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**AN OUTLOOK ON SWISS WATCH IN THE INTERNATIONAL MARKET USING INTERVAL  
REVISION METHODS AND IMPLEMENTING HOFSTEDE'S THEORY OF FIVE CULTURAL DIMENSIONS**

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**HOW DOES A SWISS WATCH RUN IN RUSSIA?**

Geographically spreading over two continents (Eastern Europe and northern Asia), 16 time zones and a population of more than 143 million inhabitants, RUSSIA has been multicultural in the East and the West, trying to find its way between communism and capitalism. Moreover, RUSSIA is multicultural with more than 190 ethnic groups (Stratton, 2014). RUSSIAN cultural and historical heritage have an influence on business life and management practice in RUSSIA. It represents a very attractive marketplace and a great opportunity for many European companies. Despite that, due to the high corruption rate (World Bank Group, 2012) and inefficient legal system, not many European managers decide to make a step into the "unknown" and test their management skills in this ex-SSSR country.

**Introduction**

At the beginning of 2013, one large RUSSIA trading company finally decided - after years lingering just with the idea - to make a first, but a huge step into manufacturing. For the purpose of a vertical integration, the company acquired an old and bankrupt RUSSIAN company with its old & desolate facilities situated in a southern province with none or low skilled workers available in that particular industry (low wages territory). They renovated its building structures, hired a foreign start-up specialist to organize the Greenfield start-up and further create a high tech production environment using West-European technology and production under license. All that should be executed by 2 more than a dozen of foreign specialists and state-of-the-art equipment worth many millions of EURO's making up the most modern textile finishing plant in the world. All that sounded as a recipe for a guaranteed success of this project. One and a half year after the hands-on initialization of the project - despite a 7-month delay - the final start-up was successful because the main technical parameters of production were met in due time. However - even as the start-up (not considering the time-delay) was successful it was obvious that this big factory was and has become a battle field between RUSSIAN management and the technical head of the project (start-up specialist) with his team of foreign engineers. The seven-month time delay, a tumbling Ruble, as well as a highly inefficient administration, have put enormous weight on this heavy & complex investment and the entire organization. A western team, with decades of start-up experience was prone to execute a technically well-planned project & start-up schedule. However the goals and time-frames set by RUSSIAN leadership - almost (if not) a "mission impossible" - turned out to be an overkill for the RUSSIAN leadership and management and up to date still imposes by its consequences a steady threat of technical collapse. It is one thing to call something a successful start-up by meeting the technical parameters but another thing to consider this status-quo as self-sustaining or able to evolve to a higher level. The higher level would be the strategic goal of the Technical Leader to go beyond the manufacturing of the originally set quantity and quality i.e. start with own R&D and creating new products within the group and utilize the plants full capacity. In the end, too many project components were completely altered in the belief that the West European plans are not good enough, or an overkill, or too complicated or even "luxury" and won't be "necessary" in the sense that things can be done in a more simple and more economical way. This case study will provide not only a description of a clash of cultures that the expats faced but also a subjective opinion how a cultural insensitivity in combination with a manufacturing inexperienced top-management team led to a failure of the project in regard to the achievements of its original time-frame & goals. The plant will still deliver the products it is supposed to produce, but in a non-competitive manner for some months or even years to come. Moreover, the potential for qualitative growth has been reduced by more than half. It will take the investors a good breath to neutralize the negative effects of the before mentioned factors, the non-compliance with the original plans of the foreign specialists team which only was assigned with the goal to start-up the high-tech operation and breed a RUSSIAN workforce and technical management over the next 2 - 4 years to come. In the 2nd year of the project finally the consequences of the alterations and "knowing it better culture" have become evident at every corner and stage of the project. The 7 - month delay of start-up, startup problems and low quality plant infrastructure have seriously endangered a multi million investment and its competitiveness (none to poor working ducts and piping, unstable utility supply e.g. steam, poor or no air exchange and air-conditioning system leading to very labor disturbing conditions such as working temperatures far beyond 30° C and poor air-quality due to insufficient suction of chemical exhaust gases and air-exchange in general). In the first months of start-up all foreign specialists have the fear that all can still fail at any time i.e. a technical collapse might occur as no spare-parts for the expensive equipment was bought to ensure a continuous operation. In the end, almost any savings-strategy applied in 2014 turned out to losses for the investor. After this rather pragmatic and partly subjective way of looking at things, the authors try to find a deeper underlying nature of why something like this happens and might happen in other projects in the RUSSIAN Federation but also other parts of the world. In the end the authors feel that not all is culture related but somehow culture may magnify managerial errors and lead to even bigger consequences.

