Opportunities for a Romanian company’s business development in countries with cultural intelligence compatibility

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The companies that intend to develop their businesses at the global scale are frequently confronted with situations which require cultural intelligence (CQ) winning approaches. The paper’s aim was to answer the following question: “How can a CQ web platform provide the consultancy necessary to choose a target country for business development purposes on the basis of cultural similarities?” In this way, we undertook a research on a Romanian software company in view to assess its cultural profile and to compare it with the target countries’ profiles where this company is interested to develop research and development (R and D) alliances and to outsource information technology (IT) projects. The paper concludes with several recommendations for the company’s managers concerning practical ways to “bridge the gaps” between different cultural profiles in view to become CQ.

Key words: Globalization, cultural intelligence, software industry, research and development alliances, outsourcing.

INTRODUCTION

Connecting cultural intelligence (CQ) to global projects in information technology (IT) industry

To compete in a global economy, organizations have found it essential to send their workers abroad on global work assignments for different reasons. First, workers are assigned local jobs to fill in positions where local expertise or skills are scarce. Second, organizations move human resources globally to facilitate the transfer of knowledge – in the form of technical expertise, standard operations procedures from the parent company to a local unit. Third, workers are moved globally as part of a concerted management or career development plan.

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Abbreviations: R and D, Research and development; IT, information technology; ICT, information and communication technologies; EQ, emotional intelligence; CQ, cultural intelligence.

(Earley and Ang, 2003).

Internationalization of information and communication technologies (ICT) is a strategic long term challenge for European union and its member countries, which involves a number of crucial issues as growth, employment, technological progress and economic cohesion. In an increasingly digitally networked European and global economy, international research and development (R and D) alliances will be strongly shaped by ICT (Meijers, 2008).

The reasons for and benefits of outsourcing are numerous. The main motivation has been corporations seeking to reduce costs by contracting out services and activities traditionally provided in-house and to gain a competitive advantage by seeking differentiation and efficiencies (Muller, 2009).

The most important reason why the IT companies appeal to outsourcing is the reduction of the exploitation costs. Moreover, the IT companies that focus their business on innovations must support larger expenses for research, development and marketing. The access to
a more profitable structure from the costs point of view offered by an external provider, as well as the advantages due to the specialization are actually the most important tactical reasons for which the companies appeal to outsourcing. The IT companies can concentrate on the core business, while some operational functions are outsourced. Accessing the services of some specialized providers, the IT companies have an implicit access to their investments in technology, methodology and people – investments accomplished during considerable periods of time.

Outsourcing is the way in which the capital that must be invested in the business' non-core activities can be reduced. The companies that are involved in outsourcing projects become in a short time more flexible, dynamic and willing to change in order to face the new transformations imposed by the global economy.

In view to harmonize the relationships between outsourcer and supplier, it is vital to recognize the limits to cultural adaptation; in this way, it is recommended to employ locals in some contact posts and give systematic on-the-job cross-cultural training (Krishna, 2004). The majority of software companies from US and Europe focus their attention on software developers from countries with high-skilled IT specialists, in order to find an ideal balance between high quality programming services and efficient solutions from costs perspective. Far from being a simple trend of the moment, the migration towards “offshore programming” opens new opportunities for IT companies, looking for cost cutting which allow the reduction of the price on the market and a better positioning on it.

Besides the outsourcing partnerships, the global projects within IT industry involve research and development alliances. Strategic partnering within research and development alliances is not just about complementary technologies and the spreading of risk: it is about improving the long-term product-market positioning of the firms, or indeed simply maintaining their product-market positioning. Strategic partnering affords firms a chance to pre-empt competition, in addition to allowing the partners to evaluate the capabilities of the partner firm (Narula and Santangelo, 2007).

As the new business model characteristic to the global economy is extended, more and more IT companies are forced to search outside the boundaries high qualified human resources, fact which involves cross-cultural interactions.

In the context of globalization, CQ can be defined as the ability to act appropriately in situations where cultural differences are important, to make you understood and to establish a constructive partnership across cultural differences (Plum, 2008). The possession of CQ by a firm’s managers is a valuable resource, especially when the CQ resides in its upper echelons or top management team and in the project managers of the outsourcing or off-shoring venture. At the firm level, managerial capabilities embodied in CQ will be insufficient to create sustainable advantage. If we are to view firms as intelligent, the intelligence cannot exist simply because firms have culturally intelligent managers. In addition to the CQ of the top management team and outsourcing project managers, the firm must possess competitive resources. From the perspective of CQ, the resources will be embodied in the processes and routines that exist in the firm that enable the firm to manage the competitive factors associated with outsourcing or off-shoring (Ang and Inkpen, 2008).

