominently between service types and do overall not fear the quality of service. Cultures with high uncertainty avoidance however distinguish between the levels of need which the service serves. If the service is common and often used the service needs to be fast, convenient and efficient to limit the risk of uncertainty and fear, whereas the customer seeks to form some kind of bond or relationship with the service provider to limit the risk of uncertainty in case of an uncommon and more seldom used service.

The countries that score high in uncertainty avoidance are South-American countries, South-European and Mediterranean countries, Japan and South-Korea. Low scorers are other Asian countries than Japan and South-Korea, African countries, England, the Netherlands and Scandinavian countries. Germany, Austria and Swiss are in the middle of the scale (Hofstede, 1991; Hofstede, 2001; Aðalsteinsson, Guðmundsdóttir, & Guðlaugsson, 2011).

### 3.4.5 The Icelandic Culture

Due to the smallness of the Icelandic culture, Hofstede has never researched nor measured the cultural dimensions in Iceland. To be able to understand other cultures it is important to be aware of the differences and to be able to understand one's personal culture, norms, values and background before understanding other cultures. Because of that, and as the importance of Hofstede's analyses have grown greatly over the years, with more and more businesses becoming international and cross-cultural communication is becoming a reality in the every-day life, Icelandic researchers decided to conduct Hofstede's VSM 94 survey in Iceland to investigate the characteristics of the Icelandic culture (Aðalsteinsson, Guðmundsdóttir, & Guðlaugsson, 2011).

In their research, Aðalsteinsson, Guðmundsdóttir & Guðlaugsson (2011) used Hofstede's questionnaire and sent it to Icelandic social science students to measure the characteristics of the Icelandic culture and then compared it with the results from similar samples from other countries, the United States, Austria, Japan and Argentina, based on the Bearden, Money and Nevins (2006) research. As Icelandic culture has often been compared with other Scandinavian countries, the results were compared with those cultures as well. According to their findings, Aðalsteinsson, Guðmundsdóttir & Guðlaugsson (2011) characterised Icelandic culture by low power distance, high individualism, low masculinity and high uncertainty-avoidance. This is in accordance with previous study of the Icelandic culture done by Eyjólfsdóttir and Smith (1996) where it was stated as well that Icelanders lack discipline and are therefore innovative, flexible and not fond of formal rules and regulations.

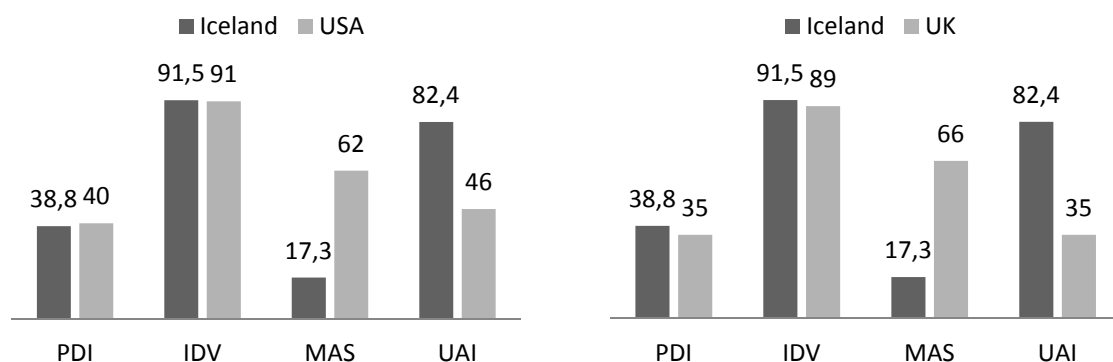


**Figure 12 – Results for Iceland of Hofstede's VSM 94 Questionnaire (Aðalsteinsson, Guðmundsdóttir, & Guðlaugsson, 2011)**

In the first published research on Icelandic culture with Hofstede's research in mind, Eyjólfsson and Smith (1997) described the two main characteristics as the most important values that determined Icelandic organisations. Those were firstly *egalitarianism* which is related to low power distance, individualism and femininity, and secondly *reaction to adverse nature*, connected with high uncertainty avoidance and referring to a hence of unrealistic optimism and the fisherman mentality of the culture. This is in line with the Aðalsteinsson et al. (2011) findings on Icelandic culture based on Hofstede's cultural dimensions.

### 3.5 The Icelandic Culture Compared with Others

As no culture is like any other, it is important to analyse the differences between cultures that are in any kind of international relationships and cross-cultural communications. As mentioned before, the tourists that travel the most to Iceland are from the United States, Britain, Scandinavia and central Europe. By comparing those cultures to Icelandic culture with the use of Hofstede's cultural dimensions, the differences and similarities can be used to help prevent cultural conflicts and increase service quality.

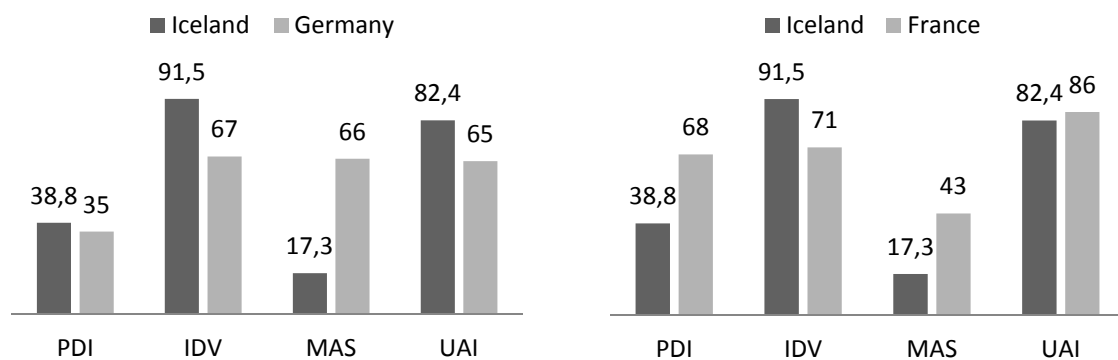


**Figure 13 – Cultural comparison between Iceland and the USA and the UK (Hofstede, Countries; Aðalsteinsson, Guðmundsdóttir, & Guðlaugsson, 2011)**

The nations that visit Iceland the most are the USA and the UK which both score quite similarly on Hofstede's cultural dimensions. Iceland's score on power distance and individualism is also similar to the USA and UK. Both countries are however much more masculine than Icelandic culture. Both Britain and the United States are considered to be masculine societies according to Hofstede's dimensions. Behaviour in those cultures is therefore based on the shared values on how people should try to be the very best they can

be and that *the winner takes it all* as a focus on monetary rewards and higher social statuses. Conflicts are resolved at the individual level in masculine cultures whereas the emphasis is more on compromise and negotiation in feminine cultures such as Iceland. In comparison to Iceland that has a much more feminine culture, people in the USA and the UK live in order to work and have a clear performance ambition (Hofstede, Countries).

Both cultures are therefore highly success oriented and driven. When looking at British culture specially, a great confusion for foreigners regarding British culture is the contradiction between the culture of modesty and the success driven values in the culture. This can make it critical for foreigners from other cultures to understand that some reading between the lines is necessary.



**Figure 14 - Cultural Comparison between Iceland, Germany and France (Hofstede, Countries; Aðalsteinsson, Guðmundsdóttir, & Guðlaugsson, 2011)**

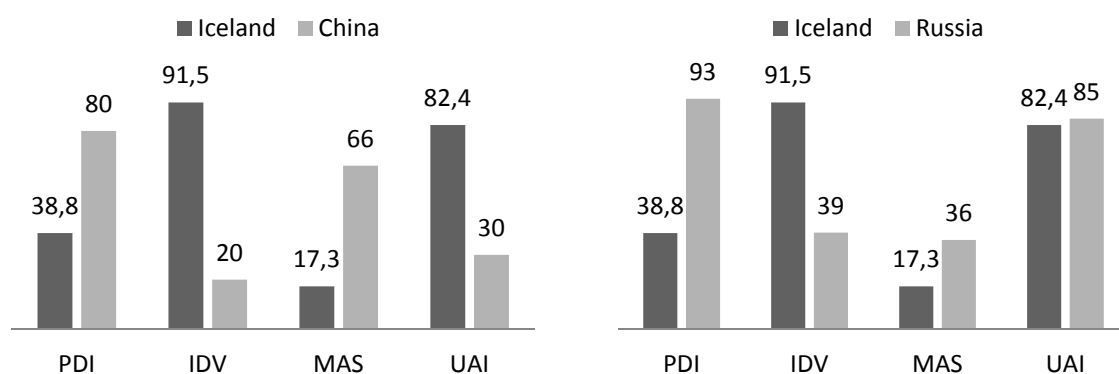
The Icelandic, German and French cultures are in some ways similar. The dimension with the greatest difference between the cultures is the level of masculinity, the German culture being categorised as a masculine culture whereas Icelandic culture is feminine and French culture is in between. According to Crotts and Erdmann (2000), German, British and North-American customers, who are all more masculine than Icelandic customers, are therefore more likely to express their dissatisfactions than Icelandic customers. As gender roles are more distinct in the masculine cultures than in Iceland, differences in service relationship between male and female service employees is therefore likely to exist among masculine customers as men are perceived more professional and female employees more empathic (Furrer, Shaw-Ching Liu, & Sudharshan, 2000). Both cultures score high on the

uncertainty avoidance, which makes them more likely to spend more time during their stays than cultures from low uncertainty avoidance cultures (Money & Crotts, 2003).

The main differences between the Icelandic and French cultures is the level of power distance. With the French culture scoring much higher on the power distance index than Iceland, French customers are more likely to prefer a higher social position between them and the service providers. Due to that, it can be expected that French customers have higher service expectations when it comes to respect and courtesy along with the level of helpfulness within a service relationship (Tsang & Ap, 2007).

Both Icelandic, German and French cultures score relatively high on uncertainty avoidance where there is a strong preference for deductive instead of inductive approaches and planning where details are just as important to create certainty as a certain project is well thought out. Both German and Icelandic cultures score low on power distance, meaning that certainty for own decisions is not managed by others, both cultures prefer to approach higher uncertainty with by relying on expertise (Hofstede, Countries).

Cultures with high uncertainty avoidance, such as the French culture especially, collect travel information from friends and families rather than acquire it from travel guides and marketing-dominated sources which low uncertainty avoidance culture do. Those cultures spend less time on the travel planning and are less likely to rent cars during their trips than low uncertainty avoidance cultures (Reisinger, International Tourism, Cultures and Behaviour, 2009).



**Figure 15 - Cultural Comparison between Iceland, China and Russia (Hofstede, Countries; Aðalsteinsson, Guðmundsdóttir, & Guðlaugsson, 2011)**

When comparing the Icelandic culture to cultures that are increasingly travelling more to Iceland, such as China and Russia, the differences between the cultures are more significant than with the cultures geographically closer to Iceland. The Chinese culture scores high in power distance and masculinity where Iceland scores low, and low on individualism and uncertainty avoidance where Iceland scores high. The main differences between Russian and Icelandic culture are the different levels of power distance and individualism, as Russian culture is high on power distance and more collectivistic than the individualistic and low power distance Icelandic culture.

Tourists that come from high uncertainty avoidance cultures have proved to behave differently from tourists from cultures that score low on uncertainty avoidance. The lower the uncertainty avoidance the more likely it is that tourists seek pre-travel information from travelling information as well as to purchase pre-paid tour packages. Those cultures also tend to travel in larger groups and stay for shorter periods. As the number of cultural differences between the tourists and the host cultures increases, the same goes for uncertainty avoidance as it is more likely for the tourists to use travel packages, tour operators on trips that are relatively short with fewer destinations (Money & Crofts, 2003).



## 4. Workplace Diversity

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“The world of organisations is no longer defined by national boundaries” (Adler, 2008). It has become synonymous to manage global enterprises and modern businesses in the globalised world. More than two thirds of the world’s CEOs now view foreign competition as a key factor when it comes to success which should affect all business strategies greatly. At the same time, it is critical to manage human resources effectively to achieve success. The importance of world business, in whatever form it is, has created a great demand for managers to be skilled to working with people from countries and cultures other than their own, and to manage employees in a cross-cultural environment. Cross-cultural management describes and compares the organisational behaviour within countries and cultures as well as seeks to both understand and improve communication among managers, employees and just as importantly, clients. Efficient cross-cultural management does therefore expand the scope of the domestic management to multicultural dynamics, taking into account all cultures within the business model (Adler, 2008; Brewster, Sparrow, Vernon, & Houldsworth, 2011).

Since the globalising world is becoming a melting pot of different cultures, workplace diversity has become a demographical reality in most workplaces. With more awareness of cultural differences, leaders and managers are now facing cultural challenges in a much greater deal than ever before. Communication has become largely cross-cultural in today’s global environment, but although workforce diversity can be extremely beneficial for organisations, cross-cultural communication can involve potential barriers related to both verbal and nonverbal actions. To avoid miscommunication and dissatisfaction managers, leaders and employees need to be aware and prepared to handle intercultural tasks effectively (Wederspahn, 2002).

Diversity management “[...] refers to the voluntary organizational actions that are designed to create greater inclusion of employees from various backgrounds into the formal and informal organizational structures through deliberate policies and programs” (Mor-Barak, 2005). Effective management of diversity can benefit organisations as it can reduce low job satisfaction and costs related to high turnover, and attract as well as retain employees of diverse backgrounds. Diversity within the workforce can also lead to increased creativity and system flexibility in organisations. To succeed to manage an increasingly

diverse and multinational workforce, managers need to understand cultural differences to become competent in cross-cultural communication (Cox & Blake, 1991).

Cultural values influence the basic convictions people have as well as their behaviour. How people behave in a managerial position will therefore be greatly influenced by their own culture since it is somewhat impossible to change those. It is therefore challenging to set one's own norms and cultural values aside along with the preconceived notions about individuals outside one's own mainstream culture. Without being aware of it, all humans show in-group favouritism or a systematic tendency to evaluate one's own membership group (the ingroup) or its members more favourably than a non-membership group (the out-group) or its members (Hewstone, Rubin, & Willis, 2002). "The notion that each one of us has an original way of being human entails that each of us has to discover what it is to be ourselves" (Taylor, 1991).