## 2 A COUNTRY ANALYSIS

IBS Data Extract From World Development Indicators (1)final;llllll.xlsx

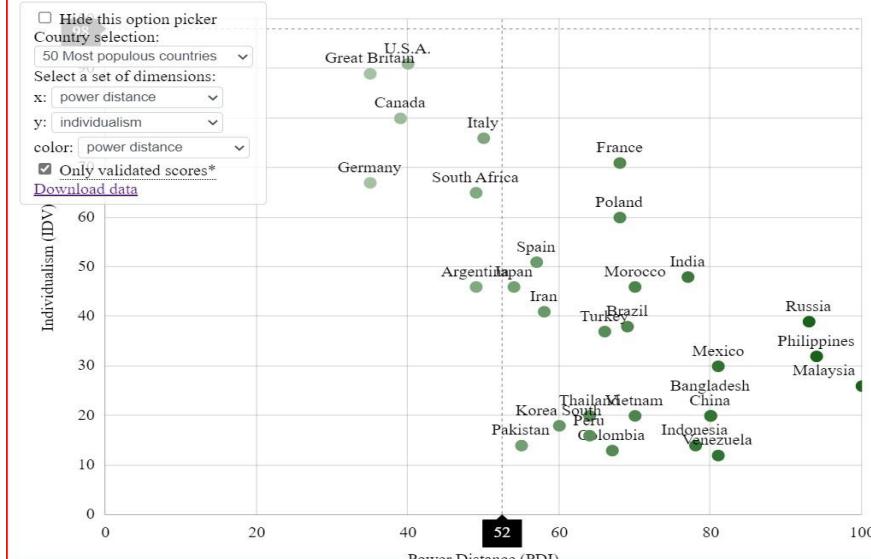
### 1. RUSSIAN and Western values through eyes of Hofstede Geert

Hofstede's theory of five cultural dimensions provides an answer how national cultures influence management decisions and business life of companies. Hofstede explained culture as "Collective programming of the mind that distinguishes the members of one group of people from another" (Hofstede, 2001). Societal culture, as well as organizational culture is defined by culture members (who share it), and includes representation of values, norms and believes that are learnt and that lead to a particular behavior (Adler & Jelinek, 1986). More, an organizational culture exists within social culture and social rules, norms and believes play an important role in an organizational life, too. Therefore, the cultural model presented by Hofstede can be applied in a business life and was used as observing criteria in this case study. For the purpose of this case study, the authors compared five cultural dimensions of Germany and RUSSIA: power distance (PD), long and short term orientation (LTO), individualism/collectivism (IND), masculinity /femininity(MAS) and uncertainty avoidance (UA). The authors use Hofstede's findings to establish connections between culture and behavior of RUSSIAN management and production workers. This case study also shows that cultural differences between Western (here represented by German culture) and RUSSIAN culture were transferred to a business sphere and caused many organizational and managerial problems that determined the success of the project. Above graph shall be viewed in regard of the below mentioned and described 5 cultural dimensions. Source: <http://geert-hofstede.com>.