CQ is a good starting point from which to work effectively with people from different cultures, because it leads to having ideas about why people behave and think differently. When the expatriates are assigned to a job that requires a high level of interaction with local coworkers or customers, emotional intelligence (EQ) and CQ will have a more prominent role in determining the success of expatriation (Lee, 2010). CQ, including cognitive, motivational, and behavioral elements, is found to be an important driver for the development of a negotiated culture, characterized by trust-based interpersonal relationships, shared understanding, and the effective resolution of conflicts in IT offshore outsourcing projects (Gregory et al., 2009).

One of the most frequently mentioned drivers of so-called "hidden costs" in information systems offshore outsourcing are cultural differences between client and vendor (Levina and Vaast, 2008). Regarding the managing or negotiating of cultural differences, several studies provide empirical evidence that cross-cultural learning and adaptation from both client and vendor staff can lead to some form of "negotiated culture in IS offshore outsourcing project teams (Brannen and Salk, 2000). The socio-cultural differences can be overcome through individuals that learn and engage in adaptation behaviors (or develop CQ), thereby shaping and changing the common cultural structures that surround and influence the involved project members' behavior (Gregory, 2010).

When selecting a country for software projects outsourcing, the companies typically consider the following factors: language (the ability to communicate with workers at the outsourcing site is greatly increased with a common language), distance (the further separated the on-shore and off-shore sites are, the most difficult is to visit physically), technical quality (the access to a larger pool of qualified labor) and cost (lower wages is the major reason for sending work offshore). (Iversen, 2004).

The paper’s aim consists in adding a new factor to this approach – cultural compatibility between outsourcer and supplier within outsourcing projects and business partners within research and development alliances. Using a CQ platform, we can reveal the cultural gaps between the cultural profile of the company which intends to outsource IT projects or develop R and D alliances and the cultural profiles of target countries.
RESEARCH METHODOLOGY

Assessment of the Romanian software company’s cultural profile using a CQultural web platform

The main goal of our research consists of the assessment of a Romanian software company’s cultural profile and its comparison with different countries’ cultural profiles where this company intends to develop its businesses (Germany and France, which are the target countries for R and D alliances; India and Nigeria, which are the target countries for outsourcing projects).

The study use as research tool an e-questionnaire provided by a web-based platform dedicated to CQ - country navigator, developed by TMA world, which integrates a cultural profiling tool that enables the users to assess their own dominant cultural orientations and to compare to the chosen focus country. Once the cultural gaps or similarities are identified, this platform provides relevant information regarding the best ways to manage and resolve any issues that might arise in a cross-cultural approach.

First of all, all the managers and employees of the Romanian software company, which is looking for opportunities regarding research and development alliances and outsourcing projects, accepted the research proposal and filled the e-questionnaires, which were later uploaded in the CQ profiler tool of the web platform country navigator.

The cultural profile of the company is emphasized by means of the integration of its members’ cultural profiles, as our research supposes the assessment of the real cultural profile and not of the desired one which is promoted by means of the business mission and values system.

The answers of managers and employees of the Romanian software company were distributed on three main clusters: relating – how the employees relate to others, regulating – how they make decisions, reasoning – how they think (Figure 1).

First dimension of the Romanian software company’s cultural profile “relating – how I relate to others” reveals the following evidences: its members (employees and managers) are more focused on relationships than tasks, reacting appropriately to each specific situation and building teams for different projects; they prefer to adopt an implicit style in the communication with others; they appreciate the individual competences when the constructive efforts bring benefits to the group or team.

Analyzing the second dimension of the Romanian software company’s cultural profile “regulating – how I make decisions” we observe that its members prefer to mitigate the risks that give them the feeling of security, they try hard to respect deadlines and keep to schedules and they prefer to work in an organizational structure that keeps hierarchical levels clear but also values people involvement in the decision-making processes.

