

## ARE THE TURKISH COMPANIES READY FOR THE GLOBAL BUSINESS? CULTURAL CHALLENGE AND ITS MANAGEMENT

**Türk Şirketleri Küresel İşletmecilik İçin Hazırlar Mı? Kültürel Engeller ve Yönetimi**

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### **ABSTRACT**

*Globalisation, increasing competition and rapid advances in information technologies have affected the business worldwide and forced the companies to adapt to changing business conditions. Under these changes and development, companies need to be creative, innovative and produce global products and strategies in order to survive. Companies are striving to engage in international business activities to increase their market presence in global markets and improve their competitiveness. Turkish companies also are trying to catch up with business world by involving international business activities.*

*This article presents the main challenges facing Turkish companies abroad. The article particularly tries to answer two fundamental questions: What are the cultural differences and associated challenges for Turkish companies in cross-border business interactions and how to deal with these challenges and how to turn them into competitive advantage? This article also outlines other possible challenges that Turkish companies may confront abroad and additionally discusses the role of Turkish managers in cross-border business relationship. The study concludes with some recommendations to for Turkish companies.*

**Keywords:** *Turkish Companies, Cultural Differences, Cultural Challenges, Management of Cultural Challenges.*

### **ÖZET**

*Küreselleşme, artan rekabet, bilişim teknolojilerinde hızlı değişim ve birçok faktör günümüzün iş dünyasını etkilemekte ve değişimi gerekli kılmaktadır. Yaşanan değişimler çerçevesinde şirketlerin ayakta kalmaları, onların yaratıcı ve yenilikçi küresel ürünler ve stratejiler geliştirmelerine bağlı olacaktır. Bu bağlamda işletmeler küresel anlamda pazarlara açılmakta ve rekabetçi güçlerini artırmaya çalışmaktadırlar. Yaşanan bu gelişmeler çerçevesinde, Türk şirketleride uluslararası pazarlara açılma eğilimine girmiş olup, değişen iş dünyasına ayak uydurmaya çalışmaktadırlar.*

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*Bu çalışma, öncelikli olarak uluslararası pazarlarda iş yapan Türk şirketlerinin karşılaşabilecekleri engeller ve bu engellerin yönetimi üzerinde durmaktadır. Bu bağlamda, iki önemli soru cevaplandırılmaya çalışılmaktadır. Birincisi, Türk şirketlerinin uluslararası pazarlarda karşılaşacakları kültürel farklılıklar ve onların yarattığı engeller nelerdir? İkincisi ise, bu engellerin hangi metot ve stratejiler kullanılarak yönetilebileceği ve rekabetçi avantajlara dönüştürülebileceğidir? Yine bu çalışmada uluslararası pazarlarda iş yapan şirketlerin karşılaşabilecekleri diğer engeller ortaya konup, uluslararası faaliyetlerin başarısında Türk yöneticilerin rolleri açıklanacaktır. Son olarakta Türk şirketlerine tavsiyelerde bulunulacaktır.*

**Anahtar Kelimeler:** *Türk Şirketleri, Kültürel farklılıklar, Kültürel Engeller, Kültürel Engellerin Yönetimi.*

## **1. Introduction**

One of the most important factors that affect the business world and management is the globalisation (Koçel, 2003). In the face of increasing globalization, rapid technological development, competition in the business environment, companies have to follow international strategies and to engage in international business in order to survive and grow (Koçel, 2003). In response to these changing conditions, the number of companies involving in business activities in various countries as well as regions has increased tremendously (Mutlu, 1999).

Czinkota et al., (1996:4) explained the need for international business activities of companies. Crossing the border provide companies several strategic advantages, some of which are opportunities for expansion, growth and income. International business causes the flow of ideas, services, and capital across the world. As a result, innovations can be developed and disseminated more rapidly, human capital can be used better, and financing can take place more quickly. It can permit the acquisition of a wider variety of products both in terms of quantity and quality. Woldu et al., (2006) argue that managing in an international context seems to have become an imperative due to the increasing levels of globalization and internationalization of business.