#### 2.1. Power distance (PD)

Hofstede defined power distance as "the extent to which the less powerful member of institutions and organizations within a country expect and accept that power is distributed unequally" (Hofstede 2001). The chart below shows that power distance index in RUSSIA is significantly higher in comparison with the one in Germany. This was considered a clear breach of the local management culture and consequently caused a strong resistance that ended with taking away almost any authority from the expat team. That in turn almost lead to a failure in what the foreign start-up team was trying to achieve. Regardless of the good and sincere intent of the start-up manager to do something good for the company and the country, he made himself an enemy to the RUSSIAN top management. One of the counter actions was that RUSSIAN top management refused to give the best workers a position of supervisors (higher position meant a higher salary). Their excuse for that was that operators in the company earn more than supervisors in some other companies in the same region and that the management was only following terms dictated by a labor market. The expat engineers couldn't understand this decision as per their mutual experience this was an a priori limitation of their success (which would mean at the same time success for the company). They thought that it's in RUSSIAN management's interest that within a time lapse of 2 to 4 years RUSSIAN people take over the production management and maybe in the end only 1 or 2 expats instead of 16 will remain. Still, for the RUSSIAN management a higher salary, a higher position and a knowledge that RUSSIAN operators were receiving would decrease the power distance between top management and production workers, which wasn't in the management's interest since they weren't willing to share their power and control. High power distance in a business life in RUSSIA is demonstrated in many ways: • Through leadership style. Expat management working in a RUSSIAN province was determined to practice a democratic management style (operators work with managers, not for managers; managers acted as teachers ready to share their knowledge and promote the best workers; manager's act as coaches trying to empower the workers and give them opportunity to bear responsibility for the production results). Nevertheless, the field study showed that a democratic management style was too liberal for RUSSIAN management and workers. RUSSIAN managers believed that the responsibility for the project success shouldn't bear the team, but only one person who will be to blame in case the project fails.

"Only validates scores" gives you the "official" country scores from studies that we consider valid. If you unclick it, you all other countries. These are Gert Jan's guesstimates. Although I (GJ) created them with care, do not use them in research



RUSSIAN workers, on the other side, were not prepared for individual work, but they expected clear directives from their managers (controls preformed top-down). It was rather unusual to get any sort of feedback from them (especially the negative ones), though expat managers expected it. RUSSIAN workers were trying to do their job, receive their salary and they accepted their situation and working conditions as something given and impossible to change. • Administrative employees, lower and middle management are left in front of a director's door for hours to wait for a signature for a certain document. It's not a rarity that even a top manager has to wait for 8 hours for a VP (being late) to come on previously scheduled meeting. In Western countries, this sort of behavior would be characterized as rude and humiliating (for subordinates) and most probably not happening or dealt with it in an appropriate and ethical way. In RUSSIA this kind of behavior is expected. In the author's experience, that treatment of subordinates in RUSSIA is even desirable – it is expected from the people who are in power to practice it. Practicing power means showing the employees "who the boss is" and brutality, as well as a "strong hand" in RUSSIA are synonyms for strength. RUSSIAN history showed that RUSSIAN people admire oligarchs and strong leaders (Lenin, Stalin, Gorbachev, Yeltsin, Putin). It can be argued that "admiration" could be identified not with respect, but with fear that RUSSIAN feel. Nevertheless, the history, as well as this study, showed that "the language of the stronger" is what RUSSIAN people understand best. • A director needs to make every single decision because all power is centralized on the very top of the organization. Moreover, not only that the director needs to make all decisions – he/she also wants it because decisionmaking increases his power. (That they become managerial bottlenecks and slow down the manufacturing and administrational reaction speed of the entire corporation is absolutely secondary and seemingly not even important at all) • Top managers in RUSSIAN culture usually have big offices while 5 or 6 administrative workers need to share half a smaller working space (dimensions of an office are proportional to a position of a person and are a symbol of his/her power). In extreme cases, like in our case study, the President of the company had its own conference room with a big table, separate toilette, and living and dining room that he used to relax himself and his colleagues after long and stressful meetings. • For high power distance cultures are usual line organizational structures (Hartog & Deanne, 2004) (vertical relationships between different levels, clear chain of command with an authority concentrated on the top). Line organizations are supported by a bureaucratic system (formal rules, acts and procedures) and "apparatchik" culture that many foreign managers found annoying. 7 An Expat engineer e.g. stated: "Instead of simply sending an order signed by a responsible manager, RUSSIAN administrative employees want order requests to be signed by at least five people. Each one of them needs time to study the subject of his responsibility and get this approved. That prolongs decision-making time for days or weeks and brings unplanned delays". • Decision of a top manager is never discussed or questioned, but strictly followed. Line organization become inefficient as the company grows. • One more act of RUSSIAN top managers was to call meetings on very short notice ("Be in my office in 10 minutes! Can you come to my office now?") without informing the participant about the agenda. Often it seems like a "tactic" to make use of an "unprepared" inferior with the aim of - that a RUSSIAN manager can lead the conversation in the direction that suits him/her. An unprepared counterpart always suffers under the prepared initiator of the sudden meeting and very seldom do employees complain and speak up to this unprofessional gathering. In this way, many RUSSIAN managers demonstrate their power (by calling meetings on short notice) and trying to build a higher power distance between them and foreign managers (by forcing quick decisions and their often unfortunate consequences).