Third dimension of the Romanian software company’s cultural profile “reasoning – How I think” outlines the following aspects: its members tend to take a direct line of reasoning, moving in a step-by-step process to reach your target efficiently, they are likely to structure their projects so that they have measurable outcomes, being skilful in gathering the right evidence and interpreting it correctly and they prefer to exploring a problem in detail, taking into account the background context.

A more detailed analysis of this company’s cultural traits will be emphasized in the comparative approach with the cultural profiles of the target countries selected for the internationalization strategy focused on outsourcing projects (India and Nigeria) and R and D alliances (Germany and France).

DATA ANALYSIS

Revealing cultural similarities and gaps between the Romanian company’s profile and the target countries profiles

The selection of the target countries for the internationa-
Figure 2. Cultural differences between Romanian Software Company and Germany as target country for R and D alliances.

was decided by its managers, after the analysis of a research report provided by a consultancy firm.

The main goal is not to propose the best option for both strategic initiatives (outsourcing projects and R and D alliances) from financial and technical perspective, but to emphasize the opportunities provided by the cultural intelligence approach while we assess the similarities and differences between the company’s cultural profile and the target countries profiles.

First comparisons will be made between the Romanian software company’s cultural profile and the country cultural profiles of Germany, respectively France, where the company intends to develop R and D alliances with local software firms.

The web platform country navigator allows the development of this kind of cultural comparisons, providing customized reports for each comparative approach. The study emphasizes in Figures 2 and 3 the comparisons between the Romanian company profile and Germany, respectively France cultural profiles, based on scale positions and three levels of cultural differences (maximum, moderate and minimum), described by traffic light colors.

Considering first scale “task versus relationship” from “relating” dimension of the cultural pattern, we observe a significant difference between Romanian company and Germany comparative approach and a minimal difference between Romanian company and France comparative approach, regarding these two opposite concepts. While the members of the Romanian software company generally believe that business success is directly proportional to the quality of relationships, the Germans would expect the business partnership to work, without having first to establish a personal, trusting relationship, their expectations for business partners being focused on competences and written forms of evidence as regulations; the French people believe that relationships should influence, how and when principles, policies and procedures are applied and the trust is based on adaptability.

The analysis of the positioning on the scale “explicit versus implicit” reveals the following evidences: a high level of difference between Romanian company and Germany and a minimal difference between Romanian company and France comparative approach. The Romanian company’s members understand that getting straight to the point can be helpful in business partnerships and when circumstances do not suit an implicit
style, they can be more direct in their communication with their partners; The German communication style tends to be very explicit; they appreciate direct communication and their requests are generally made in a direct way; French are more implicit in their communication and they tend to imply what is meant, rather than speak directly what they think.

The well known scale "individual versus group" used in majority of cultural patterns assessment emphasizes in this case an overlapping position in Romanian company versus Germany approach and a moderate difference between Romanian company's profile and France. The Romanian employees believe that they should be punished for their own mistakes, but should also be rewarded when their constructive effort brings benefits to the group; German value system encourages competition and individual advancement; in business, people expect to compete with colleagues for promotion, salary increases etc. while the new recruits are hired for what their skills achieved during academic and practical activities; contrary, the French tend more towards group than individual identity, but the group orientation allows the fact that the French can become individualist in specific situations.

Concerning the positions on the scale "risk taking versus risk avoiding", we remark a minimal difference between Romanian company's profile and both of the target countries profiles (Germany and France). The company's members prefer to have a high level of regulation that gives them job security and mitigate as much as possible the risks in a business environment characterized by a future which is unpredictable. Germans are generally quite risk averse and most of them would prefer order and stability to change; businessmen have a strong sense of order and professionalism and can require contracts cancellations when the partners do not obey the rules; The French tend to manifest a high aversion to risks and they value their traditions and guard carefully against anything new which could have a detrimental effect on their cultural heritage.

Analyzing the positions on the scale "tight versus loose", we observe a minimal difference between Romanian company and Germany and a maximal difference between Romanian company and France. The
Romanian company's members try to make the best use of time and when are dealing with complex issues, you always try to break them down into small pieces and tackle one at a time, sequentially; Germans tend to have a very tight use of time and there is a strong belief that organizations can be streamlined by attention to detail, particularly time-keeping. The French do not put the tasks in the center of the business approach, so they are comfortable with a flexible use of time allocation and short deviations from a schedule are allowed.

