



**BS ritgerð  
í viðskiptafræði**

**The differences between Serbian and Icelandic  
organizational cultures**

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Viðskiptafræðideild  
Júni 2013



**HÁSKÓLI ÍSLANDS**

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Lokaverkefni til BS-gráðu í viðskiptafræði

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Félagsvísindasvið Háskóla Íslands

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## **Foreword**

This thesis was written as a BS-degree thesis in Business Administration at University of Iceland and is considered to be 12 (ECTS) credits. My supervisor was Þóra H Christiansen, adjunct lecturer in Business Administration at University of Iceland. I want to thank my supervisor for the cooperation and advices while writing this thesis. Also I want to thank my family for the patience and support during my studies.

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## **Abstract**

In the time of global economy, culture is viewed as a general social concept, but holders of global culture are people with different national and cultural identity. On the other hand, companies are developing an organizational culture with the aim of integrating the values and the steering behavior of employees towards common business goals. In this regard, companies have a continuous job to manage cultural diversity. Globalization means the economic, political and cultural process, driven by the desire of large corporations to enter new markets. Organizational culture differs between companies and countries. In terms of global connectivity and market challenges companies are becoming more numerous and complex. Organizational culture is an important factor in the success of the company.

This research covers the difference in two national cultures, Icelandic and Serbian, along with the differences in organizational cultures. The main reason for this research is that the author of this text is born in Serbia and has spent the last twelve years in Iceland. The research starts with looking at the national cultures and how they can influence the business cultures. The business cultures are analyzed with the Hofstede dimensions, and then compared to see the similarities and differences between the two cultures.

Actavis is a leading global pharmaceutical company working in over 40 countries around the world. These countries are as different as they are many and I thought it would be very interesting to take a deeper look at two of them situated in Iceland and in Serbia. The research question we set out to answer is: What is the difference in the Actavis business culture in Serbia and Iceland?

The results showed that there are significant differences and similarities between national cultures of Iceland and Serbia. Despite the fact that these two countries never used to have economic or any relation there are organizational similarities through within each dimension of national culture. Serbian national culture could be described with high distance power, high uncertainty avoidance, high level of collectivism and the dominant female values (Hofstede, 1983). National culture in Iceland is characterized by low power distance, low uncertainty avoidance, low level of collectivism and the dominant female values.

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# **1 Theoretical part of the study**

## **1.1 Introduction**

Cultural globalization is the encounter of different world cultures and customs. Habits, customs and culture come from the flow of goods, capital and people across borders. The process of globalization is bringing the contact of different cultures, ways of life. These processes cause different reactions, some see it as a positive development, because it enriches the existing culture, and some of the new culture they see a threat to established values. When studying the characteristics of organizational culture and its impact on businesses of modern societies, it is especially important examining its relation to national culture and vice versa.

It is necessary to establish the relationship between organizational culture and national culture, especially in the case of multinational companies. In addition, interest in understanding national and organizational culture is growing due to globalization, the entry of foreign capital, strengthens the dependence among nations and the need to achieve competitiveness in the market.

Organizational culture is deeply rooted in every organization. To be able to see businesses operating within different cultures it becomes particularly important to test interaction between organizational cultures and national cultures. The significance of this relationship is especially evident when analyzing the characteristics and mechanisms of multinational companies. Communication between the organizational culture of the company and the specific national culture is significantly more complex, at this level.

In the last decade of the 20th century, there have been many changes that have significantly reshaped the industrial society. This development has led to an overall economic growth and with the establishment of multinational companies it has marked the beginning of an economic globalization. National culture is becoming more and more important in the time of globalization (Podrug, p. 20). “What managers do worldwide is about the same, but how they do it is different from culture to culture” (Drucker, 2001, p. 10).

Culture is one of the factors that have a major impact on international business. It causes people's responses, from their diet, shopping, work, etc. Therefore, taking into account aspects of culture and attempt to perceive and understand the differences, even at the cost of their own values, can be a success of the companies. Also depending on the degree of internationalization the organizational structure and management practices will vary. In fact,

all these elements are interrelated and mutually correlated. Today with the development of technology and communication between people, the distance is no longer an aggravating factor in the business. There is an ease of doing business and the spread of business activities outside the home country. There are number of factors to keep in mind when preparing business activities, and in particular the significant factor of cultures, i.e. the impact of culture management. With a workforce of management who belong to different ethnic and cultural groups, business systems must facilitate this heterogeneous workforce to work together in harmony to achieve common goals and to maximize the contribution of each member. In order to achieve the organization must be aware of the importance of culture and the cultural differences approached in a proactive manner. Cultural differences are not something that can and should be ignored.

The objective of this research is to identify the cultural distinction between Iceland and Serbia. These countries do not depend on each other in any way and there is a large geographical distance between them. In the past both countries belonged to the different systems, but after transition process and globalization they became closer. The work is based on Hofstede's hypothesis on the relationship between national culture and organizational structure (Hofstede, 1980)

Hofstede identified four dimensions of national culture, a fifth was later added: Power distance, uncertainty avoidance, individualism - collectivism, masculinity-femininity, short-long-term perspective (short term - long term). National culture is not a system but a set of assumptions and values that influence each other. Therefore, the impact of national culture on the whole a specific management techniques or practices are other than the sum of its individual effect sizes.

In summary the main purpose of the paper is to:

- \* determine differences between national cultures of Serbia and Iceland
- \* determine influence of national cultures on organizational cultures in Serbia and Iceland
- \* determine influence of national cultures on organizational culture in Actavis Serbia and Actavis Iceland.

## 1.2 Defining culture

In order to better understand the relationship between culture and human resource management it is necessary to define the term culture. Although the question: “What is culture?” seems to be very simple, to answer it is impossible to sum up in a sentence. The Kroeber and Kluckhohn published in 1952 the work called “Culture: A critical review of the concept and definitions”. It contains 164 different definitions of culture that are today considered to cover perhaps all aspects of culture. Culture could be understood as the set of shared beliefs, values and norms developed in a specific group, with the aim of helping people to solve certain problems and dilemmas.

Human culture is a way of living, developing and building values, beliefs and knowledge, efforts to remove uncertainty and to create artificial levels of social life. People in general develop societies cultural values, telling us what is important, what is the right way and how to make things look. These components help the foundation of culture. Even more specifically, culture is the integration of common ideas, attitudes, customs and traditions in a pluralistic system. It is an unique system of socialization. Many tried to identify the different conceptual, theoretical and methodological positions, so there is still no uniform interpretation of what culture is. There is no single definition of culture, and in the following table some of the definitions are summarized.

**Table 1: Different definitions of culture**

<b>Author</b>	<b>Definition</b>
Edward Tylor (1871)	“Culture is that complex whole which includes knowledge, belief, art, morals, law, customs and other capabilities and habits acquired by man as a member of society.” (Tylor, 1871, p. 4)
Herskovits (1948)	“Culture is the man-made part of the environment.” (Herskovits, 1948, p. 25)
Kluckhohn (1951)	“Culture consists of patterns, explicit and implicit, of and for behavior 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.” (Kluckhohn, 1951, p. 86)
Geertz (1973)	“an historically transmitted pattern of meanings embodied in symbols.” (Geertz, 1973)
Hofstede (1980)	“the collective programming of the mind which distinguishes the members of one group from another.” (Hofstede, 1980, pp. 21-23)
Lederach (1995)	“Culture is the shared knowledge and schemes created by a set of people for perceiving, interpreting, expressing, and responding to the social realities around them.” (J.P., 1995, p. 5)

Even more specifically, culture is the integration of common ideas, attitudes, customs and traditions in a pluralistic system. It is a unique system of socialization.

Adler (1991) points out the role of national culture in decision making, because all members of social group must fit to corresponding national culture (Podrug). Managers frequently view culture as Hofstede (2001) defined it – as “The collective programming of the mind which distinguishes the member of one group or category of people from another”.

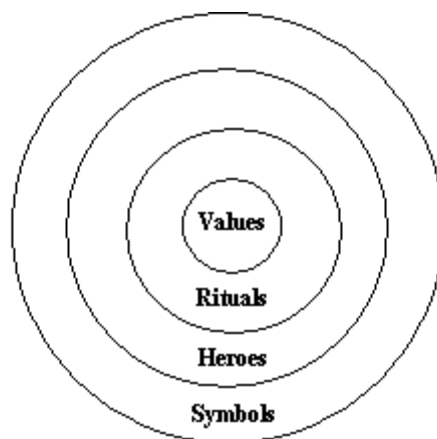
According to Hofstede (1997) culture is the software of the mind, similar to a computer program that controls behaviour.