According to Mor-Barak (2005), today's problems with a diverse workforce is not because of the heterogeneity of the workforce, but rather from the managers' inability to divest themselves of personal prejudicial attitudes along with the inability to fully comprehend a multicultural workforce' dynamics and potential. Another influencing challenge factor in managing multiculturalism are the cultural traits developed by individuals from their home cultures. Understanding the moral commitment in the different subcultures within the workforce is important when managing a cultural diverse workforce (Munjal & Sharma).

Discrimination can be of all sorts where sex, ethnicity, disability, age, religion and sexuality may affect disadvantage in the workplace, regardless of qualities and abilities of the individuals. It can be difficult for managers to notice if they are respecting equality in recruitment, and selection, and training and development as they may not be aware of their ingroup favouritism, especially if there are not any policies or specific HR guidelines within the organisations (Nickson, 2007).

Goss (1994) describe the different methods in which organisations seek to address equal opportunities. He makes a distinction between a short-term compliance plan and long-term plan which is more proactive. The short-term plan is mainly driven and limited by external labour legislation and union policies which have to be followed to avoid penalty consequences. This kind of method is driven by organisational self-interest and does not require any organisational or cultural policies or any discrimination acknowledgement other than basic humanitarian laws that are required by authorities. The long-term plan is

on the contrary planned from within the organisation in addition to external legislation in terms of efficient management of human resources with the aim of creating a suitable and profitable organisational image as well as to manage the diversity and social justice in the organisation's self-interest (Goss, 1994; Nickson, 2007).

Based on the long and short-term management distinctions, Nickson (2007) divided the characteristics of equality and diversity into three main groups, legal, ethical and business aspects, the business aspect being the best approach to seek the best equality opportunities through practical HRM policies:

- Legal aspects: when failing to fulfil labour legislation, employers and organisations may face undesirable publicity and/or penalties as a result of malpractice.
- Ethical aspects: it is ethically and morally wrong for organisations to discriminate between individuals based on differences and not to seek to preserve equality of opportunity to all employees.
- Business aspects: it improves the image of the organisation and makes good business sense to urge equality and diversity management as well as it opens up the opportunity to take advantage of the diverse labour force in order to maximise the best use of all resources available. By emphasising on equality and workforce diversity, it also makes it easier to broaden the customer base to meet the diverse customers' needs.

(Nickson, 2007).

It is important to recognise the constant demographical changes within the workforce that have come with increased globalisation and internationalisation of organisations. All organisations need to respond to the many changes that have been taking place in the last century, by ensuring that they are encouraging the best applicants and giving them enriched career opportunities and by making sure that everyone has a chance of working in a supportive environment (Stredwick, 2005; Nickson, 2007). Stredwick (2005) suggested that by focusing on changing demographics and diversity management within organisations, competitive advantage can be achieved as the customer base is becoming more demographically diverse as well.

## 4.1 Social Identity Theory

There are many influencing factors and different classifications that create each human being. Nonetheless, aside from all the theories about people being different, such as Hofstede's theory indicating that cultural values influence the basic convictions people have as well as their behaviour (Hofstede, 1984), in basic, all humans are the same. There is no significant difference when it comes to human needs. Maslow's hierarchy of needs theory explains how the needs of human beings can be arranged into different stages.



**Figure 16 – Maslow's pyramid, hierarchy of needs**

Belonging to the first level of needs according to Maslow are the basic physiological needs such as food and shelter where as the next step is security. The next two levels take into account more psychological needs such as the need of being loved and belonged, and the need of being recognized by others giving one a status (Russell). Those two levels are the foundation for the social identity theory.

According to the Social Identity Theory, there is a connection between social structures and individual identity. This is dependent on how people connect their membership in identity groups, such as ethnicity or gender and how they classify themselves into social categories. It is important for all human beings to fulfil the need of belonging, and to do so, people define themselves through the belonging and membership of in-groups (Mor-Barak, 2005). Without being aware of it, all humans show in-group favouritism or a “systematic tendency to evaluate one's own membership group (the in-group) or its members more favourably than a non-membership group (the out-group) or its members” (Hewstone, Rubin, & Willis, 2002).

The social category groups people identify with have special meanings for different individuals and as they classify themselves into them, the groups shape the individuals'

way of interacting. This affects relations with others from both in-groups and out-groups (Mor-Barak, 2005). When people have categorised themselves into social groups, as a comparison, they categorize others into and “configure internal representation of them to fit the prototype of the category” (Mor-Barak, 2005). Social Identity Theory can be used to understand situations in groups where the groups do not have equal statuses. The theory makes predictions about how groups can react when their statuses are being threatened, and how individuals in minority groups will react to their situations (Finchilescu & Rey, 1991).

There can be a significant difference of distribution of men and women across occupations and industries. Those occupations and different industries become gender stereotyped as the work skills required for the occupations are either seen as masculine or feminine (Aitkenhead & Liff, 1991). In a gender stereotyped industry, such as the tourism industry, there is additional pressure for those who are in the gender minority groups.

According Social Identity Theory, the desire to achieve an individual positive social identity is a driver for social comparison with the in-group and the out-group. When faced with negative or threatened social identity, individuals in minority groups often try to pass from a lower-status to higher-status groups according to the theory of social identity. This individual mobility, where individual upward mobility is chosen over collective actions to move from an undesirable group to a more desirable one, is achieved through talent and hard work. This can lead to social competition, when members of minority groups try to improve their situation and status by competing with members of majority groups (Mor-Barak, 2005).

According to a research done by Niemann and Dovidio (1998), minorities in a workplace usually have lower job satisfaction. Minority groups are more biased than majority groups so it is important for managers to include them into social groups as a motivator in human behaviour to get more loyal and satisfied employees (Mor-Barak, 2005). Negative stereotypes are one of many social identity contingencies according to Steele et al. (2002), which can lead to discrimination and low job performance within those minority groups. It is therefore important to have diversity policies to avoid minority group discrimination.

It is important for organisations to have policies that protect minority groups from discrimination and harassment so they can feel comfortable in the workplace which will lead to higher job satisfaction, lower turnover and increase the output and creativity with

higher self esteem. It is on the other hand important to choose the policy thoughtfully, as policies such as minority quotas could be less encouraging for the minority groups. An example of that is when employees are hired only because of their gender which can make them feel unappreciated for their skills.

## **4.2 Managing Workplace Diversity**

Multiculturalism is a fundamental dimension of global firms. In multicultural firms, many countries and cultures with many different backgrounds interact regularly. These multicultural interactions and communications can either be between co-workers or between the firm and its clients. There is no doubt about the fact that multiculturalism adds to the complexity of firms' organisational life and structure, but the awareness of such differences is crucial for success. The complexity coming from multiculturalism is based on all the different views, approaches and perspectives coming from the different cultural backgrounds, which can also be seen as a strength and increased competitiveness (Adler, 2008; Einarsdóttir & Stefánsdóttir, 2005).

From a diversity management perspective we know surprisingly little about how multinational firms are responding to the increasing globalisation of their workforce (van Ewijk, 2011). Organisations can use the expansion of the increasingly multicultural workforces as advantage of international strategies. For an organisation with culturally diverse workforce to become global in orientation, the organisations need to make sure that their human resources are maximised. This cannot be achieved without a clear understanding of the wide range of cultural and institutional factors that influence the development of a diverse workforce and how it should be managed (Brewster, Sparrow, Vernon, & Houldsworth, 2011). Effective management of diversity can benefit organisations according to Cox and Blake (1991) as they can reduce low job satisfaction and costs related to high turnover and attract as well as retain employees of diverse backgrounds. Diversity within the workforce can also lead to increased creativity and system flexibility in organizations.

Today's managers are uneducated about diversity-related laws and their potential benefits (Bell, Connerley, & Cocchiara, 2009), so they have to understand the legislative and business related social policies to increase the equal opportunities of all applicants in the multicultural world. They have to understand cultural differences as well; they have, to

become competent in cross-cultural communication (Mor Barak, 2011). Managers should therefore motivate identifications of minority groups, and focus on inter-organisational competition which leads to more salient minority groups. Applicants should feel that they can positively contribute to organisations even though they have different cultural backgrounds, and even contribute different perspectives that can lead to positive distinctiveness and competitive advantage (Hogg & Terry, 2000).

Defining diversity and diversity policies can be complicated for organisations (Van Ewijk, 2011) because they influence policy making and the real life effects of diversity policies. It is on the other hand important to use a specific definition of diversity to avoid misunderstandings in practice. According to Bell, Connerley and Cocchiara (2009), diversity is defined as “real or perceived differences among people with regard to race, ethnicity, sex, religion, age, physical and mental ability, sexual orientation, and family status that affect their treatment, integration of diversity courses into management education”.

For companies, it is important to see the human side of the global company, make training orientation and understand the different cultures within the company, as well as to include mandatory diversity training for new managers (Thomas, 2004). Diversity education can increase the awareness of diversity, making it less challenging to work in a diverse environment and reduce discrimination and harassment. To be able to understand the different individuals in the organizational environment and to have an ability to work within the global framework, it is important to educate future management students about the importance of defining diversity and be aware of it within (Bell, Connerley and Cocchiara, 2009).

To define diversity, organisations and managers need to consider that the diversity definition helps to facilitate greater acceptance of diversity (Ivancevich & Gilbert, 2000). To achieve acceptance it is important to include all employees and all their individual values (Mor-Barak, 2005). The way diversity is defined will affect all aspects within the organisations as it will influence policy making such as how people are treated. The chosen mode of differentiation is important to interpret according to Van Ewijk (2011) such how age, skin colour, cultures etc. are defined and perceived which can vary greatly between individuals.

Increasing diversity of workforce can trigger prejudices and stereotypes in an organisation when social identities of ethnicities are perceived as a threat. Pettingrew and Tropp (2006) supported that intergroup contact reduces intergroup prejudice. In addition, the authors state that the attitudes toward the entire out-group usually becomes more favourable, not only toward the immediate participants. In-group favouritism can threaten the attempts of diversified workforce, both in terms of recruitment process and acceptance of newcomers. Abrams and Hogg (2004, p. 103) postulate that,

The point is that the context of the group, and the shared understanding of the nature and characteristics of the group, are strong determinants of features such as cohesion, leadership, attitude-behavior correspondence, and deindividuation that had traditionally been assumed to result only from personal or interpersonal qualities of the group members or context.

Both current and new workers should therefore understand their roles within a company as well as the culture and characteristics of the teams to which they will belong. By taking into consideration that more prototypical members should be more influential (Abrams & Hogg, 2004), the already established members or employees should understand the benefits from a diversified workforce. Thus, the communication is essential as social identity is highly dependent on context and dynamic (Hogg & Terry, 2000). With initial activity the content of organisational prototypes can be changed however. If the HR management does not work with the context of the organisation, the company undergoes the risk of stereotype activation that can lead to poor performance (Wheeler & Petty, 2001).

Homan et al. (2007) supported that groups with diversity fault lines and pro-diversity beliefs can effectively use their informational diversity. Such an interaction predicts performance. On the other hand, members of informationally homogeneous groups have restricted pool of information and perspectives, and thus, they have less need to exchange information before group interaction. The authors also posit that the value of diversity should be more feasible to explain in more complex tasks than in more routine ones. Therefore, if organisations invest more into diversification of their workforces, they should also support managers to explain the value of diversity.



### **4.3 The Role of Manager, Leadership and Management Styles**

Diversity management is closely connected to theories of group cohesion. When looking at organisations and their employees, it is important to look at the entire workforce as a group or a team that needs to be cohesive to get the most out of each individual. Emphasising on cohesion is especially relevant when leading a diverse and international workforce as diversity directly influences not only the recruitment at a local level and internal mobility, but also team dynamics.

Group cohesion is one of the most important theoretical concepts of group dynamics. It is not only seen as the friendliness formed between members or group unity, but, according to Forsyth (2010), “a multifaceted process that influences a wide range of interpersonal and intragroup process”, where it indicates the level of health of the group. Cohesive groups encourage members to reach their goals, as they are more comfortable in the group work; have more commitment to the group and at less risk to eliminate themselves from the groups (Forsyth, 2010).

Many researchers have concluded that group cohesion and group pride enhances the outcome and group performance (Forsyth, 2010; Beal & Cohen, 2003; Peeters, van Tuijl, Rutte, & Reymen, 2006). According to Beal and Cohen (2003), groups that show high level of cohesion should be able to use the groups’ resources more efficiently than less cohesive groups as they have stronger relationships with the group members and are more motivated to complete tasks successfully.

In a cohesive group, the inter-attraction within the group, the relationship with other members and respect for the group unity and goals, affects the level of trust in the teamwork as well as it decreases the level of individuals leaving the group as the social forces are strong (Forsyth, 2010). According to Bollen and Hoyle (1990) the perceived group cohesion among individual members is a part of their sense of belongingness and feeling of group morale. To fulfil the need of belongingness is important for all human beings, and due to that, they tend to define themselves through the belonging and membership of in-groups. It can also be expressed by the self-categorisation process (Hewstone, Rubin, & Willis, 2002) that leads to assimilation of the self to the in-group category prototype. In-group members manifest it by the extension of trust, cooperation and empathy to their in-group, but not out-group. This affects the cohesion of the group and also its effectiveness and level of trust within the group.

Forsyth (2010) divided the conception of group cohesion into multiple cohesion components, with level of cohesion and linkage between members being dependent on the number of components within the groups. The components, social cohesion, task cohesion, perceived cohesion and emotional cohesion, are descriptive for the nature and level of cohesion and partly a predictor for the expected cohesiveness within a group. Along with interpersonal attraction, there are many influencing factors that can interfere with a group's cohesion. The group size, membership stability, the group's structure and how open or closed the groups are, i.e. how fluctuating or fixed the membership is, can all affect the relations made within the group and the output.