## 2.2. Long and short term orientation (LTO)

Long-term orientation (LTO) is the extent to which a society exhibits a pragmatic futureoriented perspective rather than a conventional short-term point of view (Mooij, 1997). According to the findings of Hofstede, both countries (Germany and RUSSIA) should be longterm oriented. Nevertheless, the authors made a different experience. In their opinion, RUSSIA in many aspects acts as a short-term oriented country. Cultures with long-term orientation tend to be focused on future and building long-term relationships with their employees and business partners. RUSSIA (in author's opinion short-term oriented) values, traditions and norms may be regarded as old-fashioned and hardly understandable by many European managers. If an expat asks the question when he can get a good table and a chair (less than 15 years old), a responsible lady from a supply department (low level manager) could answer: 8 "If he is a good manager, he doesn't need a nice furniture. He came here to work, not to sit in the office". RUSSIAN managers are focused on past and according to Alexashin, Y. and Blenkinsopp, J.

(2005) that makes them lose a "wider picture" and prevents their focus on long-term objectives. In the long-term orientation the time line is linear (past, presence, future). Nevertheless, in short term orientation countries, past and future are connected (Telelangue, 2011). In RUSSIAN mind set it means that RUSSIAN employees will never feel time pressure or an urge to fulfill a deadline, because everything what hasn't been done today, can be finished tomorrow. (Other countries have this culture as well e.g. Mexico with its beautiful "manana" which means "tomorrow") One example of their short-term orientation is reflected in their attitude towards environmental standards (there seems to be a strong tendency to "bend" them whenever possible in order to decrease production costs or simply avoid unnecessary "challenges"). The concept of sustainable environment was in this particular company unfamiliar