### 1.2.1 Culture ingredients

Hofstede (2001) defines culture “as the collective programming of the mind”, or as software mind, using the phrase “mental programming” is not to be interpreted literally, humans are not programmed in the same way as a computer.

Every individual has certain patterns of thinking, feeling, and potential actions that have been learned over a lifetime and a large part of these patterns, values and norms are learnt and adopted in infancy. This period is period when the individual passes primary socialization in the family and school. Learning patterns of their culture and their society begin to assimilate them.

Hofstede mentions that man's behavior is only partially determined by his or her ”mental program”. He goes on that individuals have a basic ability to deviations from these programs. Ways of responding to them may be brand new, innovative, creative and destructive (Hofstede, 2005) .



**Figure 1: “The Onion Diagram”: Manifestations of Culture at different levels of depth (Hofstede, 1991, p. 9)**

Hofstede is distinguishing values, rituals, heroes and symbols as different manifestations of culture at different levels of analysis, displaying them as a unit of four concentric layers. The core centers are values, followed by the next layer of rituals, and heroes and symbols make up the 3<sup>rd</sup> and the 4<sup>th</sup> layer. I will begin with explanations of symbols, such as: words, gestures, pictures or objects. There are but a few symbols carry a special significance for

those who are part of the same culture. New symbols easily develop, disappear, and Hofstede emphasized the manifestation of culture belongs to various forms of words in the language (Hofstede, 2001). Furthermore, symbols of one group often are transmitted and “copied” to other groups, so it is therefore presented as Hofstede outermost layer, of culture.

Forming a third layer of culture is heroes, or people, “living or dead, real or imaginary, who possess characteristics that are highly valued in the culture and serve as models of behavior” (Hofstede, 2005).

The second layer are rituals, they form as “collective actions” such as how we pay tribute to others, as well as social and religious events (Hofstede, 2005). The core layer of culture suggested Hofstede are values. Values are beliefs about opposites: good versus evil, clean versus dirty, safe and dangerous, permitted and forbidden, honest and dishonest, moral and immoral, beautiful and ugly, etc. (Hofstede, 2005, p. 8). Values are therefore, first, part of the culture as “mental programming”, and thus, components of values differ between nations depending on their national culture. Second, values are the attributes of the individual and the collective, because culture presupposes collectivity (Hofstede, 1997). Every measurement of values within individuals will show more or less variations within nations as the unit of analysis. The childhood distribution of these values differs from culture to culture.

### **1.3 Hofstede’s cultural dimensions**

Interest in the impact of national culture and intercultural management is increased sharply with the intensification of globalization. Hofstede gave very strong support to research in intercultural management giving four dimensions of national culture on the basis of which they could be compared. Hofstede identified four dimensions of national culture with a later addition of fifth: Power distance (relationship to power, the degree to which society accepts inequality among men), uncertainty avoidance, and individualism-collectivism (the degree to which people in society act as individuals rather than as members of the group), masculinity-femininity (the level that explains whether the desirable values in society) and short-long-term perspective (long-term and short-term lifestyles). The short-long time dimension of the culture is not included in my study. National culture is a mental programming: a form of thinking, feeling and acting that any person acquires in childhood and then applies to the whole of life (Hofstede, 2001). Dimensions of national culture are the key assumptions shared by members of a national community on key issues facing their society. According to Hofstede “national culture” of a society, is shared by individuals and groups within that

society, and differs from the “mental software” of another company. These dimensions serve as a framework to develop various hypotheses in multicultural organizational studies, such as when to consider different ways to structure the organization, different ways to motivate employees, and other various issues and problems faced by people and organizations within various societies (Hofstede, 1983, p. 46)

### **1.3.1 Power distance**

The first dimension is power distance and it is related to how society accepts distribution of power. Power Distance can be defined as “the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally” (Hofstede, 1997). The problem of social inequality and the relationship to authority within a society occurs by adopting assumptions about power distance. The main characteristic of a society with a low distance of power is that power is equally distributed between members of society as well as rights and opportunities in the work place. The characteristic of a society with a large power distance is that acceptance and giving up of one’s authority is natural for members of these societies. Individuals in the countries with large power distance accept the inequality of power, while countries representing societies with small power distance represent the opposite such as Scandinavian countries (Hofstede, 2001). In countries with high power distance, organizations have well defined power where supervisors have controlling influence over employees. The power distance dimension is the main dimension that informs about leadership and subcultures in organizations and also about how relationships are dependent in a country. Subordinates in the low power distance countries are more likely to cooperate with supervisors and to challenge their ideas. Hofstede found that countries in Latin - America and some countries in Latin - Europe were measured with high power distance and the same applied to African and Asian countries. On the other hand, low power distance was found in the U.S., Britain and their former colonies and along the northern and western part of Europe (Hofstede, 1991).

### **1.3.2 Uncertainty avoidance**

Uncertainty Avoidance is “the extent to which the members of a culture feel threatened by uncertain or unknown situations” (Hofstede, 2001). Uncertainty avoidance indicates the degree of distress members of a culture in not structured situations. In countries with this

dimension there is a priority for standardization, hierarchical structure and role orientation. Risk and changes in societies with a high level of Uncertainty avoidance are undesirable, point to the extent to which members of the society feel threatened by unknown situations and tries to avoid these situations. To understand how members of a society manage uncertainty, it could be said that individuals are concerned with security in life feel greater need for written rules and are less likely to take risks. Individuals in low uncertainty societies are more risk tolerant and less concerned with security (Hofstede, 1980). Cultures with low uncertainty avoidance index are trying to achieve that by have clear laws, regulations and security measures as seen in such societies as in the USA, Greta Britain, and Ireland. High uncertainty avoidance societies are manifested in Greece, Portugal, and Japan (Hofstede, 2001).

### **1.3.3 Individualism – collectivism**

“Individualism stands for a society in which the ties between individuals are loose; everyone is expected to look after him/herself and her/his immediate family only. Collectivism stands for a society in which people from birth onwards are integrated into strong, cohesive in-groups, which throughout people’s lifetime continue to protect them in exchange for unquestioning loyalty” (Hofstede, 2001). The question of the relationship of the individual and collective is solved by locating the national culture to a certain position on a continuum between two extremes: individualism - collectivism. Collectivism implies a social structure in which every individual and his immediate family expects the right to be cared for by their community in exchange for full loyalty. Individualism implies a loose social structure in which each individual is fully responsible for his fate. It emphasizes values such as achievement, activism, initiative and entrepreneurship. Societies understand task organization as a means of solving problems and the value of individualism is undoubtedly agreed to this type of culture. Of course, it is understood that it is not unbridled individualism, but a desire to be an individual contribution to network with other efforts by activities of the various groups and project teams, in an effort to achieve measurable results and solve particular the problem. Collectivism lack of desire to highlight and increase the individual contribution is inconsistent task with culture in organizations. Individualistic cultures are “I cultures”, while collectivistic cultures are “We cultures” (Hofstede, 2001). Control of the members in collectivistic societies is through external pressure, while in individualistic societies members are controlled through internal pressure-guilt (Adler, 2008). Hofstede (1980) has identified a negative relationship between dimension of individualism and power distance in some cases.



Measurements Hofstede showed that rich nations scored high on the individualistic dimension; United States, Australia, Britain, Canada, the Netherlands and New Zealand scored high on this dimension. On the other hand, could see less individualistic in getting - tech countries such as Indonesia, Guatemala, Ecuador, Panama, Venezuela and Colombia (Hofstede, 2001).

#### **1.3.4 Masculinity**

The social implications of genders are reflected in the dimension of the national culture called masculinity – femininity values. Masculinity dimension of national culture implies a high degree of orientation its members on the results (Hofstede, 1980). Masculinity stands for a society in which social gender roles are clearly distinct. Men are supposed to be assertive, tough, and focused on material success; women are supposed to be more modest, tender, and concerned with the quality of life. Femininity stands for a society in which social gender roles overlap. Both men and women are supposed to be modest, tender, and concerned with the quality of life (Hofstede, 2001). These are “seem” (doing) culture where one's value by the results, aggression, achievement and acquisition of material goods. Feminists national cultures are those that are dominated by “feminine” values such as: interpersonal relationships, quality of life, balance and harmony. These are “to be” (being) in a culture that values human proving very existence. Hofstede differentiates cultures on the basis of prevalence of masculine and feminine values. The value of an individual is determined by the quantity of goods which actually proves its success. The dominant behavior among members of the organizations is aggressive determined and oriented to the acquisition of material goods. Countries of masculine values are Japan, Italy, Austria, Switzerland, Mexico and Guatemala score high on this dimension, Britain, Germany and the United States measured relatively high also. Countries that score low on the masculine dimension are Nordic countries, the Netherlands and Costa Rica (Hofstede, 1991).