The positions on the scale "shared versus concentrated" reveal a minimal difference between Romanian company and Germany and a moderate difference between Romanian company and France. The Romanian company's members value the contribution of strong leadership in the goals achievement and their fellows' involvement; German culture is characterized by the fact that power tends to be more concentrated than shared, with a hierarchical division; they also have a great respect for the ranks of the organizational chart; French generally like to refer decision-making processes to higher authority and senior management positions are held by people with high level of knowledge provided by the best quoted academic institutions.

If we take into account the first scale of the cultural dimension "reasoning" – "linear versus circular thinking", we observe moderate difference between Romanian company and Germany and a minimal difference between Romanian company and France. The Romanian company's members prefer to adopt a direct line of reasoning in basic problem-solving, while within more complex issues, they are likely to take a more circular way to solve the problems. Germans tend to have a very linear approach to problem solving, because they plan and manage their activities work in a systematic way, following strict guidelines in view to reach a specific target. Contrary to the Germans, the French are characterized by a circular thinking, because they assess the context and different points of view before deciding on the ways to develop their activities.

The orientation towards "thinking versus facts" emphasizes a minimal difference between Romanian company and Germany and a maximal difference between Romanian company and France. The Romanian company's members generally prefer to work from the specific to the general in view to achieve measurable outcomes; the Germans are mainly focused on tasks, actions and implementations rather than thinking about different possible alternatives, while the French way of reasoning tends strongly towards thinking, by adding value to logical reasons which derive from theoretical approaches.

The last scale of the cultural pattern "simple versus complex thinking" put in evidence an overlapping position between the Romanian company and Germany and a minimal difference between Romanian company and France. The Romanian company's members prefer to analyze the problems by structuring them in manageable parts in view to have a comprehensive image of all the aspects that may occur; Germans rely all their responsibilities on factual information as evidence in order to manage efficiently data gathering and processing. French enjoy engaging in discussion and argumentation, and believe that matters of high importance should be the main responsibility of the experts.

Another comparative approach will be made between the Romanian software company's cultural profile and the country cultural profiles of India, respectively Nigeria, where the company intends to outsource different software projects (Figures 4 and 5).

As we presented the Romanian’s company profile during the comparative approaches with Germany and France, we will focus our attention to the cultural gaps observed in its comparison with India and Nigeria profiles.

Regarding first scale "task versus relationship", we remark an overlapping position between Romanian company and India and a minimal difference between Romanian company and Nigeria. Indians believe that relationships should influence how and when principles, policies and procedures are applied, but for the companies without previous business relationships, the proof of competences is necessary. Nigerians are extremely relationship oriented and they are less concerned with managing tasks, but are focusing their attention on strong relationships.

Second scale of the cultural pattern – "explicit versus implicit" emphasizes a minimal difference between Romanian company and both Indian and Nigerian cultural profiles. Indians tend to be implicit in the way they communicate, the values are focused on empathy, shared understanding and they are permanently looking for reaching consensus. Even if the communication style is often implicit, Nigerians will not hesitate to make clear their point of view, without neglecting the partners' arguments. Nigerians value friendship and these behaviors are normal for business partners treated as friends.

The positions on the "individual versus group" scale reveal a minimal difference between Romanian company and India and a moderate difference between Romanian company and Nigeria. The Indians tend more towards group than individual identity. Strong relationships for the Indians would mean family, social community, country and company. There is emphasis on group rather than individual decision making, which involves in the most of the cases consensus. Nigerians are highly motivated by group affiliation and appreciate the respect for cultural diversity within business partnerships.

Concerning the positions on the scale "risk taking versus risk avoiding", there is a minimal difference between Romanian company and both India and Nigeria profiles. Indians tend to be very risk averse, although a changing attitude to taking "manageable risks" has become a trend in the last period; Nigerians manifest a
high risk aversion and need a and trust-building in order to become partners in a business; if the Nigerians are constrained with a decision making process in a short term, they may not adopt it.

The analysis of the positions on the scale “tight versus loose” highlights a maximum difference between Romanian company and both of the target countries: India and Nigeria. Indians like to allow business activities to develop without strict limitations on time and fixed deadlines and the appointments should be made in advance; generally, Nigerians tend to be more flexible with regard to time than many Europeans or Americans businessmen, as patience is an important cultural value when working with them.