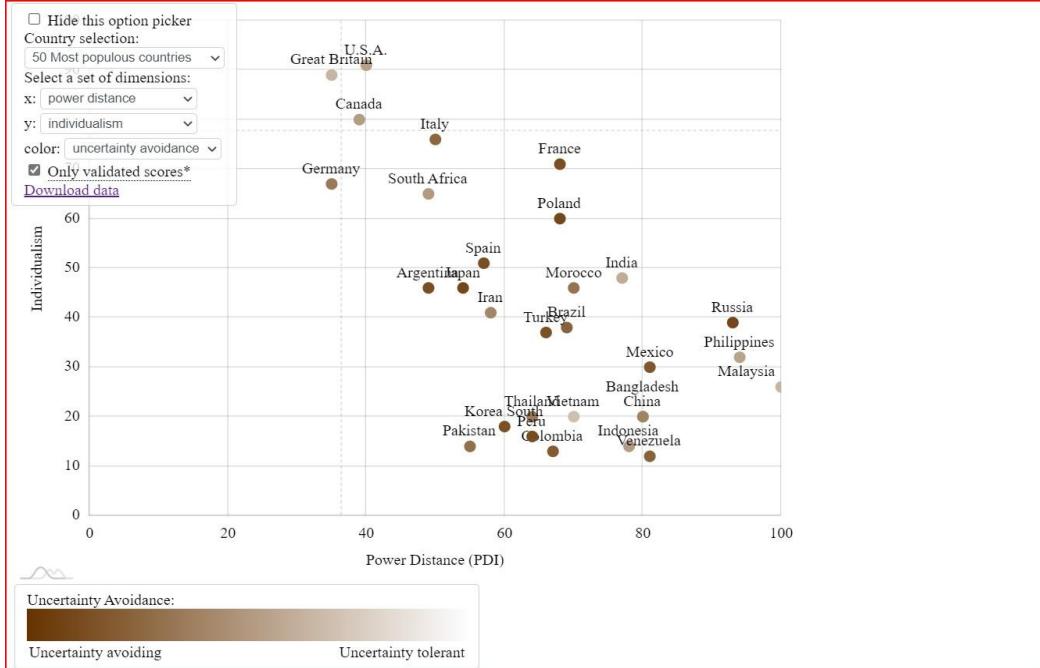
## 2.3. Uncertainty avoidance (UA)

Hofstede defined UA as a level to which "members of a culture feel threatened by uncertain or unknown situations" (Hofstede, 1991). RUSSIA scores high (95) on an UA scale. The main role of numerous administrative workers (in our case study, on 3 production workers comes 1 administrative worker) is to establish rules and formal procedures in order to provide a predictable and stable working environment where there is nothing left to random for an unpredicted change. The study also showed that RUSSIAN management doesn't accept changes gladly. They are especially skeptic toward decisions that haven't been proven in practice. Since authority in RUSSIAN companies is centralized on top, top managers

are not willing to take responsibility for actions that they perceive as a risk. That approach doesn't allow the organization and its employees to gain new experiences and learn from them. It doesn't allow them to move quickly which is a must in becoming and being competitive! ("Time is Money"). A diagnosis phase in a decision-making process can last long – everything must be discussed in small details and all repeatedly on many occasions which makes the process time-consuming and complex. As a consequence – and also because of this – the managerial efficiency e.g. of the foreign start-up specialist was found to be only between 10 and 30 % (!!) at most. Planning plays an important role in the Russian company since it's used as a tool to avoid the "unknown" and "unpredictable". For example, in order to assure that everything goes according to the plan, every visit of the company owner was planned to the smallest details – everything looked like as a perfect show. According to the study by S.