#### **1.4 Organizational culture**

Organizational culture is a system of basic values, assumptions and beliefs shared by members of the organization. (Hofstede, 1990). It is formed under the influence of national culture, the market economy and the management of the organization. Culture is deeply rooted in every organization. Every organization has an invisible quality, a certain style, a

peculiar character or a certain way of doing business. The most common definition of organizational culture is: "This is the way we do things here" (Bower, 1966, p. 50). The development of the concept of organizational culture began in the early 20th century. Henry Fayol (1916) has highlighted the principles of organization and management as one of the important activities of a company. The main reason this has created wide interest within the study of organizational culture is due to the many issues faced by many companies after mergers or acquisitions. In fact, sometimes organizational culture prevents the achievement of desired results. There are number of definitions in order to construct a more comprehensive idea of determining the organizational culture. Here are some of these definitions. The culture of the company is, as pointed out by (Donnelly, 1984) by their nature difficult to capture because it closed the ebb and flow of life and, as such, is situated in the people in any organization. Organizational culture is the basic assumptions of the model, which is given to group developed or discovered by learning how to deal with problems of external adaptation and internal integration, that works well enough to be considered valid and to convey the new group members as the correct way of thinking, perceptions and feelings in relation to those problems (Schein, 1985). So there are many definitions of organizational culture, but we can say that to some extent all of them together under the organizational culture include the knowledge and experience that an individual uses in developing its organizational behavior. It is an important part at the group level and at the individual level because the development of culture and the culture of the group of individuals is a key factor in creating the image of the company through the identification of employees with the company, so it is an important factor in organizational behavior. From the history of many of the company is known to be one of the important task management development and organizational culture the dynamic adaptation to changes in society and the organizational culture becomes single most important component of the organization's effectiveness.

Schein (1985) describes organizational culture as "the rest of Success" organization. According to his theory, the most difficult to change are the characteristics of organizations that include products that last, services, based on which it is based and the manner of leadership as well as other psychological attributes of the organization. Schein's organizational culture model shows what is now and what is coming, cross described three cognitive levels of organizational culture.



**Figure 2: Levels of culture (Schein, 1985)**

The first and most superficial level is obvious to the organization. It includes facilities, office layout, dress code, rewards and recognition and differentiating employees.

The second level deals with the culture of the organization through slogans, mission statements and beliefs of that organization expressed, as personal values and values in general. Organizational behavior at this level often can be observed through interviews with members of the organization, as well as the execution of the survey in order to verify the attitudes of members of the organization.

The third level is the deepest level of organizational culture. These are the elements of organizational culture that are hidden, you can't see them in everyday interactions between members of the organization. In addition, those elements of culture are often treated as an organization unwritten rules. Many of these unwritten rules consciously respect members of the organization. Surveys and interviews with members of the organization can't explain by these attributes or characteristics that are embedded so deeply. Important for this level of organizational culture is that it is a fundamental strength of organizational culture.

### **1.4.1 The culture stereotypes**

Trompenaars and Wooliams discussed in their book *Business Across Cultures* (Trompenaars, 2003) how companies today are creating and focusing on management of culture within the company itself and how that management is set to have people working on solving the tasks and problems together. Companies are in fact made by individuals who form and create culture by itself and share with others. Trompenaars and Woolliams made a model to identify

culture stereotypes (Trompenaars, 2003). The model was based on organizational relationships, meaning either relations within the group as a whole, between employees or between employees and superiors. They identified two key dimensions; person or task orientation and hierarchical or egalitarian orientation. Then they identified four stereotypes, which can be seen in the table 2. The incubator, the guided missile, the family and the Eiffel tower culture (Trompenaars, 2003). A company that is categorized as the incubator is considered to have lack of leadership, praises individualism and self-realization, and looks at the person in the job and their professionalism and power is almost equal within the company. A company that is in the Guided missile category has a strong leadership, aims for the solutions of tasks and problems and pays by results. Power is in the knowledge and expertise. The family category consists of personal relationship, and entrepreneurial characteristics, no formalization but high in power-orientation. The last category is the Eiffel Tower, high in formalization along centralization; the power is highly important and plays a large role in each job description and evaluations. Rules and procedures are considered highly important.

**Table 2: Trompenaars' model of four diversity cultures (Trompenaars)**

Culture Stereotype	Description
<b>The Incubator</b>	<ul style="list-style-type: none"> <li>- A team without a leader</li> <li>- Person Oriented</li> <li>- Focus on self-realization</li> <li>- Almost no structure</li> </ul>
<b>The guided Missile</b>	<ul style="list-style-type: none"> <li>- Low degree of centralization</li> <li>- High degree of formalization</li> <li>- Task oriented</li> <li>- Management by objectives</li> <li>- Focus on power of knowledge</li> </ul>
<b>The Family</b>	<ul style="list-style-type: none"> <li>- High degree of centralization</li> <li>- Low degree of formalization</li> <li>- Power oriented</li> <li>- Focus on personal relationships</li> <li>- High context</li> </ul>
<b>The Eiffel Tower</b>	<ul style="list-style-type: none"> <li>- High degree of centralization</li> <li>- High degree of formalization</li> <li>- Role oriented and impersonal</li> <li>- Power oriented to position or role</li> <li>- Focus on tasks, job description and evaluations, rules and procedures</li> </ul>

### 1.4.2 Hofstede and organizational culture

The influence of national culture on organizational structure has been investigated the most precisely by Hofstede (2001). Structuring the organization consists of solving two basic questions: Who's to the decision maker (the concentration of authority), and who does what in the organization (structuring activities). The question defining the structure of authority is solved through a certain degree of centralization or decentralization of decision-making. The questions of defining the structure of executive tasks are solved through specialization and standardization formalization role in the organization. Thus, organizations will, depend on the selected structural solutions, be more or less centralized and to a greater or lesser extent,

formalized. Hofstede argues that national culture is a relevant factor in the choice of organizational structure, but do not consider national culture the only, or even dominant factor and the factor that shapes the organizational structure of a national community. The national culture is a factor that can be defined by the degree to which it is manifested among other factors.

Influence of national culture on the structuring of organizations acting as tendency to prefer certain structural choices. In national cultures with high power distance, organizations tend to be more centralized than in cultures with low power distance, if all other factors are equal. Large enterprises will be more decentralized than smaller ones in every culture but two companies of comparable size will be decentralized to varying degrees in different national cultures.

Based on the analysis of national culture dimensions, organizational culture and dimensions of Hofstede (2001) the following hypotheses about the relationship between national culture and organizational culture exist: power distance national culture and the degree of centralization of authority in organizations are positively correlated. The greater power distance in the national culture leads to a higher degree of centralization of authority and vice versa. Uncertainty avoidance and formalization of roles in the structure are positively correlated. The higher the level of uncertainty avoidance in a national culture, the higher level of formalization role in structuring activities and vice versa. High power distance and high uncertainty avoidance in the national culture of the organization makes it applied a high degree of centralization of decision making and formalization of the roles, which means that they prefer full a bureaucratic organizational model. This national culture is found in European and Latin American countries as well as in Serbia and other countries of the former Yugoslavia. Low power distance but high uncertainty avoidance, which is found in the Germanic national cultures, as well as in Iceland implies a tendency for organizations to implement a high degree of formalization but a low degree of centralization in their structuring which leads them to use the model of professional bureaucracy. Low power distance and uncertainty avoidance is characterized by Anglo-Saxon and Scandinavian culture. This form of organization tends to accept as a model adhocracy organizational structure with low centralization and formalization. Finally, high power distance and low uncertainty avoidance cultures in the east, implying the use of a simple model because it has a high degree of centralization, but a low degree of formalization of the structure.

## **2 Country's description**

### **2.1 Serbia**

#### **2.1.1 History of Serbia**

Like other South Slavic tribes, the Serbs came to the Balkans during the great migration during the 6th and 7th century. Slavs in the Balkan Peninsula spread out widely across, forming a large number of small principalities. (Corovic, 2001). The earliest systematized data on the Serbs in the Balkans can be found in the writings of the Byzantine Emperor Constantine VII Porphyrogenitus in the tenth century. Then the Serbs inhabited the present territory of western Serbia, eastern and central Bosnia, Herzegovina to the Adriatic coast between the Cetina river and Skadar lake, and the area south of the River Lima and the mountain range Cursed Mountains. The Byzantine Empire aspired to have power over everything that once belonged to the Roman Empire. Since the middle of the 9th century Serbia stood in the way of Bulgarian expansion, and it became the scene of rivalry between Byzantium and Bulgaria.