To increase effectiveness and achieve goals, workforce guidance and leadership is an important influencing factor. Leaders can have a significant impact on the groups they lead and several studies suggest that when guided by good leaders, groups prosper (Forsyth, 2010). The role of a leader is many-sided and engages in different tasks to foster effectiveness as well as to structure employees and to establish purposes and to guide individual employees to increase their personal contributions to the team (Hackman & Wageman, 2005a). Although leadership is not necessarily used to command or coerce others, a group's outcome and productivity can be fundamentally linked with the individual who coordinates, directs and *motivates* the effort of the group.

According to Hackman and Wageman (2005, b), leaders' behaviour and decisions, along with their leadership styles and personalities are highly consequential for teams' effectiveness and the organisations as a whole. How leaders perform can affect the well-being of their subordinates which can significantly reflect in the performance of the collectives.

Being familiar and aware of cultural differences is one of many important parts of international leadership skills, as well as being important for the effective functioning of international management and team cohesion (Brewster, Sparrow, Vernon, & Houldsworth, 2011). Earley and Mosakowski (2004) introduced a concept which they called *cultural intelligence* which relates to an attitude and skill that enables individuals to adapt and perform effectively across cultures, by interpreting unfamiliar and ambiguous gestures. By understanding the nature of such cultural intelligence can have a great impact and importance for individuals, teams and organisational functions (Brewster, Sparrow, Vernon, & Houldsworth, 2011).

**Table 4 - Components of cultural intelligence**

<b>Meta-cognitions</b>	<b>Cognition</b>	<b>Self-Efficacy</b>	<b>Physical Behaviour</b>
People can develop coping strategies to identify themselves with foreign cultures.	Knowledge and awareness of different cultures.	The desire and known ability to face cultural challenges and adapt to new cultures.	The ability to mirror customs and habits and change behaviour in accordance with new cultures to develop cross-cultural trust.
Behaviour that can be used to interpret different patterns of behaviour.			

Cross-cultural competences are many folded, and are to some level based on the level of experiences, personalities, attitudes and cultural tolerance along with communication behaviour and cultural training or education. Based on Earley and Mosakowski's (2004) findings, cultural intelligence is an addition to that an individual difference that can be developed and enhanced through organisational interventions. In order to achieve an organisational cultural intelligence, managers need to be well aware of their employees' cultural differences and needs to be able to avoid stereotyping. Thomas et al. (2008) argue that the construct of cultural intelligence can have enormous potential in encouraging effectiveness in cross-cultural communications and interactions. Furthermore, Earley and Mosarkowski (2004) argue that anyone that is reasonably alert and motivated can attain an acceptable level of cultural intelligence with the right mindset and leadership.

## 5. Methodology

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In the previous chapters, the Icelandic tourism industry has been portrayed both in statistics and with opportunities and challenges the industry is and has been facing. A theoretical framework has as well been introduced on the importance of cultural awareness in international industries and workplaces with an emphasis on the tourism industry. The theories introduced in the theoretical framework are the foundation of the research study on Cultural Awareness in the Icelandic Tourism Industry, and the research conducted by the author will be placed within the perspective of the presented studies where they will be used as support for the proposed study.

The theoretical part of the research is built on secondary data, mainly based on previous analyses of the Icelandic tourism industry, multicultural diversity management and Hofstede's cultural research. To understand cultural awareness, and the need for it, in the Icelandic tourism industry, a quantitative research in the form of a questionnaire will be administered among Icelandic tourist companies that are within the Icelandic Travel Industry Association. A similar questionnaire will be distributed among employees within Hostelling International in Iceland to get better depth of the topic, both from managers and employees. The questions asked will be based on the theoretical part of the research, secondary data and partially on Hofstede's surveys where the respondents' perception of cultural awareness and importance of cultural education in the field of tourism in Iceland will be researched.

As the research's goal is to understand how cultural differences are met in the Icelandic tourism industry, both managers and employees will be asked to interpret their own experience and perception of the cultural awareness in the industry. A theory will then be built on assumptions as the primary focus will be the subject, and variables will be complex and difficult to measure. The objective is to gain insight and an in-depth understanding of the respondents' experiences (Aaker & Kumar, 2011).

In the methodology chapter, it will be determined how data for the research is collected and examined with a discussion of diverse research approaches and research methods for the research. A research design will also be presented with the purpose of describing how research questions will be answered and in which order.

## 5.1 Research Purpose

The purpose of this research is to investigate with the help of primary and secondary data the cultural awareness in the Icelandic tourism industry, both from a customer relation perspective and a diversity management perspective. The main objectives are to examine whether the expanding Icelandic tourism industry is aware of the importance of the awareness of cultural differences and whether they are strategically using any guidelines on how to manage cross-cultural communication to improve employee efficiency and customer service. The following research questions have been identified:

- Is there a lack of cultural awareness in the Icelandic tourism industry?
- How are cultural differences met in the Icelandic tourism industry?
- Can service quality be improved with cross-cultural training?
- Can employee efficiency be improved with cross-cultural training?

## 5.2 Research Design

The primary researches in this study were conducted in December 2012 with the purpose of investigating the cultural awareness in the Icelandic tourism industry. To answer the research questions, quantitative researches were conducted. Quantitative researches are mainly statistically reliable as they focus on scientific methods that are usually built on numerical analyses. When conducting a quantitative research, researchers use generally large samples that give them the opportunity to generalise the data used and analysed. Theories and hypotheses are used in quantitative researches that are answered with results that are analysed with pre-decided research methods. Results from those researches are therefore considered to be conclusive and certain (Malhotra, 2009).

Quantitative researches were conducted in the collection of primary data for this study. Descriptive researches were evaluated to be the most applicable methods to use in the study in the collection and analyses processes. The purpose of descriptive research is to provide an accurate snapshot of particular aspects of a market environment at a specific point in time. The research approach is a fact-finding analysis and data interpretation process that is mainly used to answer *who*, *what*, *where*, *how* subjects (Burns & Bush, 2009).

The existing research questions and hypotheses in descriptive researches may often be tentative and speculative. The relationships studied are in general not causal in nature and they may have utility in prediction. There will therefore not be made an attempt to understand any causal relationship between an action and a probable outcome other than by cross-tabulating responses with variables that there is a causal association between (Aaker, Kumar, & Day, 2007).

The quantitative research was presented in the form of a questionnaire. The aim of a questionnaire is to collect information by placing a number of questions for the participants. Questionnaires can be conducted in person, by phone, mail or electronically, and the surveys are always based on the interaction between the surveyor and participants. Questionnaires are in most cases easy to implement, reliable as they cover in most cases a large sample. Questionnaires are usually mainly built on multiple choice questions, which also facilitate the evaluation and analysis of data. One of the most common problems with questionnaires is to connect with the participants and encourage them to participate. Another known hindrance is if the participants are unable or unwilling to provide satisfactory answers (Malhotra, 2009; McDaniel & Gates, 2004).

Two different quantitative researches in form of surveys were conducted in this study in order to investigate the cultural awareness in the Icelandic tourism industry. The data was collected through an online survey platform, [www.surveymonkey.com](http://www.surveymonkey.com). One survey was sent to managers in Icelandic tourism companies that are registered members of the Icelandic Travel Industry Association. Another survey was sent to all employees of Hostelling International in Iceland that were employed in December 2012.

### **5.2.1 Questionnaires**

When selecting an approach on how to conduct questionnaire surveys, the main aspects of data collection needs to be taken into consideration. It needs to determine how researchers should approach participants to get the significant and reliable results which can, as previously mentioned, take place over the phone, through the internet or in person. In some cases, it may be very important to present the surveys in person while electronic and impersonal surveys could be more beneficial in other cases, particularly if sensitive issues are involved (Malhotra, 2009).

### 5.2.2 Questionnaire Design and Pretesting

In this study, it was decided to conduct electronic questionnaires; such surveys are hosted on the internet and are either sent out by email or advertised in any way on the internet. The reason why this distribution form was chosen are the benefits of such surveys as they are in most cases economical to implement and can be used to reach to many participants in a short time. Electronic surveys are convenient for the participants as well, as they are able to answer the survey according to their own preferences, anywhere and at any time. Electronic surveys are also suitable if the topic concerns asking participants about their unilateral position to certain problems. Internet surveys are usually carried out with specific and user-friendly internet applications that host the surveys, data collection and some data analysis (Malhotra, 2009).

The questions asked in the questionnaire were structured with the research questions in mind along with previous studies and the theoretical background. To be able to measure the perceived level of cultural awareness in the Icelandic tourism industry, both managers and employees were asked to answer whether they agreed with the following statement: The needs and demands of customers are different between different cultures. Managers were along with that asked to answer whether their companies had specific and common policies for hiring and training employees regarding cross-cultural knowledge, and employees were asked if they had any training or education in cross-cultural communication.

In order to estimate how cultural differences are met in the Icelandic tourism industry, managers were asked whether their companies had any guidelines on how to manage a diverse workforce from different cultures as well as they had guidelines on how customers from different cultures might need different service. Employees were asked whether they had been provided with such guidelines from their managers. Both managers and employees were asked to evaluate whether they agreed with that their companies provided different service and/or behaviour to customers from different cultures, and whether their companies made sure that the needs of employees from different cultures were met to get the most efficiency from the workforce.

To see whether service quality could be improved within the Icelandic tourism industry with cross cultural training, both managers and employees were asked how often they experienced problems or misunderstandings with customers due to cultural differences.

Both groups were also asked whether they thought that their companies could provide better service if managers and employees would be more aware of the different cultural needs, norms and behaviour.

In order to evaluate whether employee efficiency could be improved within the Icelandic tourism industry with cross-cultural training, managers were asked whether their companies had human resource departments or managers in their companies. Employees were asked if they had had any training or education in cross-cultural communication, how often they felt it was difficult to work and perform in multicultural teams, whether they believed that cross-cultural training would help them understand their co-workers from different cultures better and if they thought that cross-cultural training would help them to be more effective in their work. The employees were also asked to list up what challenges they face when working in multicultural teams. Both managers and employees were asked how often they experienced problems or misunderstandings among managers/employees due to cultural differences.

When the questionnaires had been formed and reviewed and had been approved by the research's supervisor and academics, the questionnaire was transformed to the internet survey platform. Before the survey was distributed online it was decided to pretest the survey which is an important factor in all studies. Pilot surveys or pretesting can prevent unseen problems such as misleading questions or questions that are difficult to understand, along with technical problems (Wright & Crimp, 2000). In total eleven persons pretested the survey which helped spotting problems with four of the questions presented. After the pretesting, the survey was distributed on the internet. The survey was hosted on the internet and was open to the sample for 10 days, from December 17<sup>th</sup> to December 27<sup>th</sup>.

### **5.3 Sampling Procedure and Participants**

When conducting a survey, it is important to have an adequate response rate in order to be able to draw conclusions from the research findings. To get through to as many respondents as possible, the first sentence in the survey request explained that it did not take more than two minutes to respond to the survey, along with the link to the survey. The purpose of the research was then presented along with the importance of getting a satisfactory response rate. The most responses came in the first 12 hours after the survey request was sent out and they initially stopped after the first 24 hours. Participants who had



not responded in the first 48 hours after the survey request was first sent out were reminded and encouraged to participate (Malhotra, 2009). The encouragement message contained how important it was for the research to get satisfactory response rate, as well as how valuable it was for the industry as a whole to be researched as limited research has been carried out on the Icelandic tourism industry. The response rate for both questionnaires increased over 30% in the first 24 hours after the follow-up request was sent out.

In order to investigate cultural awareness in the Icelandic tourism industry it was decided to investigate the perception of both managers within the tourism industry as well as to get a macro view from a relatively large company within the industry. To reach to managers within the industry, it was decided to send a questionnaire to all registered companies in the Icelandic Travel Industry Association (Icelandic: SAF). Participation in the association is open to all travel and tourism companies in Iceland. The association is a mutual venue for Icelandic companies that operate in the field of travel and tourism, with a purpose of promoting and protecting the common interest of working towards an improved proficiency of management and staff within the industry. The main objectives of the association are to work towards development and growth of the already expanding tourism industry by emphasising on professional actions with the aim of quality, safety and environmental improvements among companies that are members (The Icelandic Travel Industry Association).

With cooperation with the Icelandic government and the Icelandic Tourist Board, the Icelandic Travel Association provides official classifications of accommodation and transportation for tourists based on service features and quality, giving members a quality and professionalism certification. With its close cooperation with the Icelandic government, the association is as well a consultant to its members about legal aspects, such as consumer laws and insurance regulation connected with the industry (The Icelandic Travel Industry Association).

The total number of registered companies within the Icelandic Travel Industry in December 2012 was 398 companies. It was decided only to send the survey out to companies that were registered under only one main branch within the industry to avoid analysis errors when comparing the different branches. The total number of companies that were only registered members under one branch within the industry was 240, divided as

shown in the table below. A total of 99 managers answered the survey, which is a 41,25% response rate.

**Table 5 – Response rate of manager survey**

Tourism Branch	Total Number	Response Percentage
Accommodation	73	52%
Travel Agencies	62	40,3%
Activity Services	44	22,7%
Transportation	20	30%
Car Rentals	17	29,4%
Restaurants	16	37,5%
Airlines	8	25%
<b>Total</b>	<b>240</b>	<b>99</b>

To get a macro view of cultural awareness within the Icelandic tourism industry, a survey was sent out to all fulltime employees within Hostelling International in Iceland in December 2012.

HI Iceland is national association of the global network of Youth Hostel Association through Hostelling International (HI) which is a brand name of over 90 national associations in more than 90 countries with over four thousand hostels world-wide. All HI hostels are focused on quality over quantity and have to meet HI's internationally-agreed assured standards of comfort for budget accommodation (Hostelling International Iceland).