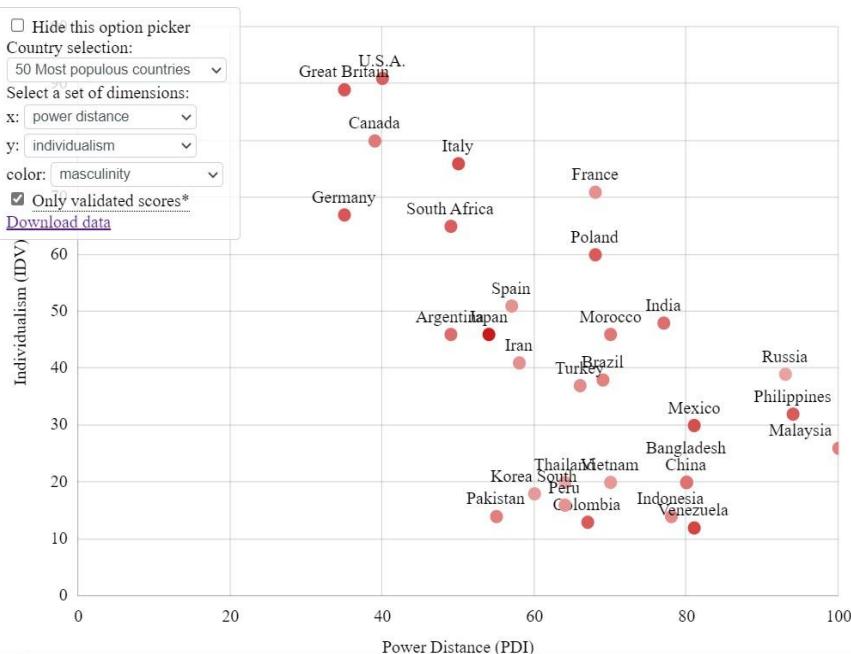
Michailova (2002), foreigners' planning is long-term oriented, with the possibility of adjustments (reformulation) in case of unpredicted circumstances. On the other side, Russians prefer rigid, short-term planning and they refuse changing plans when a decision is made. However in this particular case it even seemed that a plan is made to be changed. The more changes the better! Russian Planning is preceded by a diagnosis phase that can last long – everything must be discussed into small details which makes decision-making process very long and complex (Michailova, 2002). The only way to assure Russian management to take a more open approach to the issue is to provide them detailed background information that is going to minimize uncertainty and risk they are afraid of. For that more time for good planning and also e.g. budgeting is needed – done with the assistance of external consultants who are from the field. Rather than relying on theoreticians from the board who often don't have particular expertise in "a field". And then the way of the external consultant must be followed and not ignored as it repeatedly happened and happens. However this is noted as an international management failure and has nothing to do with "RUSSIAN traits". Foreigners working in RUSSIA (high UA index) should try to establish friendly relationship with

RUSSIAN workers. Mutual decisions will be easier made in case of mutual trust. 10



#### 2.4. RUSSIA – masculine or feminine? (MAS)

This dimension refers to the "distribution of emotional roles between the genders; it opposes "tough" masculine to "tender" feminine societies" (Hofstede, 2001). RUSSIA is, according to Hofstede, a feminine society – cares and protects members of a society (group) and a society should sympathize with a looser, not a winner (Balykina, 2013). Top managers and company owners in RUSSIA play a paternalistic role and the owner is usually the most influential (powerful) person in the organization. In the RUSSIAN company it has been noted that managers are reluctant to fire people that are not well performing under the excuse that it's not kind and that all workers should get "a second chance". That attitude brought many problems to the foreign specialists, because they weren't able to choose their own team and had to accept not only to give "second chances" (which they were used to anyway from their earlier professional experiences) but to give "third, fourth and fifth chances" which made a stringent but fair management impossible. Expatriates found a behavior of RUSSIAN managers very strange: On one side, RUSSIAN managers didn't want to reward (give bonuses) good workers, but on the other side, they weren't willing to let incompetent and lazy workers go. Nevertheless, Naumov and Petrovskaya (2006) noted that RUSSIA grew in masculine dimension. The feminine trait of RUSSIAN culture is contradictory to autocratic management style and high power distance that RUSSIAN managers practice.



- This study shows (as some other authors recognized, e.g. Michailova, 2002) that expatriates usually don't have much interaction with their RUSSIAN colleagues, though for expats is necessary to build (informal) coalitions with RUSSIANS in order to run projects successfully.
- Authoritarian leadership is expected and well-accepted by RUSSIAN workers. RUSSIAN workers expect to get clear directives regarding their tasks. Therefore, European management shouldn't expect much initiative from their side.
- Though the SSSR fell apart 25 years ago, socialistic and communistic heritage still lives in social, as well as in business life in nowadays RUSSIA. Discussing advantages and disadvantages of two political systems is not a subject of this study, but it has been proved that Western countries (with Germany as a leader) have the most successful business models in regard to create technologic leadership. As long as RUSSIA is not ready to make a compromise between Western culture and RUSSIAN values, the chances for its economic and business success are very low.
- RUSSIA and Western countries have different value system. Western cultures appreciate efficiency, predictability and professionalism in business. Nevertheless, in the RUSSIAN