In the subsequent period, the Serbs are very strongly felt the consequences of the Byzantine conquests. In 1018th year, the Byzantine Empire had reached the Danube and Sava rivers. The territory inhabited by the Serbs was cut across the boundary that separates the regions under direct Byzantine rule, to the east line of Sirmium - Ras - Prizren, and west of the line, the area under native rulers, and the traditional structure eruption of Slavonic background. (Corovic, 2001). After fighting with his brothers for the throne, the power was taken by Stefan Nemanja, the founder of dynasty in the year 1170. His brother Sava managed to secure the independence of the Serbian church in 1219 and was appointed as the first Serbian archbishop. Thus the Serbs acquired both forms of independence: the spiritual and the secular. At the beginning of the 12<sup>th</sup> century Serbs found themselves caught between two powerful opponents Kingdom of Hungary and Byzantine Empire. At that time there were established closer ties between the Hungarian and Serbian dynasty. Because of the interest in products of Serbian mining, especially in silver, Serbia is included by means of merchants in the Mediterranean economic trends. (Corovic, 2001).

Serbia in the 14<sup>th</sup> century had the political, economic and cultural respect in Europe, reached its peak in the mid-14th century, during the reign of Stefan Dusan. The Ottoman Turk Empire at that time gradually spreading from Asia to Europe and conquering Byzantium first, and then the other Balkan states. In the battle of Kosovo Polje on the 15<sup>th</sup> of June 1389 Prince

Lazar died. In later historical tradition, this battle is remembered as the decisive defeat and the end of the Serbian state (Corovic, 2001). Serbs migrated into today's Vojvodina because they did not want to live under the rule of Ottoman Empire, and they sought protection in the neighboring Christian countries, who welcomed them to settle along the deserted border areas. Migrations caused by the Turks began in the middle of 15<sup>th</sup> and lasted until the early 19<sup>th</sup> century. Serbs lived in areas of both the Empire and the states Hungary and they took part in their wars - in all armies (Corovic, 2001).

The conversion to Islam was much slower and was not massive, but did not stop until beginning of 19<sup>th</sup> century. With the disappearance of the medieval Serbian state Serbian Orthodox Church has become the most important institution of the Serbs. Left without the Pec Patriarchate and local autonomies, and under unprecedented terror janissary outlaws - Dahi, about 400,000 Serbs rebelled to Belgrade district in 1804. That uprising marked the beginning of what is known as the Serbian revolution. Led by Djordje Petrovic (1762-1817), better known as Karadjordje, the rebels quickly ousted and killed janissaries and landowners. The first legal structure of the state constitutional acts was done in 1805th (Corovic, 2001). Their goal was to revive the medieval Serbian kingdom and the union with the Serbs in Austria if the opportunity presented itself. In peacetime revolutions Serbs finally built and organized state, which is the edict in 1830 and in 1833 acquired full autonomy to Turkey and was vassal. Serbs regularly sent talented young people to continue studies in major university centers. Thus, Serbia, and Montenegro got experts from all fields of science, culture and politics. Serbia thus affirmed itself as a leader in the fight against Turkey, becoming a great reputation among the Balkan peoples.

With the Berlin peace Serbia achieved independence. At the end of 19<sup>th</sup> century Serbia had more than two million inhabitants, and was fully recovered military and economically. Serbian and Croatiaan democratic parties made agreement about Serbian-Croatian resolution in 1905. Serbia declared - the unification of the Serbs, Croats and Slovenians which was elaborated by agreement between the Serbian government and the Yugoslav Committee in Corfu in 1917<sup>th</sup> (Corovic, 2001). On 1st of December 1918, The King Alexander Karadjordjević officially announced formation new state in the Balkans - the Kingdom of Serbs, Croats and Slovenes from former Habsburg monarchy. Yugoslavia came out a larger territory, and with a totally new societal structure - becoming the first "National" and then "socialist republic".



Started as an agricultural land, Yugoslavia was transformed into a developed industrial country, attaining a high international political reputation by supporting the process of decolonization and the lead role in the Non-Aligned Movement. Socialist Yugoslavia was formed as a federal state consisting of six republics: Serbia, Croatia, Slovenia, Bosnia and Herzegovina, Macedonia and Montenegro, and the two autonomous provinces, Vojvodina and Kosovo and Metohija. (Corovic, 2001). Except for Slovenia, the Serbs lived in all other republics, and they represented one of the strongest links of national unity. In the period from 1991 until 1992, Slovenia, Croatia and Bosnia-Herzegovina separated from Yugoslavia by force, while Macedonia separated peacefully.

### **2.1.2 Development of Serbian organizational structure**

National culture of Serbia has been affected by rich history, wars and religion. Since settling in the Balkans during the 6th and 7th century, the cultural, political, economic and military development from 12th to 14th century has made Serbia one of the most developed and most respected country in Europe (Corovic, 2001). To protect themselves from the terror of the Turks, the Serbs have built their villages, often in remote areas with no roads. This has contributed to the fragmentation of the population. Basic social and economic unit in such a society was the extended family (Obradović, 1989). The family's father or older brother had all the authority. No one in the family was allowed to contradict or deny the execution of his orders. The material resources were shared between the members of the family. Hence the strong egalitarianism Serbian national culture to this day. Thus, in a long time formed a collectivist, authoritarian, egalitarian and female cultures with high uncertainty avoidance, and changes in risk. The battle of Kosovo Polje in 1389 was marked by heroism, sacrifice and the consequences of which have a significant influence on the Serbian national identity, determine the fate of Serbia and the reason that Kosovo for Serbs has a special significance. Being under the Ottoman Empire that for almost five centuries, Serbian revolution caused rapid strengthening of the state in the educational, cultural sense, the development of trading, accepting industrialization and the introduction of banking in accordance with developed Europe, all this had an effect on the formation of the national culture in Serbia (Corovic, 2001). In the period from the formation of Former Yugoslavia until the breakup of Yugoslavia in 1992, Serbia was one of the most developed republics. During the Cold War, Serbia (as well as all the Yugoslav republics) had a specific position as a socialist country that has largely been independent from the influence of the leading Soviet Communist bloc.

Citizens were free to travel around the world and were able to meet other political and economic systems. Serbian system of management had some characteristics of participatory management. Participation of employees in decision-making comes from large consultative body combined with paternal style of leadership “ask others for their opinion”, which was the dominant form of leadership in Serbian companies in the long period of socialism in Serbia. Since the only social organization that the Serbs knew for five centuries (extended) was family it is logical that when they were faced with a new kind of organization, industrial time, they understand that organization, as an extended family. The leader of the company was seen as the father of the family so it's logical that he had authoritarian style. At the same time, the presence of certain elements of the market economy was seen as one of the differences between the economy of Serbia and the leading economies of the communist Soviet bloc. Perhaps for this reason, learning and trying to copy West European values in management culture have not cause culture shock, as it has happened in many countries of the former communist regime. It is interesting that there is a very high degree of compatibility with the communist ideology of collectivism and egalitarian values that have developed in the Serbian national culture. However, it is necessary to determine whether and to what extent induced culture shock or cultural shift after major changes and events of the breakup of Yugoslavia to the present day. Wars, economic sanctions, one of the hyperinflation in the world (Krus, 2012), the bombing by NATO, economic, political and social changes and transitions have left large consequences on Serbia, but has not determined how much effect it had on the culture.

### **2.1.3 Dimensions of culture Serbia**

Hofstede original research of national culture includes the former Yugoslavia as the only Eastern European socialist country. Yugoslavia split into several independent states after the civil wars: Slovenia, Croatia, Macedonia, Bosnia and Herzegovina and the loose union of Serbia and Montenegro. The question may be asked whether the unique Yugoslav national culture even existed. However, due to the Slavic origin of the great nations in the former Yugoslavia and their similar geographic and natural conditions of development, it is reasonable to assume that deep cultural assumptions of these nations were in common former Yugoslavia in common. This is confirmed by the Hofstede (2001) that the original data on Yugoslavia after its breakup broke the data on national culture Slovenian, Croatian and Serbian.