HI Iceland was established in 1939 and is a non-profit membership organisation. The organisation's main goal is to promote and encourage people of all ages to travel, along with increasing their knowledge and appreciation of the different nature and cultures around the world. Since its foundation, HI Iceland has emphasised promoting environmental issues which have been a mainstay of the organisation's quality standards in recent years. Along with being an umbrella organisation for over 35 privately owned hostels around Iceland that are in close cooperation with HI Iceland through standard cooperation agreements, two hostels located in Reykjavík are owned and run by the organisation (Hostelling International Iceland).

HI Iceland operates in four places in Reykjavík; in the two Reykjavík hostels, at the main office, and at Reykjavík Campsite which is open 4 months during the summers, with approximately 22.000 overnights (Hostelling International Iceland). The main office hosts the accountancy department, booking department, web- and marketing department and head managers. The office is an information centre for domestic and foreign hostels, serving both Icelanders and foreigners. The booking department manages communication with external travel agencies along with being a central booking office for travellers that book accommodation, rental cars and tours mainly via e-mail or telephone. At the Reykjavík hostels there are mainly frontline receptionists employed, along with booking managers, green messengers, general managers and housekeeping.

In 2012 there were a total of 126 persons employed at some point with HI Iceland, including seasonal employees. Of those 126 employees there were 40 foreigners, or 31,7%. This percentage is consistent when looking at the peak of the high-season where 46 employees were employed fulltime with 32% of them being non-Icelandic. In December 2012 there were 34 persons employed fulltime with the organisation, 15 of them being non-Icelandic or 44%.

**Table 6 – Gender distribution of Hostelling Internation in Iceland**

<b>Gender</b>	<b>Icelandic</b>	<b>Non-Icelandic</b>	<b>Total</b>
<b>Female</b>	18	5	67,6%
<b>Male</b>	1	10	32,4%
<b>Total</b>	55,9%	44,1%	<b>34</b>

The response rate from the survey sent out to HI Iceland employees was 79,4%. 84% of the Icelandic employees finished the survey whereas 73% of the non-Icelandic employees finished it. Roughly 87% of the female employees finished the survey whereas 64% of the male employees finished it.

**Table 7 - Response rate of employee survey**

<b>Gender</b>	<b>Icelandic</b>	<b>Non-Icelandic</b>	<b>Total</b>
<b>Female</b>	16	4	86,9%
<b>Male</b>	0	7	63,6%
<b>Total</b>	84,2%	73,3%	<b>79,4%</b>

## 6. Results

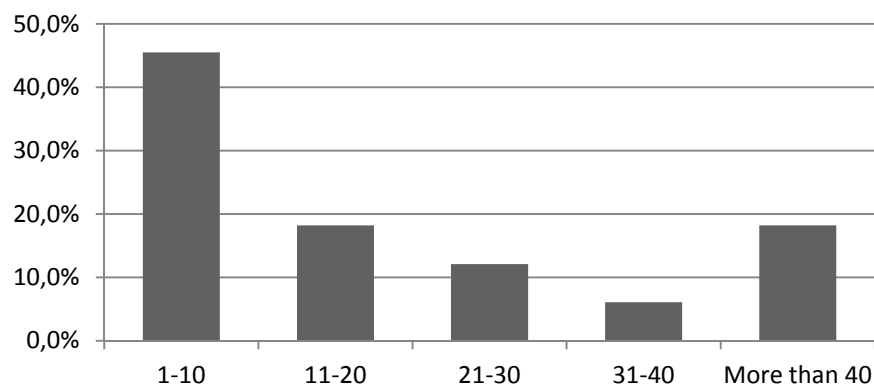
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In this section, the results from the qualitative researches will be presented and analysed. The results from the two different surveys will be presented separately, both with results from individual questions and with correlations between various questions that will be examined and crosstabulated. This will be done in order to approach the research questions and to investigate the cultural awareness in the Icelandic tourism industry, regarding customer relationships and workplace diversity.

### 6.1 Results from Managers

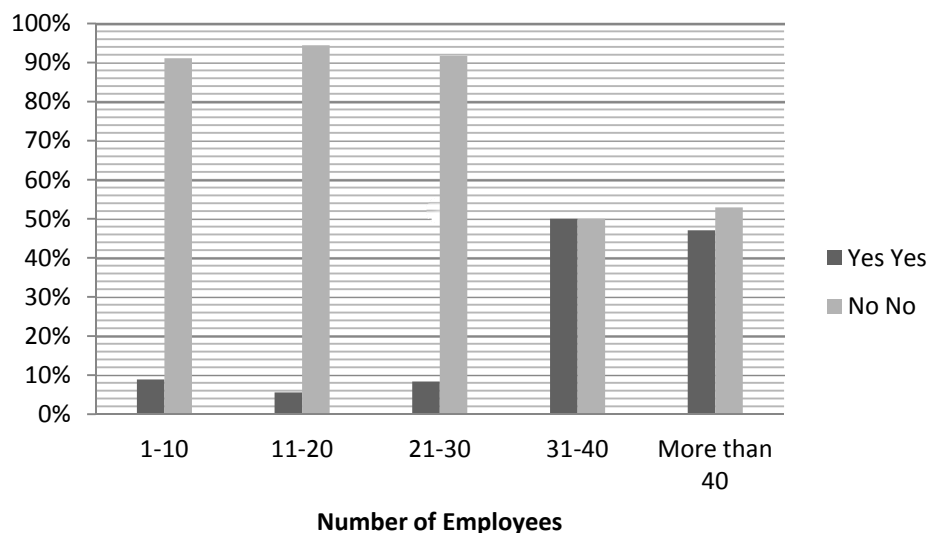
The survey was sent out to managers in 240 companies that are registered members within the Icelandic Travel Industry Association – SAF. Managers from 99 companies finished the questionnaire which is 41% response rate. Some companies claimed that they felt that they could not answer the survey sufficiently as the majority of their customers were Icelandic and/or they did not have any non-Icelandic employees and did therefore not finish the questionnaire.

Almost half of the companies, or 46% of them, had an annual average of 1-10 employees, 18% of them had 11-20 employees on average annually, 18% had more than 40 employees, 12% had 21-30 employees and 6% had 31-40 employees on average annually. 88% of the companies had non-Icelandic employees working in their companies with an average of 20% non-Icelandic employees versus Icelandic employees.



**Figure 17 - How many employees are there within your company on average annually?**

Only 17% of the respondents claimed that they had either a human resource manager or department in their companies. When the responses were crosstabulated with the size of the companies, the larger the companies got the likelier they were to have a human resource manager or department in their companies. Only 50% of the companies that had 31-40 employees on average annually said that they had a human resource manager or department in their companies and only 47% of the companies that had more than 40 employees on average annually. Those managers that replied to the optional open ended sub-question answered that the general managers or hotel managers operated as human resource managers within their companies. Other companies claimed that due to small sizes of their companies, they did not need any specific human resource management.



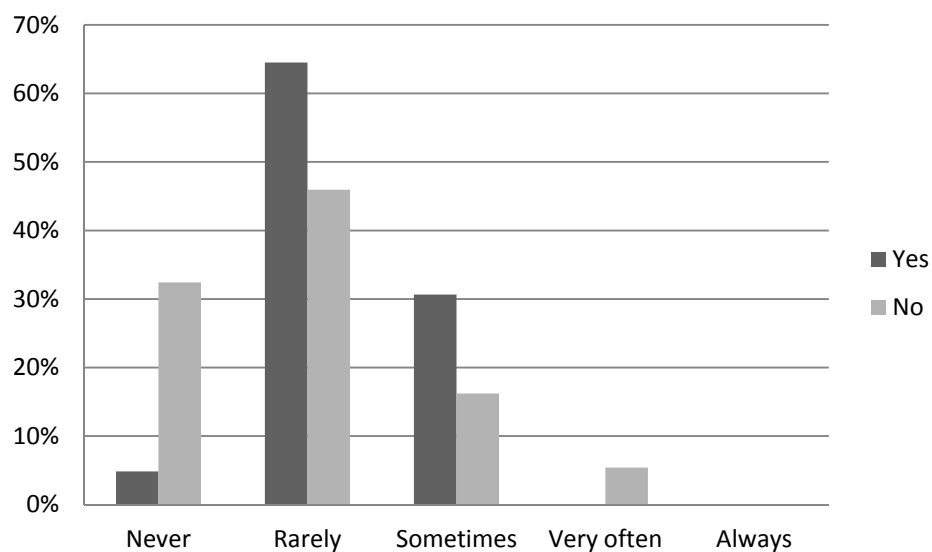
**Figure 18 - Is there a human resource department or human resource manager in your company?**

### 6.1.1 Cultural Awareness Regarding Customers

When asked whether their companies had guidelines on how customers from different cultures might need different service, 63% of the respondents said yes. When asked in optional open-ended sub-question what kind of guidelines the majority of the managers said that their companies did not have any formal guidelines but it was the aim of the companies to have cultural differences and different cultural needs in mind. Only one company mentioned that they had an employee handbook where cultural differences among customers were mentioned and how different approaches might work for different cultures. Other managers claimed that the guidelines were limited by religion and food for

different nationalities, while others mentioned that they did not have any guidelines although they knew that being aware of the different cultures could be value adding to their businesses and level of service.

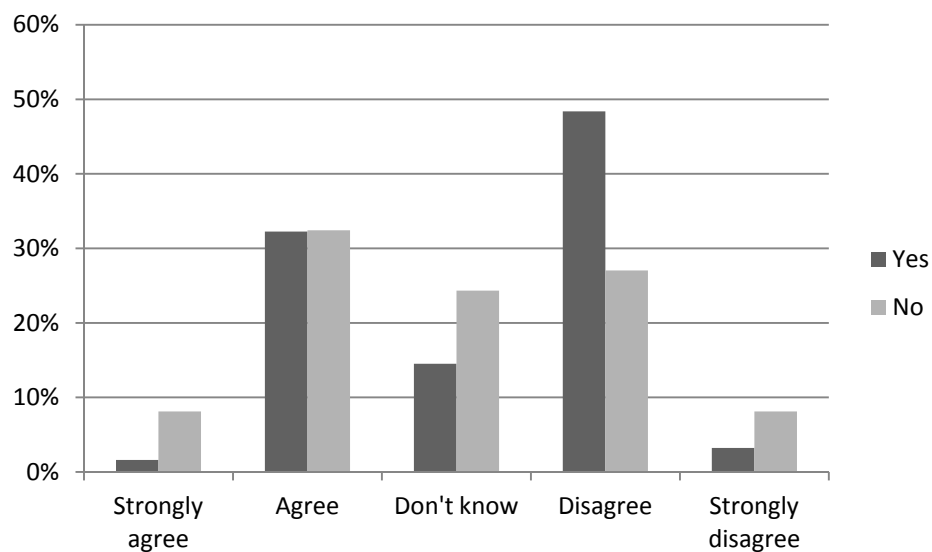
When the question of whether the companies had specific guidelines how customers from different cultures might need different service was crosstabulated with how often the companies experienced problems or misunderstandings with customers due to cultural differences, significantly more managers that said they had no guidelines said that they never experienced any problems or misunderstandings with customers due to cultural differences than did those who did have guidelines, or 32% versus 4%. 64% of those who had specific guidelines said that they experienced cultural problems among customers rarely compared to 45% of those who had no guidelines. 5% of those who had no guidelines said they experienced such problems very often compared to none of the companies that claimed they had cross-cultural guidelines regarding customers.



**Figure 19 - How often do you experience problems or misunderstandings with customers due to cultural differences?**

When the managers were asked whether they felt that the needs and demands of customers from different cultures were similar, 36% of the respondents said that they either agreed or strongly agreed, 45% either disagreed or strongly disagreed and 18% did not know. When the answers were crosstabulated with whether the companies had specific guidelines on how customers from different cultures might need different service, significantly more

managers that had such guidelines disagreed with that the demands and needs of customers from different cultures were similar.



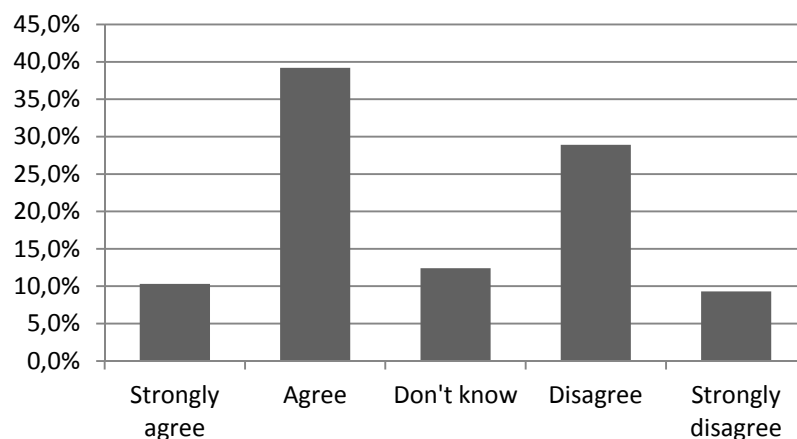
**Figure 20 - I feel that the needs and demands of customers from different cultures are similar.**

### 6.1.2 Cultural Awareness Regarding Employees

When the managers were asked whether their companies had any specific policies or guidelines for hiring and training employees regarding cultural knowledge, 49% of the respondents did either agree or strongly agree compared to 38% of them that either disagreed or strongly disagreed. 13% of the managers claimed that they did not know whether their companies had specific policies or guidelines regarding cross-cultural training of their employees. Some of the managers replied to the optional open-ended sub-question where they claimed that they were aware of different cultural needs among their employees and customers but they only offered service courses to their employees where the topic of cultural differences was tapped into where they also encouraged self study of different cultures and employees from abroad to share information about home their home country cultures.. Most of the managers said that their companies did not have any formal policies regarding cross-cultural emphasises in the hiring and training processes but they tried not to discriminate anyone regarding nationality, religion, norms or values. Some of the managers also mentioned their companies policies on hiring employees from different countries and cultures especially due to their knowledge of different cultures and languages which. Due to that, they did not have any specific cross-cultural policies as they felt that their non-Icelandic employees had a positive and open-minded attitude.