Federation where is a "socialistic" way of thinking still very present, the word profit (that is a goal of every company) has negative meaning, because it implies "social injustice" (Cattaneo, 1992). What did the authors learn during their field study? During their in-depth experience, the authors finally came to the understanding what makes it so difficult for the RUSSIAN Federation and its leadership, as well as its citizens, to break out of a vicious circle and progress in the same way as some other Western countries did. Without diminishing the good and valuable things of RUSSIAN culture, but to overcome what prevents them from having a competitive industry, a better health-care system, better roads and buildings, more advanced environmental protection, etc.. RUSSIA's organizations have to make a step toward approved western corporate methodologies. All what western civilizations have achieved economically in the 60s, 70s, 80s and so forth (without making western civilizations - ahead the United States - a desirable benchmark) was reached because the western cultures have studied their performance, were living in competitive environments and had to adapt in order to survive. It is enough to work and live in the country for 18 months to understand the daily rhythm of an ordinary RUSSIAN employee or a middle management worker. A typical RUSSIAN worker is used to doing what is being told, working in an environment where own thoughts are not relevant and only cause problems. The daily experience of a highly-inefficient organization for 8 hours a day makes them get used to it. Over time, creating a competitive, self-evolving organization is difficult their work automatically, without thinking. Under these circumstances

, creating a competitive, self-evolving organization is difficult. After almost 2 years' experience, the authors came to 13 the conclusion that building a high-tech plant in the RUSSIAN Federation is a contradiction of what the country really wants. Looking back to history of industrial development after the war in the 50s, 60s and 70s in Germany, Austria or Switzerland, Power distance index in these countries were certainly higher as they are today. But common sense and the need to become more competitive in terms of economy, but also in terms of product development, forced the owners and top managers to adapt. There was no other way then to fully engage (empower) their employees because top managers couldn't do it all alone anymore. Later – through other circumstances additional power distance RUSSIA and European countries were in the same position after WWII are not subject of discussion in this study. In other words, after the WWII RUSSIA and European countries were in the same position. They had to organize their economies starting from zero. Nevertheless, Germany is now one of the driving world economies, RUSSIA is in many spheres not far from the Soviet era. Anyhow – one of the authors who held the position as the start-up and strategic management specialist knew that he can ONLY set up the original designed plant by applying Western top modern management principles (as mentioned before on page 3). Competitive, High-Tech manufacturing not be achieved with the typical RUSSIAN Management Culture experienced in this field study. In other words: If the authors would again be entrusted with establishing a competitive High-Tech Plant in the RUSSIAN Federation, they would have to decline the offer with the comment of "MISSION IMPOSSIBLE". The only way to make this kind of project in RUSSIA successful is that an owner and RUSSIAN Top Management leave a specialist team "free hands" in setting up the competitive environment, but of course under RUSSIAN Conditions. It is not the bureaucracy which endangers or even makes fetch projects like the one in this field study but the people who drive it. RUSSIANS have to learn that there is only one way to go in order to be competitive. The first thing Western managers have in mind when setting up such an environment is not POWER but FUNCTIONALITY. Western Engineers and Management have a long back-off if conditions are not given to reach functionality within a given time because the RUSSIAN culture and Management has the longer breath and the stronger arm in their country and will always win on their territory. Last but not least – the Author's community never took anything personal and at any given time reflected the fact that they are only as guepseudo-democracy and that communistic culture and its 14 derivatives are not worse than e.g. the executed United States or European Union pseudodemocracy. The US democracy according to the latest Princeton study (Gilens & Page, 2014) is not even considered a democracy anymore. This study and its conclusion should by no means be understood as a critique towards the RUSSIAN country and its people, but as a critical comment towards a system which re-invents its failures every day. That can be seen as a tragedy given under the aspects of how big this nation's potential would be – given the resources and beauty this country "hides" under its blanket of the traits described in this study. About the authors: Klaus-Juergen Wolf, DBA, MBA Click to view Klaus-Juergen's short bio and Jelena Stankovic, MA 15 4.

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