**Table 3: The projected positions of Croatia, Slovenia and Serbia on four dimensions based on original results for ex-Yugoslavia, calculation done in by G. Hofstede (Hofstede, 1991, p. 45)**

	PDI (power distance index)	UAI (uncertainty avoidance index)	IDV (individualism index)	MAS (masculinity index)
CROATIA	71	80	33	40
SLOVENIA	73	88	27	19
SERBIA	86	92	25	43
EX YUGOSLAVIA	76	88	27	21

### ***2.1.3.1 Power distance***

Power distance index in Serbia is 71 index points. The authority is respected. If we look at the history of Serbia, it can be noted that respect for authority is something that is innate, and it's carried from the family. Based on that a typical Serbian worker does has no problem respecting authority. However, despite the high power distance, there is a specific relationship between the head in relation to the employees. Some argue that this is one of the remnants of communism, but it could also come from the collectivistic dimension of Serbian society (Sljukic, 2007). The relationships with employees during communism were conditionally caring. Workers were protected in most cases, and your first job was also your last job. Today, that security does not exist, but still there is a warmer relationship.

### ***2.1.3.2 Uncertainty avoidance***

According to the survey, Serbia has a very high index in this category. Serbian society is governed by written and unwritten rules, and there are plenty. For example, in dealing with gifts are welcome, and are not seen as a bribe. It's a rule of thumb, if you offer a service is rude not to show the price. Many companies in Serbia have defined exactly what falls under an acceptable gift, and what is already considered a myth. Serbian national and business

culture is something that is easy for strangers to get used to. In public institutions working hours are mainly from 8:00 to 16:00h, although lately a growing number of companies are adopting Western-time from 9.00 to 17.00h. The English language is used by higher level managers, and its knowledge is a big advantage when applying for a job. Serbia promotes gender equality, and public advocacy to improve the position of women in the labor market, and to stimulate networking of women entrepreneurs at the local level, and with networks in Europe. Participation of women in Serbian society is quite satisfactory, and it is not revolutionary to see a woman in a high place. Their participation is, however, greater in public institutions, at least as far as the high positions. In business management it is less, but there are women, and their progress is not questionable (Despotovic, 2011).

### ***2.1.3.3 Individualism***

In Serbia it is very low, at only 25 index points. Serbian society has always been a collectivist society. From the day when there were written documents about the Serbs, everything points to the fact that early companies had strong relationships with their community. Even after the loss of independence in the 14th century, Serbian community remained strongly associated. The Serbian Orthodox Church has played a role of Cohesion factors, and one of the greatest values for which it stands is the family. Period of Independence did not change almost anything in the value system of the Serbian people and consequently Serbian culture. Collectivism was a feature in the next significant period in the history of Serbian country. The spokesman in the communist period was the state itself. One of the biggest features of communism is the need to constantly points to the community and this feeling is strongly and consistently expressed. So, looking at the index from this angle it is clear that under circumstances could not be higher. History of over 1000 years took care of it, anyway (Despotovic, 2011).

### ***2.1.3.4 Masculinity***

The value of this index is in Serbia 43 index points, and it points that the society is ready to make compromises and "softer" approach to solving problems. If you do business in Serbia, or plan to do, you should know that Serbs do not respond well to the pressure. Communication in which trust is not established, will probably not take you far. The description of the Serbian business ethics, says that communication is very important. If you

fail here, and if you are not rated as someone who is worth doing business, the business has little chance of success. Nonverbal communication plays a very important role in business communications in Serbia, so the initial factor of "scoring" is very important. If you have made a good impression, and established a lasting relationship, you can expect to be as a business partner or an employee, called home and treated very well (Despotovic, 2011).

#### **2.1.4 Serbian organizational culture**

Serbia has in recent years undergone a series of dramatic changes. To understand characteristics of the organizational culture of Serbian enterprises, it is necessary to point out generally a few important moments within Serbian economy and society. First, the process of industrialization in Serbia started relatively late in its development. Industrial culture in Serbia evolved since the late nineteenth century to the beginning of World War II. This "conflicted" with the values of the ruling agrarian, preindustrial culture that after World War II insisted on its accelerated development, which, at that time was ideologically dictated. Today industrial culture in Serbian society is faced again with a completely changed requirements and values that initiate the process of globalization. The process of industrial development in the Serbian society, is therefore, relatively short, compared to the industrial tradition in developed Western societies. In addition to its relatively short duration, this process was in different periods of the history. The Serbian society was different, value dictated that it has significantly slowed down and hampers. That development has influenced the characteristics of the organizational culture in industrial enterprises in Serbia, due to these frequent changes; it had an effect on the business, as well the decline of many companies. In these frameworks one should understand current issue of the Serbian economy, which is again at a turning point. On one hand are the old organizations, and on the other, other organizations that are growing (Sljukic, 2007). Organizational cultures of these companies are totally different. On the other hand, there are companies in Serbia which have succeeded in spite of these difficulties (due to better developed organizational culture), to meet the challenges of the transition process. Some companies have not managed to cope with the new situation, which resulted in the closure, with the expectation that they will be preserved so as to preserve to better days, which for many never came. Other companies have managed to adapt to the changes and continue to do business, managing to overcome the "critical incident" (Bogićević Milikić, 2008) to survive, and even to strengthen. In companies that have entered into the composition of large successful world company formed under the influence of the organizational culture of

the company. Hofstede found that the most important dimension that influences leadership is power distance, determined as the degree to which the less powerful members of institutions and organizations within society expect and accept that power is unequally distributed (Mojic, 2003). In the book of leadership styles of managers in Serbia Dusan Mojić (2003), it states that if we want to study the impact of culture on the actions leaders in different countries or regions, we have to look at the concept of national culture.

According to Hofstede's hypotheses, it is to be expected that the structure of Serbian companies shows tendency towards centralization and high formalization of roles. Typical organizational model of Serbian companies would be full of bureaucracy. Very high level of power distance in Serbian national culture implies a high degree centralization decision as benevolent but authoritarian style Serbian manager. A high degree of uncertainty avoidance leads to high formalization as the mechanism of reduction of uncertainty. Organizations are, according to Hofstede, in the Serbian national culture perceived as the pyramid topped by a benevolent autocrat. Thus the Serbian enterprises should be structured in a manner very similar to the structure of enterprises in Latin European countries: Italy, France and Spain. Research on the properties of the organizational structure of Serbian companies has confirmed a high degree of centralization of decision-making but not its formalization (Milisavljević, 1994). Task structure has a greater influence on the behavior of the individual, and the social structure to which he belongs. The implication is that organizations in individualistic cultures with high Uncertainty Avoidance have a relatively high degree of formalization and bureaucratization. Collectivism implies very tight social structure with close ties members of a social group or organization. The degree of freedom of the individual in group is low and the individual has to behave according to the interests of the group and even when they are contrary to his personal interests (Hofstede, 2001). In such a situation, organization may be to rely on social control mechanisms to the reduction uncertainty. The consequence is that organizations in collectivist cultures have a relatively low level of formalization of the role of organizations and bureaucratization even with high uncertainty avoidance. Masculinity dimension of national culture implies a high degree of orientation of its members on the results (Hofstede, 2001). The value of an individual is determined by the amount of the acquired assets, which actually prove its effectiveness. Dominant behavior of members of the organization's aggressive determined and oriented to the acquisition of material goods. How is the value determined by act of people it is a strong determinant of the structure of the tasks of the individual behavior of people in the “muskets” cultures. That is why in these uncertainties avoidance is achieved through the stabilization of the structure of the task or administrative

control. Femininity cultures are those in which people are oriented primarily to the quality of life and maintaining balance in the social structure. The value of an individual is determined on the basis of his position in the social structure and not on the basis of material goods that gained on the basis of position in the labor structure (Hofstede, 2001). Organizations in Femininity culture with high Uncertainty avoidance assume administrative control and there is no need for a high degree of bureaucratization structure (Janicijevic, 2006). The relatively low level of red tape in the structure of Serbian companies despite high degree of uncertainty avoidance in the Serbian national culture can be explained by its “collectivist” and “feminine” nature. As such, the Serbian national culture focuses on the social structure of the organization and thus social control them. Thereupon, in Serbian organizations to reduce uncertainty makes the stabilizing role in the social structure and the informal and unwritten rules. This avoids the need for a high degree of specialization formalization of tasks and roles in the labor structure. On that basis it achieves high predictability behavior of the members of the organization and reduction of uncertainty.