Some managers claimed that they did not need any specific guidelines as they had a long experience in working with clients from different cultures which gave them enough knowledge to know how to provide customers the service they needed.

When the results were crosstabulated with whether the companies had human resource managers or departments in their companies, roughly 60% of the respondents either agreed or strongly agreed that they specific policies or guidelines for hiring and training employees regarding cross-cultural knowledge compared to 47% of the companies that did not have a specific human resource department. 30% of the companies that had human resource managers either disagreed or strongly disagreed that they had specific guidelines for hiring and training employees regarding cross-cultural knowledge compared to more than 40% of those who did not have a human resource manager.



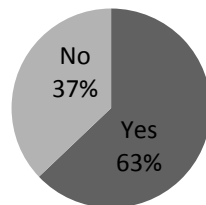
**Figure 21 - My company has specific policies/guidelines for hiring and training employees regarding cross-cultural knowledge?**

The managers were asked whether they felt that their companies could provide better service if managers and employees would be more aware of the different cultural needs, norms and behaviour. 63% of the managers responded yes while 37% of them responded no. Many of the managers replied to the optional open-ended sub-question where many of them were not quite sure but most of them claimed that there was always a possibility to do even better and room for improvements. Some managers felt that as their customers came from only few nationalities they did not have to think too much about cultural differences.

Many of the managers mentioned that it would be beneficial to improve their knowledge about Asian cultural norms and behaviour. The target groups and nationalities of tourists that come to Iceland vary a lot between seasons so the importance of obtaining cultural

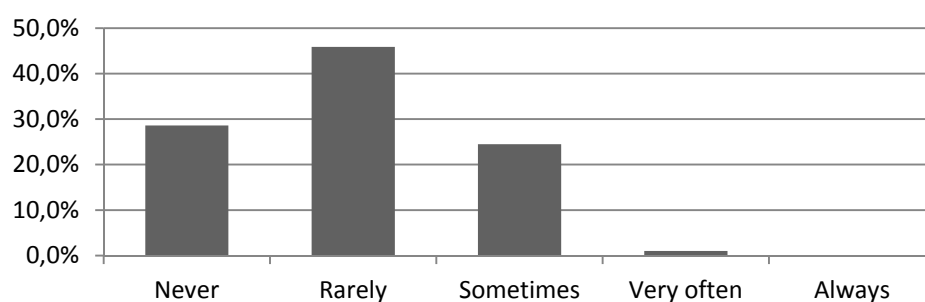


knowledge about the new nationalities such as Asians and tourists from the Middle East, that many of the managers felt that were a constantly growing target group, grows with the tourism industry. The managers also mentioned that although they had tolerance and understanding for cultural differences, it is inevitable to avoid cultural barriers and to get “lost in translation” due to the highly culturally different environment.



**Figure 22 - I feel that my company could provide better service if managers and employees would be more aware of the different cultural needs, norms and behaviour.**

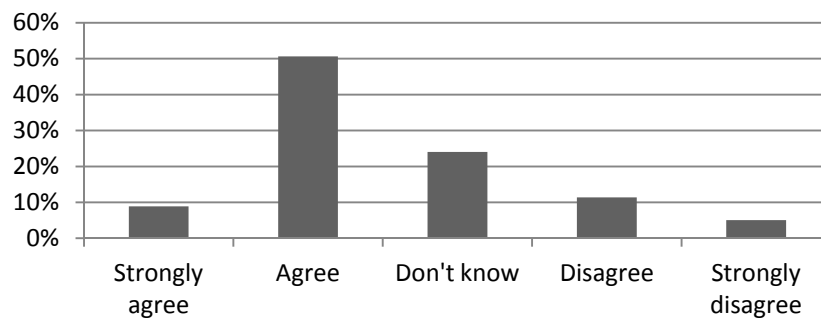
Although the majority of the managers claimed that their companies could provide better service if managers and employees would be more aware of the different cultural needs, norms and behaviour, half of the respondents said that they had no guidelines on how to manage a diverse workforce from different cultures. Despite that, only 1% of the respondents claimed that they experienced problems or misunderstandings among managers and/or employees due to cultural differences, 24% said it happened sometimes, 46% said rarely and 29% said it never happened.



**Figure 23 - How often do you experience problems or misunderstandings among managers/employees due to cultural differences?**

When managers were asked whether their companies made sure that the needs of employees from different cultures were met to get the most efficiency from the workforce,

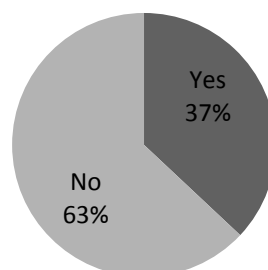
60% of the respondents did either agree or strongly agree while 16% of them did either disagree or strongly disagree and 24% claimed that they did not know.



**Figure 24 - As needs and demands are different between cultures, the company makes sure that the needs of employees from different cultures are met to get the most efficiency from the workforce.**

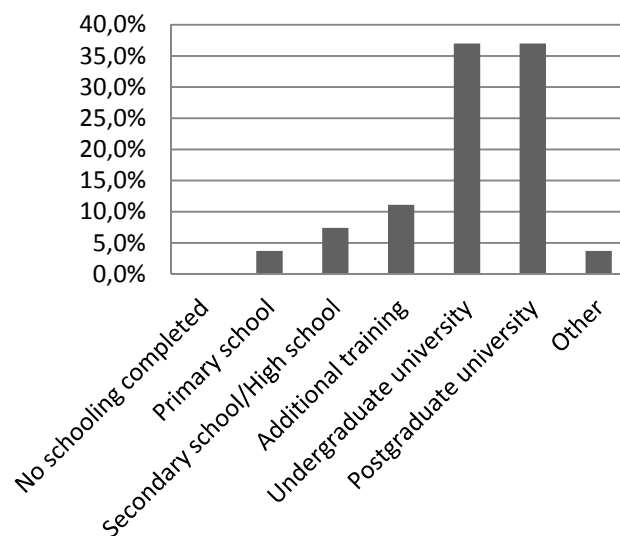
## 6.2 Results from Employees

The survey sent out to fulltime employees at Hostelling International in Iceland received 79,4% response rate. Around 87% of the female employees responded to the questionnaire and 64% of the male employees. 67% of the respondents were aged 20-30 years old and roughly 60% of the respondents were Icelandic. 37% of the respondents claimed that they had had some kind of cross-cultural communication training, 70% of those from either university classes or exchange programmes connected to either studies or work.



**Figure 25 – Have you had any cross-cultural training?**

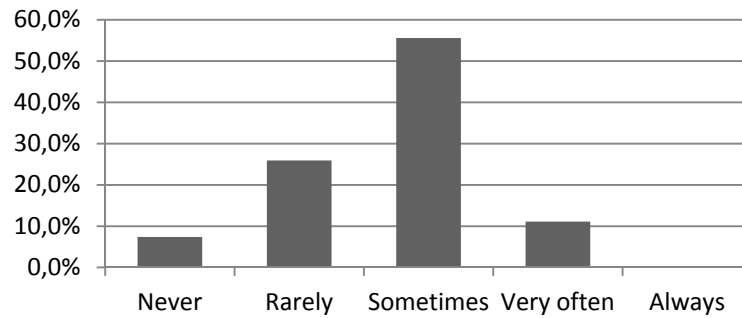
74% of the respondents had either finished an undergraduate or postgraduate degree in university.



**Figure 26 - What is your highest level of education?**

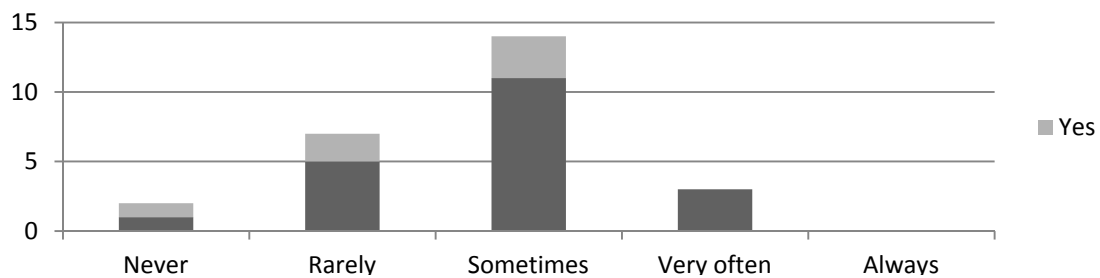
### 6.2.1 Cultural Awareness Regarding Customers

When the employees from Hostelling International in Iceland were asked how often they experienced problems or misunderstandings with customers due to cultural differences, 11% of the respondents claimed they experienced very often and 56% sometimes. Only 7% of the employees claimed they never experienced any cross-cultural problems with customers. When crosstabulating the responses with those who had had cross-cultural education, more respondents who claimed they had had training felt they experienced problems or misunderstandings with customers due to cultural differences sometimes and very often. Only respondents that had had no cross-cultural training claimed that they never experienced problems or misunderstandings with customers due to cultural differences.



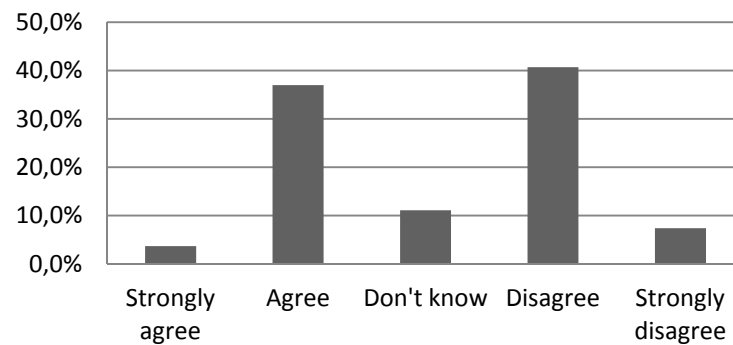
**Figure 27 - How often do you experience problems or misunderstandings with customers due to cultural differences?**

When asked whether the company had any specific guidelines on how customers from different cultures might need different service, 85% of the employees responded no and those who replied to the open sub-question expressed that if such guidelines existed they had not been informed about them, and expressed that it was important for those doing internship to be trained with such guidelines at hand. 77% of the respondents claimed that they had not been provided with any specific guidelines on different cultural needs among customers from their managers. Those who replied to the optional open sub-question regarding managerial guidelines, responded that the only guidelines that had been provided were informal and not given prior to service, more “on the go”. When crosstabulating those who had been provided with guidelines for customers on different cultural needs and how often those employees experienced problems or misunderstandings with customers due to cultural differences, none of those who had been provided with guidelines from managers experienced misunderstandings very often and significantly fewer of those who had guidelines from managers experienced cultural misunderstandings among customers sometimes or rarely.



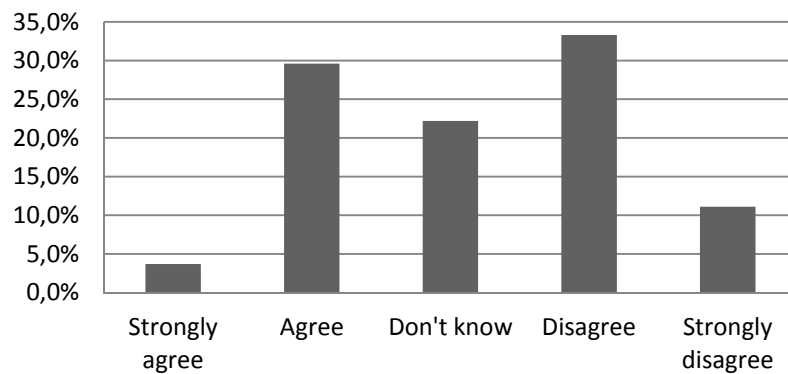
**Figure 28 – How often employees experience problems or misunderstandings with customers due to cultural differences, based on if they have had any cultural guidelines from managers.**

When employees were asked whether they felt that the needs and demands from customers from different cultures were similar, roughly 40% of the respondents did either agree or strongly agree that needs and demands of customers from different cultures were similar while 48% of the respondent did either disagree or strongly disagree.



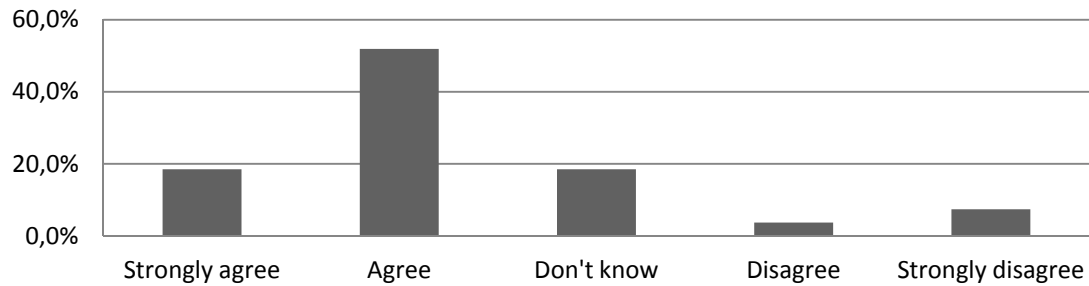
**Figure 29 - I feel that the needs and demands of customers for different cultures are similar.**

When the employees were asked however if they felt that their company provided different service and/or behaviour to customers from different cultures, 34% agreed or strongly agreed while 44% either disagreed or strongly disagreed.