The orientation towards “shared versus concentrated” outlines a minimal difference between Romanian company and both India and Nigeria profiles. Indians generally like to let decision-making to higher authority, because they know the limits of their role and responsibilities, according to their place in the organizational chart. Traditional Nigerian companies have a strong vertical hierarchy and often a dominant leader which is few flexible in partners’ proposals. Another interesting feature is that decision makers will almost always be older persons as the age is considered to be very important in Nigeria.

“Linear versus circular” positions put in evidence a minimal difference between Romanian company and both India and Nigeria profiles. Indians tend to take a more circular approach to problem-solving and decision making and the interruptions in a process are allowed, since the business context is important. Nigerians have also a circular style of reasoning; when making presentations, they typically use long and speech, based with stories and anecdotes in view to make comfortable the discussions.

The orientation towards “facts versus thinking” reveals a maximal difference between Romanian company and India and a moderate difference between Romanian company and Nigeria. Indians tend to value logical and abstract reasoning, considering the facts as being much less important than theory and the issues in their wider context. Nigerians use facts in their thinking manner, but are not drawn to them for decision making, they respect the businesses based on relationships and mutual understanding and if the partners are honorable and

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**Figure 4.** Cultural differences between Romanian software company and India as target country for IT outsourcing projects.
trustworthy, they can work together regardless of the facts.

The last scale of the pattern “simple versus complex thinking” emphasizes reveals a minimal difference between Romanian company and India and an overlapping position between Romanian company and Nigeria. Indians are complex thinkers, considering all possible viewpoints when involved in a discussion.

**DISCUSSION**

When an organization needs to collaborate with partners in other countries, it is vital to prevent misunderstandings and conflicts. A culturally intelligent manager will ensure that his team has the opportunity to analyze not only the strategic background for the cross-national partners, but also their own motivations and attitudes to cultural differences. The approach emphasizes the cultural aspects that can be related to the financial and technical expertise, which reinforce the decision making process concerning the business development at the global level.

The study emphasizes the fact that the CQ web-based platform that was used in our research provides a lot of advantages: a complex analysis of different cultural profiles and working styles, a better understanding of how to communicate with people from other culture through profile comparison and skills’ development in cross-cultural interactions.

The comparison between the Romanian company’s profile and Germany reveals five minimal differences (all the scale of the dimension “regulating” and two scales of the dimension “reasoning”), one overlapping position (the scale “individual group”), one moderate difference (“linear versus circular” scale from the dimension “reasoning”) and two maximal differences (“task versus relationship” and “implicit versus explicit” from the dimension “relating”). From this point of view, the other comparison with France outlines five minimal differences (the scales “task versus relationship”, “implicit versus explicit”, “risk taking versus risk avoiding”, “linear versus circular” and “simple versus complex”), two moderate differences (the scales “individual versus group” and “shared versus concentrated”) and two maximal differences (the scales “tight versus loose” and “facts versus thinking”).

The results of the Romanian company’s profile comparison with India can be synthesized as it follows: one overlapping position (the scale “task versus relationship”), six minimal differences (the scales “explicit versus implicit”, “individual versus group”, “risk taking versus risk
avoiding”, “shared versus concentrated”, “linear versus circular” and “simple versus complex”) and two maximal differences (the scales “tight versus loose” and “facts versus thinking”). The other comparison with Nigeria put in evidence two overlapping positions on the scales “task versus relationship” and “explicit versus implicit”, four minimal differences (the scales “risk taking versus risk avoiding”, “shared versus concentrated”, “linear versus circular” and “simple versus complex”), two moderate differences (the scales “individual versus group” and “facts versus thinking”) and one maximal difference (“tight versus loose”).

As the differences between the Romanian company profile and the target countries for R and D alliances - Germany and France, on the one hand, and the Romanian company and the target countries for IT projects outsourcing - India and Nigeria, on the other hand, are not significant, we recommend to the managers of the Romanian company to extend this research by assessing the cultural profiles of the companies from these target countries, chosen after the financial and technical expertise criteria.

No matter what country will be selected for the internationalization strategy, the opportunities regarding CQ resources remain high and can be exploited by means of a customized approach of the comparative positions on each scale from the cultural pattern provided by country navigator web platform.

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