## **2.2 Iceland**

### **2.2.1 History of Iceland**

Iceland is an island located between Europe and North America. It was one of the biggest non-settled islands until 9<sup>th</sup> and 10<sup>th</sup> century, at which time it was settled by the immigrants from Norway. In the year of 930, the Icelandic parliament or Althingi was established at Thingvellir or Fields of Parliament (Ewans, 2008). The period of governance, when the Althingi developed into a system of district and supreme courts, and where civic disputes could find resolution was known as the Commonwealth. There were two opposing groups at the Althingi: The old world pagans and modern Christians. Under the influence of Thorgeir Thorkelsson, the country turned to Christianity. The Christianity brought peace, the Latin language and the Roman alphabet to Iceland. By 1220, Iceland was under the control of six families, and the King of Norway played them against one another attempting to bring all of Iceland under his reign (Ewans, 2008). In the 14<sup>th</sup> century Norway fell to the Denmark monarch, and Denmark was granted rule over Sweden and Norway as well as Iceland. From 1402 to 1404 approximately more than 50% of Icelandic population was killed by black Plague. Iceland was ordered to accept Lutheranism after Denmark adopted it in 1536. With that change the status of Iceland has changed to a fully-fledged colony of Denmark (Ewans, 2008). In the year 1602 Iceland got trading rights and 60 years after that separated into

counties and districts, with Icelanders being able to and permitted to sell their products only to Danish monopoly. In 1786 Iceland was granted permission to build cities and the first one establishes was Reykjavik built in 1786. During the 19<sup>th</sup> century Iceland was really interesting for foreigners and there are huge distributions in Icelandic culture and thought. Finally in 1874 Denmark granted Iceland autonomy and constitution. The relationship between Iceland and Denmark grew even stronger after 1918 when they entered into the Act of Union, that gave both of these countries free and sovereign states (Ewans, 2008) with a joint Danish king. On the 17<sup>th</sup> of June 1944 the Republic of Iceland was declared. It is very important to mention American influence over Iceland especially with opening NATO base in Iceland in 1951 that was closed during the year of 2006.

### **2.2.2 Development of Icelandic organizational culture**

The culture in Iceland is rich and varied and has its origins since the time when the Vikings settled in Iceland from Norway, Denmark and Britain. The Icelanders are of a Scandinavian origin but also have some Celtic blood. These countries have influenced the Icelandic culture and there are many similarities especially between the Nordic European culture and the Icelandic one. The Icelanders are highly independent and very proud of their heritage and language. The society and culture is characterized by a high degree of gender equality where many women have leadership in both government and business. Icelanders have the first female president in the world, Vigdís Finnbogadóttir, and today the Prime Minister, Jóhanna Sigurðardóttir, is both female and gay, so there is a high degree of equality between the sexes (Júlíusson, 1993). Icelanders use the first name of their father as a sir name and the women retain their names after marriage. The people greet with a simple handshake and only use each other's first names. They almost never use job titles or address formally except for the president of Iceland and the bishop (Ministry of foreign affairs, 2012). The Icelandic Business culture can be referred to the Western European culture cluster. In that culture cluster we can classify Iceland with the Nordic countries; Norway, Finland, Denmark and Sweden. What characterize these business cultures are self-sufficiency, fairness, egalitarianism and democracy which all can be identified in the Icelandic culture (Browaey, 2008).

### **2.2.3 Dimensions of culture Iceland**



Hofstede, was using the data from the 40 countries and later expanded the study by looking at the 50 countries. Today it is possible to find information about the culture from 74 countries in the database Hofstede ([www.geert-hofstede.com](http://www.geert-hofstede.com)). Iceland was not included in this research. Hrafnhildur Mary Eyjólfsdóttir and Smith (1996) investigated local managers using questionnaire by Hofstede. (PállJónsson., 2004) discussed the relationship between corporate culture and civilization. Icelandic business culture is relatively young and has been active last 100 years (Smith & Hrafnhildur M. Eyjólfsdóttir, 1996). It is characterized by strong individualism, equality, strong work ethic and optimism (Smith & Hrafnhildur M. Eyjólfsdóttir, 1996). On cultural dimension scale, Icelanders are relatively close to other Scandinavian countries, but there are also important differences. Egalitarianism, related to low power distance, individualism and femininity are very important cultural, work values (Hofstede, Hofstede, G. (1997) *Culture and Organizations: Software of the Mind*, 1997). Respect for authority in business contexts seems moderate. A second value that describes Icelandic business culture is their strong work ethic. The Icelandic work week is among the longest in the affluent world, and the important role of work in obtaining individual achievements (Stefán Ólafsson, 2003). A final cultural value is the belief in reacting positively and even optimistically to adverse nature-comprising the “action-poet” psyche of the nation and the “fisherman mentality” (Smith & Hrafnhildur M. Eyjólfsdóttir, 1996). Ásta Dís Óladóttir (2008) did research on differences between Icelandic management styles and managers in Scandinavia. Her conclusion was that differences are in lack of hierarchy, informal communication and risk seeking mentality. In this study, the questionnaire was presented to students at the University of Iceland. This research shows that the Icelandic national culture, as it is valued by respondents, is characterized by low power distance, excessive individualism, and low level of masculinity and low index of uncertainty. Gylfi Dalmann Aðalsteinsson (2011) has done a research on dimensions of culture in Iceland. The results of this study showed that Icelandic national culture is characterized by low power distance, high individualism, low masculinity index and high index of Uncertainty avoidance. As we can see the difference in this study and previous studies on Icelandic national cultures is on Uncertainty Avoidance dimension. Since this research is done after the economic crisis in Iceland that started in 2008 I will consider Icelandic culture as the one with the low level of uncertainty avoidance (Vaiman, 2011).

### ***2.2.3.1 Power distance***

Iceland scores low on Power distance index. Icelanders believe that all people are equal, and on the basis of this, it does not give them the right to criticize another person. They value simplicity in every way and try to achieve all aspects of life. Icelandic employees expect that they will have freedom for initiative at work will be asked for answers and they will be able to do things on their own. Icelanders believe that less hierarchy is better and that power should be used only for legitimate reason. Countries scoring with a low score on power distance dimension are often seen with little financial inequalities in society and the public believe that citizens should have equal rights. The work environment is regarded officers and peers they consult often with their subordinates when decisions are made. The chief managers are often less than in nations scoring very high in power distance and popular behavior considered them as income. It is likely that parents treat their children as peers and teachers treat students in peer basis. It has also been pointed out that when something goes unfortunately in subjects that have the tendency to blame the system rather than admit their own responsibility.

### ***2.2.3.2 Uncertainty avoidance***

When uncertainty dimension is examined, it turns out that Iceland ranks fairly. Icelanders are probably more tolerant of uncertainty than many other nations because of the ever changing weather, earthquakes and volcanic eruptions. They need to have the capability to react quickly to all types of changes. (Erla Kristjánsdóttir, 2009). Thus, Icelanders are considered to be very flexible and positive regarding abrupt changes in the work place. They need to be optimistic and believe that those things will work out as expected, which can make them too optimistic. They also tend to be overly optimistic to the extent of appearing careless, making free use of favorite saying in times of trouble: *thetta redast*-"it will sort itself out" (Smith & Hrafnhildur M. Eyjólfsson, 1996) When uncertainty dimension is examined in research done by Gylfi Dalmann Aðalsteinsson it turned out that Iceland ranks fairly high. It is most likely due to the crisis in the economic sector in Iceland. Individuals are more likely to experience powerlessness against the external forces and the emphasis is on stability and is likely to be held in the routine values and traditions. People are less willing to take risks and less likely to change employers and signs of further promotions based on seniority. It is the devotion and loyalty as a virtue and individuals are more likely to show changes in resistance and feel that they are threatened by foreign workers.

### ***2.2.3.3 Individualism***

Icelanders, in both work and social settings exhibit strong individualism, with some collectivistic tendencies. They favor personal initiative over collaborations in their work. In a study where Icelandic organizational values were compared with those found in Nordic countries, all Icelandic respondents reported high reliance on their own experience and training, different from other European respondents in their strong connection on their colleagues (Smith & Hrafnhildur M. Eyjólfsdóttir, 1996). Similar individualist-collectivist synthesis is seen in the Icelandic social security and health care systems, which are universal, but generally provide low benefits, which are income targeted, in contrast to other Scandinavian countries (Stefán Ólafsson, 2003). In this relation to individualism Icelanders have positive view of competition and meritocratic rewards. Hofstede (1980) has identified a negative relationship between dimension of individualism and power distance in some cases, and this applies to Iceland and other Nordic countries. Within Europe, this is not always the refrain from the Latin European countries like France and Belgium score example high in both power distance and individualism (Hofstede, 1980). Characteristics of those who score high on individualism dimension are that emphasis on individual initiative and that every single person should make their own decision independently. Competition is seen as a good thing and it is expected that individuals should primarily be responsible for themselves and their family. There is a priority of financial independence from family and friends.