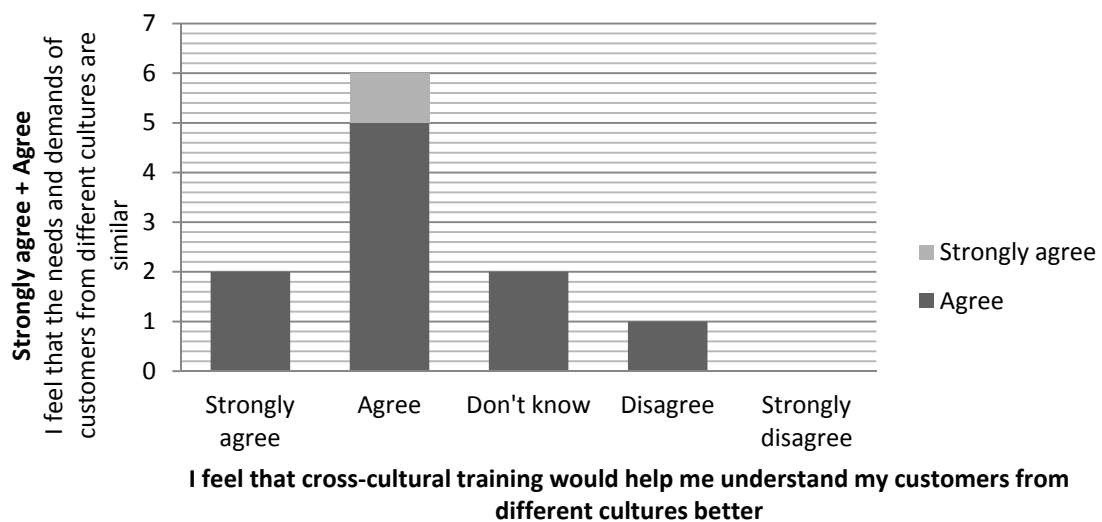
**Figure 30 - As needs and demands can be different between cultures, my company provides different service and/or behaviour to customers from different cultures.**

When asked if the employees felt that cross-cultural training would help them understand their customers from different cultures better, over 70% of the respondents responded either strongly agree or agree. Only 11% of the respondents felt that they either disagree or strongly disagreed that cross-cultural training would help them understand customers from different cultures better.

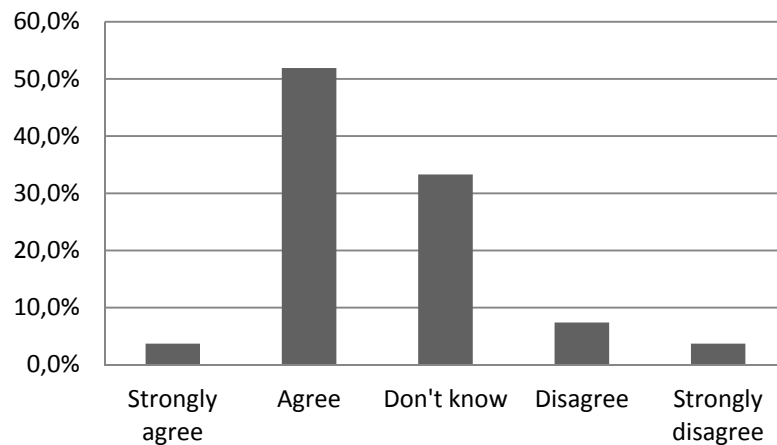


**Figure 31 - I feel that cross-cultural training would help me understand my customers from different cultures better**

When the responses from the questions where employees were asked if they felt whether the needs and demands of customers from different cultures were similar where crosstabulating with whether the employees felt cross-cultural training would help them understand their customers from different cultures better, 73% of those who agreed that there were no differences among the needs of culturally different customers, agreed with that the cross-cultural training would help them understand their customers from different cultures better.



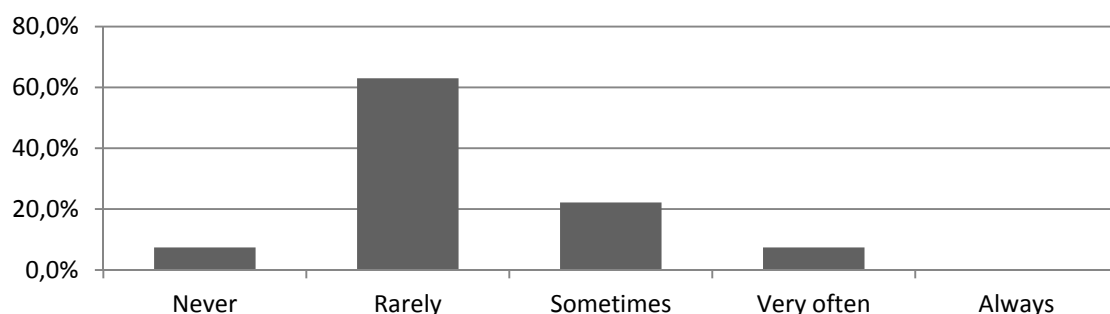
When the employees were asked whether they felt that their company could provide better service if there was more emphasis on the different cultural needs, 56% of the respondents either agreed or strongly agreed, compared to 11% of the respondents that either disagreed or strongly disagreed.



**Figure 32 - My company could provide better service if there was more emphasis on the different cultural needs.**

### 6.2.2 Cultural Awareness in the Workplace

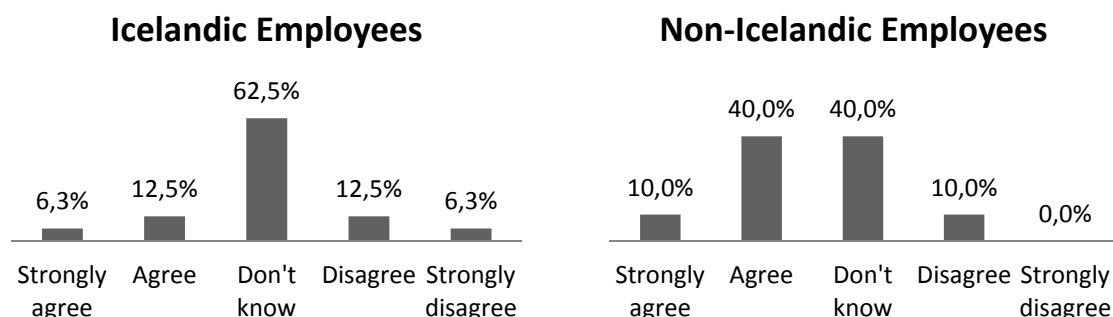
When employees at Hostelling International in Iceland were asked how often they experienced problems or misunderstandings with managers and/or co-workers due to cultural differences, 22% of the respondents claimed that they experienced problems or misunderstandings sometimes and 7% very often. Only 8% of the respondents said that they never experienced any cultural misunderstandings with managers and/or co-workers and 63% of the respondents claimed it happened rarely. When cross-tabulated with the question whether the employees had had cross-cultural training, only those who had had no cross-cultural training claimed that they never experienced any problems or misunderstandings with managers and/or co-workers due to cultural differences, 6% of the same group claimed that they experienced such problems very often compared to 10% of those who said they had had some kind of cross-cultural training.



**Figure 33 - How often do you experience problems or misunderstandings with managers/co-workers due to cultural differences?**

When the employees were asked to evaluate whether they felt that their company did make sure that the different cultural needs and demands of the employees were met to get the most efficiency from the workforce, the responses varied from whether the respondents were Icelandic employees or non-Icelandic employees. Only 19% of the Icelandic employees either agreed or strongly agreed with that the company made sure that the different cultural needs were met among employees, while 50% of the non-Icelandic employees either agreed or strongly agreed.

19% of the Icelandic employees either disagreed or strongly disagreed with that the different cultural needs of the employees were met in the company to get the most efficiency out of the workforce, while only 10% of the non-Icelandic employees disagreed. Over 60% of the Icelandic employees did not know whether the company did make sure that different cultural needs of employees were met by the company, while 40% of the non-Icelandic employees were not sure.

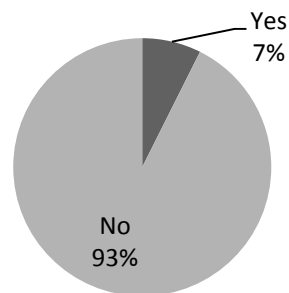


**Figure 34 - As needs and demands can be different between cultures, my company makes sure that the needs of employees from different cultures are met to get the most efficiency from the workforce.**

When the employees were asked whether they had been provided with specific guidelines from their managers on different cultural needs among co-workers, only 7% of the respondents claimed they had. In the optional open sub-question followed by this question, the employees claimed that if employees had not gotten cross-cultural training or education from school, they had at the most been informed informally at work that different cultural needs may have an impact of behaviour and thinking. When crosstabulated with the question whether the employees had had any training or education on cross-cultural communication, 20% of those who had any training or education claimed that they had been provided with specific guidelines from their managers on different cultural needs

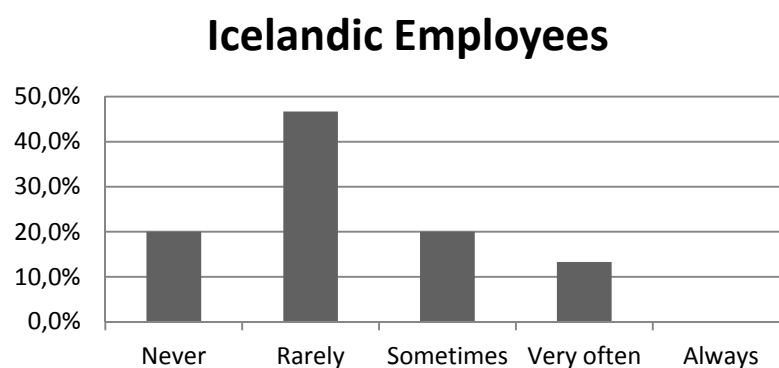


among co-workers, while none of those who had not had any training claimed that they had been provided with such guidelines.



**Figure 35 - I have been provided with specific guidelines from my manager on different cultural needs among co-workers.**

As 44% of the employees were non-Icelandic within Hostelling International in Iceland at the time the survey was sent out, it was asked how often the employees felt it was difficult to work and perform in a multicultural team. 8% of the employees felt it was very often difficult, 23% of them said they felt it was sometimes difficult and 19% of them said that they never felt it was difficult to work and perform in a multicultural team. When the responses were cross-tabulated with whether the employees were Icelandic or non-Icelandic, 67% of the Icelandic employees claimed that they felt it was difficult to work and perform in a multicultural team sometimes or rarely.



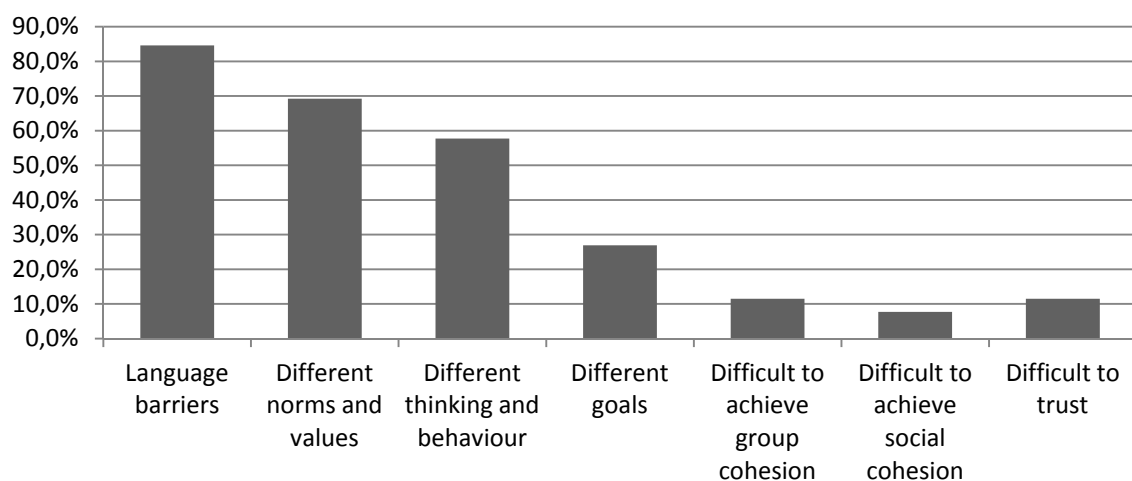
**Figure 36 – Icelandic employees: How often do you feel it is difficult to work and perform in a multicultural team?**

60% of the non-Icelandic employees that felt it was sometimes or rarely difficult. Only Icelandic employees, or 13% of them, felt it was very often difficult to work and perform in a multicultural team.



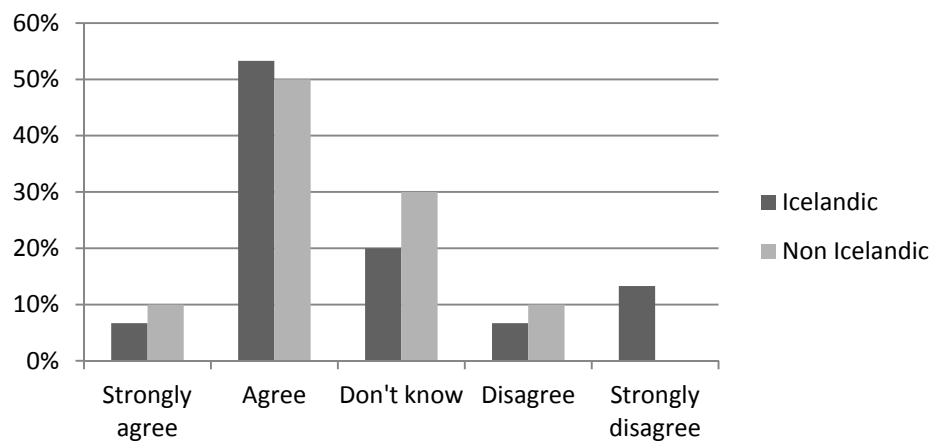
**Figure 37 – Non-Icelandic employees: How often do you feel it is difficult to work and perform in a multicultural team?**

When the employees were asked what challenges they faced when working in a multicultural team, 31% of the respondents answered that language barriers were a challenge, 26% that different norms and values among the employees were challenging and 22% thought that different thinking and behaviour among the multicultural employees were challenging for team work. 10% of the respondents mentioned that different goals among the multicultural employees were challenging. 4% of the respondents felt it was difficult to achieve group cohesion in the multicultural team and 3% felt it was difficult to achieve social cohesion.