#### ***2.2.3.4 Femininity***

Iceland has been measured with the low index of masculinity, just like other Scandinavian countries. There is typically a strong focus on gender equality. Women in Iceland are involved in society perhaps more than anywhere in the world, performing important social functions, throughout history you can find them doing important roles: Minister, Prime Minister. The Icelandic society is built on the “feminine” values: compromise, tolerance, and most importantly to modesty. Contribution of women in management and economy in Iceland is lot higher than in other countries. Hrafnhildur Eyjólfsdóttir and Smith (1996) describe typical Icelandic person as someone who possess so-called “fisherman mentality. When a fisherman goes for fishing there is hope for results. “He is flexible and will work hard when the fishing season is good” (Smith & Hrafnhildur M. Eyjólfsdóttir, 1996). The Icelanders do place the importance on punctuality and may prefer to spend less time in building relationships.

#### **2.2.4 Icelandic organizational culture**

After the research based on Hofstede's cultural dimensions were completed in 1997 it was concluded, that Icelandic corporate culture is very close in its characteristics to the organizational cultures presented in Scandinavian countries. Organizational culture is represented with low power distance and low uncertainty avoidance, as well as strong feminine values (Smith & Hrafnhildur M. Eyjólfsdóttir, 1996). The study's authors also pulled out the key characteristics of Icelandic managers, equality and reaction to the cruel forces of nature. Equality connects (Smith & Hrafnhildur M. Eyjólfsdóttir, 1996) cultural dimensions of Hofstede (2001) on short power distance, individualism and female close values. The equality is tried to be fixed with tax system, adapted for the different income of the people. Corporate culture is also considered to be one of the factors that have influenced the expansion of the companies' success. Each organization has its own specific corporate culture but has been suggested that a special Icelandic organizational culture that contributed to the success of expansion of Icelandic companies (Guðlaugsson & Aðalsteinsson, 2007). In a study of Sigrún Davídsdóttir (2006) foreign managers see local, Icelandic managers as imaginative, hazardous active, well-educated, freely to distribute responsibility, taking the risks and with characteristics of entrepreneurs. The differences between bosses and subordinates are not clearly marked, and it is hard to recognize distance between the bosses and subordinates. It is more of a very friendly atmosphere. Icelandic managers consult their subordinates; they see them as colleagues and call them by their first name (Smith & Hrafnhildur M. Eyjólfsdóttir, 1996). Existing of Flat organizational hierarchy in Iceland makes communication faster and issues are solved in a very easy manner. Icelanders are educating themselves abroad (Hagstofa, 2013) and Student Loan Fund (LIN, 2013) affect this increase. According to research by Smith, Andersen, Ekelund, Graversen and Ropos (2003) the main characteristics of Icelandic managers are: entrepreneurship, informal communication, traditionally risk, speed and originality. They rely little on formal rules, work instructions and subordinates, but a lot more of their unwritten rules, their own experience. Out of all the Scandinavian countries, Icelandic managers rely least on their subordinates. Icelandic managers seem to make much emphasis on short lines of communication and quickness in decision making (Sigrún Davídsdóttir., 2006). Sigrún Davídsdóttir (2006) addresses the weaknesses in communication with local management. Icelandic kids leave their parents houses at the early stage of their life. They start working at the age of 14. There

are many privately run companies and that shows the individual dimension of Icelandic culture. Individuals are more likely to go for challenge at work and the focus is on advancement and provision of status based on ability. They try to stay in touch with newest technology.

### 3 Serbia versus Iceland

#### 3.1 Comparison between Serbian and Icelandic dimensions of cultures

When we look into the results we see that Serbia and Iceland have similarities and differences. Serbian culture can be described by high power distance, low individualism, and low to medium masculinity and high index of Uncertainty avoidance. Gylfi Dalmann (2011) has done a research on dimensions of culture in Iceland. The results of this study showed that Icelandic national culture is characterized by low power distance, high individualism, low masculinity index and high index of Uncertainty avoidance.

**Table 4: Hofstede's cultural indexes for Serbia and Iceland (<http://geert-hofstede.com/>)**

Index	Serbia	Iceland
Power Distance	86	38
Individualism	25	91
Masculinity	43	17
Uncertainty avoidance	92	82**

\*Power distance index: 100 = a large power distance; 0 = no power distance.

Individuality index: 100 = individualism; 0 = collectivism.

Masculinity index: 100 = masculine, 0 = feminine.

Uncertainty avoidance index: 100 = uncertainty avoiding; 0 = uncertainty accepting.

Long-term oriented index: 100 = long-term oriented; 0 = short-term oriented.

\*\* This index based on study of Gylfi Dalmann (2011). My research is based on Vlad Vaiman (2011), in his study uncertainty avoidance index is relatively low around 40.

As we can see Serbian culture share feminine values with Icelandic cultures, but they are different in all other dimensions. In both societies there is a strong focus on gender equality with more women in management and participation in the economy in general. Women are allowed to have the same jobs as men. Money and positions are not as important as fostering good relations in the family. Good working conditions, which are primarily related to good relations and cooperation with colleagues, are a lot more important than a high position in the hierarchy. In both cultures conflicts are resolved through the discussion and compromises. The main values in life are those associated with care and relationships between people and social relations as predominant feminine values. Serbia scores high on power distance dimension index. In Serbia organizations are centralized. This means that the power is not in the hands of the subordinates and they expect to be told what to do. Before making final

decisions they have to consult with their bosses. In Iceland where the power distance is low, the supervisor shall consult with subordinates before making a decision. Such organizations are autocratic and employees are not afraid of their bosses. There is respect for bosses but hard to see distance between them and subordinates. Serbia is collectivistic country. Collectivism refers to those societies in which people from birth are integrated into strong cohesive groups. They develop a close relationship with family members and relatives. Children are taught to think in terms of “us”, as they always belong to the group. Personal opinion exists, but more important is the opinion of the group. In business, relationships between people are in the first place to think about. In Iceland the ties between individuals are weak: all expect to care about themselves and their close family. From an early age children are taught to be independent. This means that early find jobs and leave the parents’ home. Children are taught to think in term of “I”. Managers work for their own interests and the interests of the company. In Iceland managers are individuals. They are allowed to openly talk with the employee about their performance. They are treated equally. For doing the job, task, and companies are more important than the relationship between people. Generally speaking, countries with a high power distance are usually collectivist society, and those in which a low power distances are more individualistic. In the past there was a big difference in the way how these countries manage uncertainty. Serbia scores high in uncertainty avoidance meaning that the society tolerates the rules and is not keen on trying new things. According to research, people try to avoid conflicts. In Iceland, on the other hand, where uncertainty avoidance is low, society is more open-minded in attitude towards changes and trying the new things. People are used to dealing with uncertainty because of the unpredictable weather conditions and natural disasters, such as earthquakes. Icelanders negotiate and look for compromises rather than running from the situation. Countries with low uncertainty avoidance index make up the rules and laws when necessary. People are less worried about the future and act as if they have a good life. In fact, people have to behave better in this kind of society without many rules. These cultures are not socially acceptable to express emotions. It is worth when it is necessary, so that people are not always in a hurry. For these companies the differences are interesting.

### **3.2 Comparison between Serbian and Icelandic organizational cultures**

Differences in historical development and national cultures of Serbia and Iceland have had an impact on organizational cultures in these countries. Organizational culture differs mainly still

in different religion, geographical location, language and the history of these countries. (Hofstede, 2001). It can be said that both corporate cultures were under strong influence of historical developments of the countries. It is in the nature of Icelanders to act quickly and go for opportunities when they are presented and it should not be surprising that it appears in management style and workplace culture of Icelanders. In Serbia organizations are centralized. This means that the power is not in the hands of the subordinates and they expect to be told what to do. Before making final decisions they have to consult with their bosses. In Iceland where the power distance is low, the supervisor shall consult with subordinates before making a decision. Such organizations are autocratic and employees are not afraid of their bosses. There is respect but not fear. Serbia is collectivistic country. Collectivism refers to those societies in which people from birth are integrated into strong cohesive groups. They develop a close relationship with family members and relatives. Children are taught to think in terms of “us” as they always belong to the group. Personal opinion exists, but more important is the opinion of the group. In business, relationships between people are in the first. In Iceland the ties between individuals are weak: all expect to care about themselves and their close family. From an early age children are taught to be independent. This means that early find jobs and leave the parents’ home. Children are taught to think in term of “I”. Managers work for their own interests and the interests of the company. Managers are individuals. They are allowed to openly talk with the employee about their performance. They are treated equally. For doing the job, task, and companies are more important than the relationship between people. Generally speaking, countries with a high power distance are usually collectivist society, and those in which a low power distances are more individualistic. Both countries belong to feminine societies. There is a strong focus on gender equality with more women in management and participation in the economy in general. Women are allowed to have the same jobs as men. Money and positions are not as important as fostering good relations in the family. Good working conditions, which are primarily related to good relations and cooperation with colleagues, are a lot more important than a high position in the hierarchy. In both cultures conflicts are resolved through the discussion and compromises. The main values in life are those associated with care and relationships between people and social relations as predominant feminine values. In the past there was a big difference in the way how these countries manage uncertainty. Serbia scores high in uncertainty avoidance meaning that the society tolerates the rules and is not keen on trying new things. According to research, people try to avoid conflicts. In Iceland, on the other hand, where uncertainty avoidance is low, society is more open-minded in attitude towards changes and trying the new



things. People are used to dealing with uncertainty because of the unpredictable weather conditions and natural disasters, such as earthquakes. Icelanders negotiate and look for compromises rather than running from the situation. Countries with low uncertainty avoidance index make up the rules and laws when necessary. People are less worried about the future and act as if they have a good life. In fact, people have to behave better in this kind of society without many rules. These cultures are not socially acceptable to express emotions. It is worth when it is necessary, so that people are not always in a hurry. For these companies the differences are interesting.

## **4 Actavis**

Reasons for expansion of Icelandic companies can be attributed to its size, but Iceland is only about 300 thousand inhabitants. Many explain the expansion as a normal reaction to the small size of the Icelandic market. Domestic market soon became too small for larger companies and they started to see growth in foreign markets (Guðlaugsson, Ólafsson, & Aðalsteinsson, 2007). Entry to the European Economic Area in 1994 was a turning point in the expansion abroad. By joining it facilitated access to European markets, which led to the business environment in Iceland, European nations also became easier and local businesses joining in this market

### **4.1 Short history**

Actavis, is a global, integrated specialty pharmaceutical company focused on developing, manufacturing and distributing generic, brand and bio similar products. The Company has global and U.S. headquarters in Parsippany, New Jersey, USA, and international headquarters in Zug, Switzerland ([www.actavis.com](http://www.actavis.com)).

Actavis Group, headquartered in Reykjavik, was founded in 1956 as a local purchasing alliance under the name of Pharmaco. The Company started producing pharmaceuticals for the local market in 1972 and by the time Pharmaco went public on the Icelandic Stock Exchange (ICEX) in 1997, it was the largest Icelandic pharmaceutical company with around 150 employees. In 1999, Actavis undertook the first step to expand its business internationally with the acquisition of the Bulgarian pharmaceutical manufacturer Balkanpharma. Since then, the Company has acquired more than 25 companies worldwide and today has over 11,000 employees in more than 30 countries ([www.actavis.com](http://www.actavis.com)). The new Actavis, Inc. is a powerful combination of the highly successful and previously separate Watson Pharmaceuticals, Inc. and privately-held, Swiss-based Actavis Group. Actavis is the world's third-largest generic pharmaceutical company, with more than 750 molecules in 1,700 dosage combinations marketed globally through operations in more than 60 countries ([www.actavis.com](http://www.actavis.com)).

### **4.2 Actavis organizational structure**

It is believed that corporate culture is one of the factors that have affected success of Icelandic companies expanding overseas. Although every company is using its special corporate culture it has been suggested that an Icelandic corporate culture that has contributed to the success of these companies (Gudlaugsson & Adalsteinsson, 2008)

The study of the Actavis Company examines whether there are differences in cultural dimensions and organizational cultures in these two companies. After looking at the results it was concluded that Serbian company had the highest scores in all dimensions. “Serbian culture is dominant in our local affiliate, since we do not have colleagues from abroad, on the other hand we are aligning our behaviors’ with the corporate culture and in line with our new values”(Goran Bakovic, personal communication, April 26, 2013). These companies differ however very little and the major difference is on power distance dimension. In Iceland hierarchy is not dominant in the company. The people are equally responsible in their tasks and individuality is respected. Uncertainty Avoidance index is similar in both companies because of the high standards of the production in pharmaceuticals. The company grows the challenger mind set and promotes the value of “Winning Way”, which provides value for innovative creative solutions that each employee can offer adding a new value. “Our Company’s continued success is powered by Our Winning Way, a dynamic employee culture. With the industry’s most talented, motivated and engaged employees, we are creating an exciting future for ourselves, our customers and our shareholders” (Þorhallur Guðmundsson , personal communication, April 26, 2013). The work environment in both of the companies would be located between feminine and masculine orientation. Although it is a little bit more towards femininity, whereas employees work in groups to achieve their goals. That makes employees more caring for each other. The hierarchy is not dominant and that also makes the companies more to the feminine side although they are working towards profit. The only difference is that the Serbian branch employees work both as individuals and as a group. This is not in correlation with individualistic index of Iceland where Iceland belongs to individualistic countries. In Serbia it mostly depends on the very nature of the specific jobs if the culture is individualistic or group orientated. In addition to their highly reliable individual achievements, all employees show a respectable level of team work ability. One of their core values is to be connected and it applies to how teamwork can maximize the goals. “We have many projects and matrix approach is very present, and of course many employees are on the field on their own, so pretty independent in their work framed with the same goal ”(Goran Bakovic, personal communication, April 26, 2013). Actavis in Serbia have system of rewarding including sales bonus, corporate bonus, and project excellence bonus.

### **4.3 Culture's stereotypes**

Cultural stereotype for Actavis business culture in Iceland is the Guided missile. There is low hierarchy within the company and the managers try to make everyone feel as equals. The staff and managers communicate openly with one another, job titles do not matter. The corporate culture is individualism but there are traces of collectivism, where as they focus on team work but each team doesn't work together and there is some competition between them. Everyone is encouraged to invent and develop new products. There is a bonus system as a reward for high efficiency. The company in Iceland is very task oriented and everyone should focus on the task that they are given, as Harpa said "People are used to work hard to be able to finish the tasks and objectives set for them". Now the company has an objective that has to finish before 1<sup>st</sup> of January and if they are able to finish it the workers will get paid for their performance (Þorhallur Guðmundsson , personal communication, April 26, 2013).

The stereotype business culture in Actavis, Serbia, can be categorized as the Eiffel Tower Culture. There is high hierarchy starting from the manager floor up to the level of top management. The manager also state that they emphasize on mutual respect although there is high hierarchy. The business culture is characterized by task orientation. Much influence is on getting the job done and high formalization instead of establishing relationships at the work place. The staff members have job descriptions, rules and strict procedures to follow (Goran Bakovic, personal communication, April 26, 2013).

## **5 Limitations**

The work was not intended to test hypotheses but to generate data. It was based on the use of sources, case studies and the experience of the author. Given the changes that have taken place in Serbia and Iceland in recent years, and related to the political and economic conditions, enterprise and the presence of foreign companies, it is interesting to examine the difference in culture compared to the respondents, gender, property companies and organization structure. This test would then provide a clearer picture of the impact of changes in the culture in Serbia and Iceland.

## **6 Conclusion**

Knowledge and understanding of national culture and then organizational culture is a prerequisite for a successful business today. The more we know the history, religion, social customs, so we will be more successful. . The art of international business is to master all these different things. The purpose of the study was to point out the impact of the national culture on management.

It was assumed before I started this project that differences in dimensions of culture in Serbian and Icelandic societies will be very obvious. Using the research done by Hofstede, the result showed that these two societies differ in three dimensions of culture, and the only in y similarity is in feminine characteristics of both cultures.

This would lead to a conclusion that organizational cultures in Actavis located in Serbia and Actavis located in Iceland will be totally different. However, since the Actavis Serbia is originating from the company with the Icelandic background, there are more similarities than differences. The high level of uncertainty avoidance presented and high level of power distance in Serbian society is bringing hierarchical structure into the Actavis in Belgrade. The collectivistic values in Serbian culture are associated with the need to belong. Actavis in Iceland is described with less hierarchical structure, and maybe more competition between employees due to the individualistic component of society. Both companies are oriented to building strong social structures which are related with the feminine values of these societies.

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