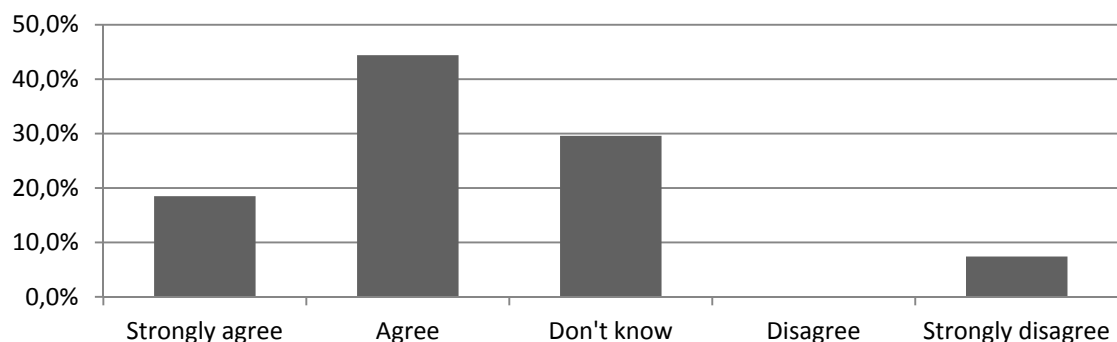
**Figure 38 - What challenges do you face when working in a multicultural team?**

The employees were asked whether they felt that cross-cultural training would help them to understand their co-workers from different cultures better. 61% of the respondents said that they agreed or strongly agreed that cross-cultural training would help them with multicultural communication with their co-workers. 16% of the respondents did either disagree or disagree and 23% of the respondents were unsure. No significant difference was between the employees feeling of if cross-cultural training would help them understand their co-workers from different cultures better when the responses were crosstabulated with the employees' nationalities.



**Figure 39 - Figure 40 - I feel that cross-cultural training would help me understand my co-workers from different cultures better.**

When the employees were asked whether they felt that cross-cultural training would help them to be more effective in their work 63% of the respondents either agreed or strongly agreed that it would make them more effective compared to only 7% of them that strongly disagreed. 30% did not know whether cross-cultural training would make them more effective at their work.



**Figure 41 - I feel that cross-cultural training would help me to be more effective in my work.**

## 7. Findings and Discussion

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The goal of this research has been to answer the following research questions:

- Is there a lack of cultural awareness in the Icelandic tourism industry?
- How are cultural differences met in the Icelandic tourism industry?
- Can service quality be improved within the Icelandic tourism industry with cross-cultural training?
- Can employee efficiency be improved within the Icelandic tourism industry with cross-cultural training?

In the first part of the research, an insight into the Icelandic tourism industry was provided; how the industry has developed in recent years and what challenges and opportunities the industry is facing. A theoretical background of cultural differences in the service industry and in international workforces was then discussed which will now be connected with the results from the primary researches. The research questions will be answered and recommendations for future researches and the Icelandic tourism industry will be introduced in the conclusion.

### 7.1 Human Resources

The Icelandic tourism industry seems to lack human resource management which is a common problem in the global tourism industry (Nickson, 2007; Keep & Mayhew, 1999), as only 17% of the managers that responded to the manager survey claimed that their companies had either a human resource manager or department. As managers in the tourism industry struggle with many short-term and seasonal problems, the lack of human resource strategies and pre-decided policies do limit their managerial actions (Riley, Gore, & Kelliher, 2000).

As the majority of the tourism companies do not have any human resource managers there seems to be no sign of improvement of that in the recent years in line with the expansion of the industry (Einarsdóttir & Stefánsdóttir, 2005). Due to the lack of established HRM practices it can be estimated that the tourism companies do not use any specific guidelines on how to select and train employees based on long-term decisions that could offer more development and career progression by having employees with good training in

multicultural environments (Nickson, 2007; Einarisdóttir & Stefánsdóttir, 2005). As many of the managers did not seem to be fully aware of the importance of being cultural aware and to distinct between different cultural needs among customers and employees, they clearly lack cultural awareness and are not aware of the importance of having HR policies for recruitment and training.

The difference between the companies that had human resource managers and those who did not and the companies that thought about cross-cultural knowledge in the hiring and training processes were not significant, although some. This can imply that although there are defined human resource policies within the companies, there is a lack of cultural awareness and the importance of cultural differences is not being met in the highly international environments. The companies seemed to have good experience with non-Icelandic employees and mentioned that their knowledge of different cultures was beneficial for their companies. Although being aware of this, they did not have any specific guidelines or policies on how to manage multicultural workforces. To succeed to manage an increasingly diverse and multinational workforce, managers need to understand cultural differences to become competent in cross-cultural communication (Cox & Blake, 1991). Without this awareness, managers are not able to improve employee efficiency with related leadership styles. Neither are they prepared to identify lack of group cohesion in culturally diverse workforces (Forsyth, 2010) nor develop cultural intelligence within their organisations (Earley & Mosakowski, 2004).

As the tourism industry is growing and companies within the sector are now strategically demanding non-Icelandic employee, it can be questioned whether they will succeed in that development without understanding practicing efficient diversity management. Most researchers in the field of diversity management, such as Mor-Barak (2005) and Wederspan (2002), point out that workforce diversity can be extremely beneficial for organisation, but if leaders and employees are not aware of how to handle cross-cultural tasks the risk of miscommunication increases greatly.

When comparing this with the survey results from the employees from Hostelling International in Iceland, more cultural awareness and guidelines regarding cross-cultural communication could be more beneficial for the Icelandic employees within the sector as they might not be as aware and open-minded as the non-Icelandic employees about cultural differences as they are not working away from home. When faced with negative or

threatened social identity, individuals in minority groups often try to pass from a lower-status to higher-status groups according to the theory of social identity (Mor-Barak, 2005), which can explain why the non-Icelandic employees are more prepared to work in a multicultural environment than are Icelandic employees, and why they are a desirable part of the workforce. This proves that cross-cultural guidelines are not less important for Icelandic employees than for non-Icelandic employees, which is in line with Abrams and Hoggs (2004) findings that the already established employees should understand the benefits from a diversified workforce.

Based on the results, Icelandic employees felt it was more difficult to work and perform in a multicultural team compared with the employees that were non-Icelandic. This can back up the assumption that Icelandic employees are not as open-minded or prepared to work in a multicultural environment in their home country, whereas the non-Icelandic employees have prepared themselves to work with other nationalities and cultures than their own. Due to these findings, it can be stated that cross-cultural training and education among employees within the tourism industry is not only important in multicultural workplaces, but also in workplaces where there is any kind of cross-cultural communication, as home national employees can feel unprepared to deal with other cultural settings when they are at home base.

As more non-Icelandic employees in the employee research felt that the company made sure that different cultural needs and demands of the employees were met to get the most efficiency from the workforce than did Icelandic employees, the results imply that the company is more aware of the needs non-Icelandic employees in a multicultural team have than Icelandic employees in a multicultural team do. With over 60% of the Icelandic employees responding that they did not know whether the company did make sure that different cultural needs were met in order to get the most efficiency out of the workforce and 40% of the non-Icelandic employees responding the same, it can be estimated that there is a great lack of cultural awareness and training in multicultural teamwork and cohesion within the company, especially when looking at the barriers and challenges the employees claimed that they faced when working in a multicultural team.

The fact that more respondents of who had had some kind of training in cross-cultural communication claimed that they experienced problems or misunderstandings with customers due to cultural differences more often than those who had not had any training,

can be interpreted as those who have never had any training do not have cultural awareness and are not aware of the source of the customer problems. The results pointed out that the few employees that felt that they had been provided with guidelines on how to work with customers from different cultures from their managers however, experienced less problems or misunderstandings with customers due to cultural differences. This backs up the importance of having pre-decided guidelines on how to communicate with different cultures.

Based on some of the incongruity between some of the answers, many employees were confused with the questions and the cultural awareness concept. A surprisingly 40% of the employees either agreed or strongly agreed with that different cultures have similar needs and demands. 77% of the employees claimed that they had not had any cultural guidelines from their managers, underlining the status of cultural awareness among managers within the company. Still 34% of the employees either agreed or strongly agreed with that the company provided different service and/or behaviour to customers from different cultures. These differences among the answers do imply lack of cultural awareness and knowledge regarding different cultural needs among the employees.

There is therefore a clear lack of cultural awareness as the employees do not seem to recognise the different needs and demands of customers from different culture, yet they feel that cross-cultural training would help them understand their customers from different cultures better. Along with the incongruity between how often they experience problems and misunderstandings due to cultural differences and how those who have never had any cultural training or education before feel that they experience less cultural problems, it can be stated that majority of the employees are not aware of why they are experiencing problems and misunderstandings with their customers. As only those who had had any cross-cultural training or education claimed that they had been provided with any guidelines, or 20% of the respondents, it can be expected that as those employees are more cultural aware and may be more likely to ask for such guidelines from their managers.

With a relatively high percentage of the employees not knowing whether cross-cultural training could make them more effective at their work, while still a high percentage answering that they felt it was challenging to work in a multinational team, is a sign of lack of cultural awareness. Many of the problems or challenges they may face at work can be

related to cultural differences without them being aware of it, due to the lack of cultural awareness and obstacles cultural differences may cause.

## **7.2 Service Quality**

To gain competitive advantage, expand businesses and provide better service quality it is essential to have policies on how to face the different needs of multicultural customers by study thoroughly why different cultures have different needs and how it is best to approach those needs (Liu, Furrer, & Sudharshan, 2001). As much higher percentage of the companies that participated in the survey that was sent to managers and members of the Icelandic Travel Industry Association had no guidelines on how customers from different cultures might need different services, claimed that they never experienced any problems or misunderstandings with customers from different cultures compared to the companies that had such guidelines. This indicates that the cultural awareness is lower among the companies with no guidelines as they are not aware of the roots of the problems that occur and that they might be due to cultural differences. As they have no cultural guidelines or policies, they are not able to measure how often problems or misunderstandings are due to cross-cultural communication, which can be confusing for both employees and customers (Liu, Furrer, & Sudharshan, 2001). Some of the responses from the managers hinted that it was enough to have experience with foreign customers to know how to provide them satisfactory service, which indicates that they are not aware of how they could improve their service even more if they could make their customers more comfortable knowing their cultural backgrounds.

As many of the managers felt that they could provide a better service for both customers and employees if they would emphasis more on cultural differences and be more cultural aware, there is an indication of that they are not aware of that some of the challenges they may face in their companies are linked to lack of cultural awareness. As these challenges are not formally met and no specific guidelines or policies have been introduced to employees and managers, it can be difficult to measure the level of problems or misunderstandings that are linked to cultural differences. This is also in line with how many managers were not aware of whether their companies made sure whether the different cultural needs among employees were met, which points out that the level of cultural awareness and the perceived importance of it is relatively low.



Although many of the managers claimed that cultural differences did not cause many problems within their companies, most of the managers were aware of that improvement of the cultural awareness could provide better service which would lead to higher customer satisfaction. They mentioned that it was difficult to avoid cultural conflicts in the culturally different environments and to get lost in translation which can be interpreted as the cultural difficulties have been evaluated as an inevitable problem that can only be tolerated instead of tackled. This shows a limited sign of cultural awareness among the managers in the sense that they are aware of the existence of the concept, but are not aware of how cultural problems can be analysed and met, and how the benefit of such awareness could improve employee efficiency and service quality.

This incongruity between answers and actions is in line with the research that was conducted in 2005 by Einarsdóttir and Stefánsdóttir where perceived service quality was measured among managers in Icelandic tourism companies, which showed that the vast majority of the managers were very satisfied with the quality of their services. These results were contradictory to the researchers who concluded that there was a great need of managerial improvements within the industry, cultural awareness being one on them along with higher education level among managers (Einarsdóttir & Stefánsdóttir, 2005). Despite the analysis of needs of changes within the tourism industry in 2005 (Einarsdóttir & Stefánsdóttir), and the fact that the number of tourists coming to Iceland has increased by 44% since 2005 (Statistics Iceland, 2012) and capital investment in the industry has grown by roughly 160% (World Travel & Tourism Council, 2012) in the same period, no changes regarding human resource policies nor cultural awareness on behalf of the tourism companies and managers seems to have been made.

## 8. Conclusion

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In this research the author feels that there has been delivered an insight to the Icelandic tourism industry with both external focus on growth and development and internal focus on the industry's level of cross-cultural awareness and multicultural management.

To answer the research questions that were identified in the research process, the author feels that there is a lack of cultural awareness in the Icelandic tourism industry as both managers and employees within the sector do not seem to be aware of the cultural differences among tourists and employees with different cultural backgrounds. As cultural differences have not been identified within the service companies and the majority of the companies do not have specific guidelines or policies on how to respond to different cultural needs and demands, the researcher concludes that different cultures are not being met in order to increase both local and global competitiveness.

When looking at the theoretical background on how cross-cultural training and awareness can increase both service quality and employee efficiency, the Icelandic tourism industry seems to lack the awareness of the importance of it. The results of the research imply that both managers and employees agree with that service quality can be improved within the Icelandic tourism industry with emphasis on cross-cultural training, although the value and importance of such training within the sector is very limited as the majority of companies do not have any specific hiring or training processes based on cultural awareness. Likewise, both managers and employees seem to agree with that employee efficiency could be improved within the industry with more emphasis on cross-cultural training although there seems to be a lack of human resource management and cultural diversity management in the industry.

Based on the research findings, the author feels that there is incongruity between the growth of the Icelandic tourism industry and the organisational development in the sector regarding human resources and different cultural needs. The Icelandic government has recognised the industry as an important source of economic recovery in recent years and has never invested more in the sector than now where expensive marketing campaigns have accomplished to attract tourists from all over the world. This has resulted in remarkable growth of the industry as well as demographical changes of the visitors. Based on these facts along with no signs of improvement in organisational development in the

tourism sector in recent years, the author fears that if managers in Icelandic tourism companies do not acknowledge the importance of different cultural needs and demands, Iceland can lose its competitiveness in the global tourism sector and the industry and government might not get sufficient return on their investment in the industry in the long run.

## **8.2 Limitations and Recommendations for Future Research**

A limitation of this research is a relatively low response rate of the survey that was sent out to managers and registered members of the Icelandic Travel Industry Association, 99 managers responded to the survey, or 41% of the 240 managers that received the survey. Another limitation and a possible cause of the low response rate could be that the survey was in English whereas the majority of the managers were most likely Icelandic. It was believed that as managers in tourism companies where English is the main international language that the managers would not have a problem with responding to a survey in English. The author received however few complaints regarding either language barriers or disapproval of the usage of English in a survey for an Icelandic industry, emphasising on the importance of retaining the Icelandic cultural background and heritage.

A limitation, based on incongruity of perception between responses of different questions, in the survey that was sent to employees at Hostelling International in Iceland was that, is that there might have been some lack of understanding of the concept cultural awareness among the respondents. Another restriction is that the employee survey was only conducted among employees within one company so the findings are somewhat limited to that. Hostelling International in Iceland has however a large workforce compared with the average in the industry as well as having a greatly cultural diverse workforce which was the reason for why it was chosen in this particular research.

The main limitation, which is related to a recommendation for future research, is the lack of previous research of the Icelandic tourism industry regarding service quality, cultural awareness and human resource management. The author thinks that it could be both interesting and beneficial for the Icelandic tourism industry to investigate thoroughly how companies that already have policies on how to increase cultural awareness to meet different cultural needs measure success based on this factor. As Icelandic managers within the tourism industry do not seem to emphasise on cultural awareness, although they agree

with that it could improve both service quality and employee efficiency, a guideline or conceptual framework built on trends from the industry could help managers to implement organisational changes regarding cultural awareness.

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# Appendices

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## Appendix 1: Survey to members of the Icelandic Travel Industry Association

-- English below --

Góðan dag.

Með þessum pósti óska ég eftir þátttöku þinni í eftirfarandi netkönnun sem eingöngu tekur 2 mínútur að svara: [http://www.surveymonkey.com/s.aspx?sm=vwEZsCXwqQhF2H5ihgV5bQ\\_3d\\_3d](http://www.surveymonkey.com/s.aspx?sm=vwEZsCXwqQhF2H5ihgV5bQ_3d_3d)

Könnunin er hluti af rannsókn vegna meistaraverkefnis míns í alþjóðaviðskiptum við Háskólann í Reykjavík. Markmið könnunarinnar er að skoða meðvitund íslenskrar ferðaþjónustu um ólíka menningarheima. Beiðni um þátttöku er beint til félagsmanna SAF, sem hefur samþykkt dreifingu könnunarinnar.

Þátttaka er valkvæð og er ekki hægt að rekja svör til einstakra þátttakenda.

Til að fá sem marktækastar niðurstöður skiptir þátttaka þín rannsókn mína gríðarlega miklu máli og vona ég því að þú sjáir þér fært um að veita könnunni örstutta stund.

Með fyrirfram þökk og hátíðarkveðju,  
Birna Sif Kristínardóttir

--- English ---

With this e-mail I wish for your 2 minutes participation in the following online survey:  
[http://www.surveymonkey.com/s.aspx?sm=vwEZsCXwqQhF2H5ihgV5bQ\\_3d\\_3d](http://www.surveymonkey.com/s.aspx?sm=vwEZsCXwqQhF2H5ihgV5bQ_3d_3d)

The research is a part of my Master thesis in International Business at Reykjavík University. The purpose of the research is to study cultural awareness within the Icelandic tourism industry. The chosen participants are all members of the Icelandic Travel Industry Association (SAF) which has agreed to the distribution of this survey.

Your participation is particularly important as it is essential to get the highest participation rate as possible to get reliable results. It will therefore be highly appreciated if you can take 2 minutes of your time to respond to the survey. Responses are voluntary and highly confidential as answers cannot be traced to individual participants.

Thank you for your help and participation in advance.

Best wishes and happy holiday,  
Birna Sif Kristínardóttir

Remove my email from this list:  
[http://www.surveymonkey.com/optout.aspx?sm=vwEZsCXwqQhF2H5ihgV5bQ\\_3d\\_3d](http://www.surveymonkey.com/optout.aspx?sm=vwEZsCXwqQhF2H5ihgV5bQ_3d_3d)

Cultural Awareness

1. My company has specific policies/guidelines for hiring and training employees regarding cross-cultural knowledge?

- ☐ Strongly agree  
☐ Agree  
☐ Don't know  
☐ Disagree  
☐ Strongly disagree

Optional open question: What kind of policies/guidelines?

2. My company has guidelines on how to manage a diverse workforce from different cultures.

- ☐ Yes  
☐ No  
☐ We do not have employees from different cultures

Other/Optional open question: What kind of guidelines?

3. My company has guidelines on how customers from different cultures might need different service.

- ☐ Yes  
☐ No

Optional open question: What kind of guidelines?

4. How often do you experience problems or misunderstandings among managers/employees due to cultural differences?

- ☐ Never  
☐ Rarely  
☐ Sometimes  
☐ Very often  
☐ Always

5. How often do you experience problems or misunderstandings with customers due to cultural differences?

- ☐ Never  
☐ Rarely  
☐ Sometimes  
☐ Very often  
☐ Always

6. I feel that my company could provide better service if managers and employees would be more aware of the different cultural needs, norms and behaviour.

- ☐ Yes  
☐ No

Comments?



**7. I feel that the needs and demands of customers from different cultures are similar.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Don't know
- ☐ Disagree
- ☐ Strongly disagree

**8. As needs and demands are different between cultures, the company provides different service and/or behaviour to customers from different cultures.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Don't know
- ☐ Disagree
- ☐ Strongly disagree

**9. As needs and demands are different between cultures, the company makes sure that the needs of employees from different cultures are met to get the most efficiency from the workforce.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Don't know
- ☐ Disagree
- ☐ Strongly disagree
- ☐ We do not have employees from different cultures

Next

## Background Questions

**10. Under which branch of the tourism industry does your company mainly operate?**

- ☐ Accommodation
- ☐ Car rental
- ☐ Activity service
- ☐ Air traffic
- ☐ Restaurant
- ☐ Travel Agency
- ☐ Transport
- ☐ Other

**11. Where in Iceland does your company you operate?**

- ☐ In the capital area
- ☐ Outside the capital area
- ☐ Both

**12. How many employees are there within your company on average annually?**

- ☐ 1-10
- ☐ 11-20
- ☐ 21-30
- ☐ 31-40
- ☐ More than 40

**13. How many employees in your company are not from Iceland?**

- ☐ 1-10
- ☐ 11-20
- ☐ 21-30
- ☐ 31-40
- ☐ More than 40

**14. Is there a human resource department or human resource manager in your company?**

- ☐ Yes
- ☐ No

Other - What?

Prev

Done

## Appendix 2: Follow-up participation request

Góðan dag.

Fyrr í vikunni sendi ég beiðni um þátttöku í könnun um meðvitund íslenskrar ferðaþjónustu um ólíka menningarheima. Hér er slóðin á könnunina:

[http://www.surveymonkey.com/s.aspx?sm=vwEZsCXwqQhF2H5ihgV5bQ\\_3d\\_3d](http://www.surveymonkey.com/s.aspx?sm=vwEZsCXwqQhF2H5ihgV5bQ_3d_3d)

Þar sem jólafrí nálgast langar mig á nýjan leik að biðja um þína hjálp með því að svara könnunninni en það tekur eingöngu 2 mínútur. Núverandi svarhlutfall könnunarinnar er enn mjög lágt og vonast ég til að þessi hvatning skili sér, þar sem unnið verður úr niðurstöðum könnunarinnar á milli jóla og nýárs.

Hin sístækkandi ferðaþjónusta á Íslandi stendur frammi fyrir spennandi tímum en jafnframt aukinni samkeppni og áskorunum. Allar rannsóknir sem gerðar eru með áherslu á stöðu ferðaþjónustunnar geta því verið greininni til framdráttar.

Með fyrirfram þökk fyrir þátttöku og hátíðarkveðju,  
Birna Sif Kristínardóttir

### Appendix 3: Survey sent to employees at Hostelling International in Iceland

Góðan daginn.

In case you have not seen my post on Staffdiary, I send you this e-mail to kindly ask you to spare 2 minutes to participate in the following online survey:

[http://www.surveymonkey.com/s.aspx?sm=IRXXqhO\\_2by10tsY0PBZz\\_2boQ\\_3d\\_3d](http://www.surveymonkey.com/s.aspx?sm=IRXXqhO_2by10tsY0PBZz_2boQ_3d_3d)

The research is a part of my master's thesis in International Business at Reykjavík University. The purpose of the research is to study cultural awareness within the Icelandic tourism industry.

Your participation is particularly important as it is essential to get the highest participation rate as possible to get reliable results. It will therefore be highly appreciated if you can take 2 minutes of your time to respond to the survey. Responses are voluntary and highly confidential as answers cannot be traced to individual participants.

Thank you for your help and participation in advance.

Best wishes and happy holiday,  
Birna Sif

**Cultural Awareness Among Employees**   **Cultural Awareness**

**1. I have had training or education in cross-cultural communication?**

☐ Yes

☐ No

Optional open question if yes: What kind of training/education?

**2. How often do you experience problems or misunderstandings with managers/co-workers due to cultural differences?**

☐ Never

☐ Rarely

☐ Sometimes

☐ Very often

☐ Always

**3. How often do you experience problems or misunderstandings with customers due to cultural differences?**

☐ Never

☐ Rarely

☐ Sometimes

☐ Very often

☐ Always

**4. I have been provided with specific guidelines from my manager on different cultural needs among customers.**

☐ Yes

☐ No

Comments?

**5. I have been provided with specific guidelines from my manager on different cultural needs among co-workers.**

- ☐ Yes  
☐ No

Comments?

**6. I feel that the needs and demands of customers from different cultures are similar.**

- ☐ Strongly agree  
☐ Agree  
☐ Don't know  
☐ Disagree  
☐ Strongly disagree

**7. My company could provide better service if there was more emphasis on the different cultural needs.**

- ☐ Strongly agree  
☐ Agree  
☐ Don't know  
☐ Disagree  
☐ Strongly disagree

**8. How often do you feel it is difficult to work and perform in a multicultural team?**

- ☐ Never  
☐ Rarely  
☐ Sometimes  
☐ Very often  
☐ Always

**9. What challenges do you face when working in a multicultural team? You can choose more than one.**

- ☐ Language barriers  
☐ Different norms and values  
☐ Different thinking and behaviour  
☐ Different goals  
☐ Difficult to achieve group cohesion  
☐ Difficult to achieve social cohesion  
☐ Difficult to trust

Other - What?

**10. I feel that cross-cultural training would help me to be more effective in my work.**

- ☐ Strongly agree  
☐ Agree  
☐ Don't know  
☐ Disagree  
☐ Strongly disagree

**11. I feel that cross-cultural training would help me understand my co-workers from different cultures better.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Don't know
- ☐ Disagree
- ☐ Strongly disagree

**12. I feel that cross-cultural training would help me understand my customers from different cultures better.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Don't know
- ☐ Disagree
- ☐ Strongly disagree

**12. I feel that cross-cultural training would help me understand my customers from different cultures better.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Don't know
- ☐ Disagree
- ☐ Strongly disagree

**13. My workplace has guidelines on how customers from different cultures might need different service?**

- ☐ Yes
- ☐ No

Comments?

**14. As needs and demands can be different between cultures, my company provides different service and/or behaviour to customers from different cultures.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Don't know
- ☐ Disagree
- ☐ Strongly disagree

**15. As needs and demands can be different between cultures, my company makes sure that the needs of employees from different cultures are met to get the most efficiency from the workforce.**

- ☐ Strongly agree
- ☐ Agree
- ☐ Don't know
- ☐ Disagree
- ☐ Strongly disagree

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## Cultural Awareness Among Employees    Background Questions

**16. Gender**

- ☐ Male
- ☐ Female

### 17. Age

- ☐ Under 20
- ☐ 20-25
- ☐ 26-30
- ☐ 31-35
- ☐ 36-40
- ☐ 41-50
- ☐ Above 50

### 18. Where are you from?

- ☐ Iceland
- ☐ Northern Europe
- ☐ Central Europe
- ☐ East Europe
- ☐ South Europe
- ☐ Asia
- ☐ North America
- ☐ South America
- ☐ Australia
- ☐ Africa

Other - Where?

### 19. What is your highest level of education?

- ☐ No schooling completed
- ☐ Primary school
- ☐ Secondary school/High school
- ☐ Additional training
- ☐ Undergraduate university
- ☐ Postgraduate university
- ☐ Other

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Done

## **Appendix 4: Follow-up participation request**

Góðan daginn!

If you have already participated in the survey through the link on Staffdiary, thank you so much and sorry for any inconvenience this e-mail may cause!

If you have not responded to the survey, I kindly want to encourage you one more time to do so. It only takes 2 minutes. The link to the survey is:  
[http://www.surveymonkey.com/s.aspx?sm=5h4mI91AnzourqgqbELfSg\\_3d\\_3d](http://www.surveymonkey.com/s.aspx?sm=5h4mI91AnzourqgqbELfSg_3d_3d)

I will be spending the holidays on analysing the results and am confident that I will have gotten response from all of you before that time :)

All the very best season greetings,  
Birna

Remove me from this list:  
[http://www.surveymonkey.com/optout.aspx?sm=5h4mI91AnzourqgqbELfSg\\_3d\\_3d](http://www.surveymonkey.com/optout.aspx?sm=5h4mI91AnzourqgqbELfSg_3d_3d)