There is no company left in the world not affected by the global business realities. Today many companies across the world widened their horizons and involved in the cross-border business activities. Alon and Higgins (2005) argue that conducting global, international, and cross-cultural business is a mundane reality for most contemporary large organisations. Even if your business is a medium-or small-sized firm, you have probably experienced globalisation through interactions with global participants that belong to at least one, or perhaps more, of these four key categories: customers, competitors, suppliers, or employees. Adler (1997) also noted that ‘the modern business enterprise has no place to hide, it has also no place to go but everywhere’

According to World Bank Report (2008), there are evidences suggesting that developing countries are becoming more integrated with the global

economy and that the pace has accelerated over the past decade. Turkey also tries its best to catch up with the global integration. Several Turkish companies, striving to become a global business player in the world economy are a very good example of this trend. Many companies from different industries such as textile, construction and telecommunication have already involved in cross-border business activities in different parts of the world. Akçoğlu (2007) stated that around 1611 and maybe more companies have invested abroad according to official statistics. Their successes in world-markets reside in understanding the nature of global business, intercultural relationships, and management of various challenges.

Despite international business activities of some companies in Turkey, many companies are not even aware of the opportunities and threats of global business realities. Today, many global and international firms are doing business in Turkey and pose great threat to local companies. Thus, whether Turkish companies are involved or not in international and global business endeavors, they need to be aware, understand and adapt to global business realities. They also need to cross the borders and expand their business across world markets in order to compete and survive in the today's business world.

Although the doing business across the borders is important and provide great advantages to companies, It also poses great challenges to companies (Mutlu, 1999). Challenges involve cultural, political, economical, environmental along with competition and uncertainty etc. This article concentrates on the challenges when Turkish companies involve in international business activities. One of the most important challenges has been cultural differences and associated challenges and their implications on the business. Nardon and Steers (2007) argue that today, a major challenge facing managers and entrepreneurs is how to deal with both partners and competitors abroad whom we simply don't understand. More often than not, the problem is not just language differences; it is cultural differences. Therefore, the cultural differences and associated challenges should be taken into account if the Turkish companies in the global economy are to be successful. It is also necessary for the Turkish companies to learn how to manage these challenges and turn them into competitive advantage. While those companies that can manage such challenges effectively will capitalise on the world markets, those that fail are likely to abandon their global dreams. This article aims to help the Turkish companies by explaining the cultural differences and challenges and how to manage them in order to compete successfully in the global markets.

The following sections outline culture-related topics and challenges along with how to manage cultural differences and turn them into competitive advantage.

### **1.1 Culture, cultural studies and characteristics of culture**

In order to understand cultural differences and associated challenges, it is

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necessary to understand culture, its characteristics and cultural studies. This article argues that there are cultural differences among the nations, which poses various challenges to companies doing business across countries. The question regarding whether cultural differences exist or not have long been debated in the literature. While various empirical cultural studies support the notion that cultural differences exist, some other researchers in the literature argue that cultures of nations are converging and consequently cultural differences are lessening. This study adapts the diverge view and argues that cultural differences exist and tries to elaborate on how to manage and turn these cultural challenges into competitive advantage. Many cultural studies have proven that cultural differences exist and pose great challenges on the international and global companies.

The following section explores the culture, cultural differences and cultural studies.

### **1.1.2 Culture and Cultural Differences**

It is argued that there is link between successful global business and cultural awareness and sensitivity (Lane et al., 1997). Similarly, Woldu et al., (2006) argued that it is important to have an understanding of the cultural value system of a particular set-up in order to manage successfully in an international context.

Various definitions of culture are readily available in the various literatures. In the business literature, the most frequently used definition was provided by Hofstede (1984). According to him, culture is “the collective programming of mind, which distinguishes the members of one human group from another”. Similarly Trompenaars (1997:2) defined the culture as “a shared system of meanings. It dictates what we pay attention to, how we act, and what we value. Trompenaars (1997:24) further argued that “culture is man-made, confirmed by others, conventionalised and passed on for younger people or newcomers to learn. It provides people with a meaningful context in which to meet, to think about themselves and face the world”. Culture is beneath awareness in the sense that no one bothers to verbalise it, yet it forms the roots of action (Trompenaars, 1997:24). DiStefano and Maznevski (2000) defined the culture as a system of values, beliefs, assumptions and norms, shared among a group of people. The group could be a country, region, religion, profession, organization, even a generation or a social or sporting club. The group’s cultural system is a general agreement among people about what is important and how things will get done. Koçel (2003) argues that there is no such definition that can satisfy everybody. This is because of the fact that culture is studied in various disciplines and people who study culture take different perspective and objectives. Koçel (2003:29) define culture as the sum of learned and shared values, beliefs, attitudes and symbols.

Trompenaars (1997:21-23) divided culture into three layers for better

conceptualization. The first layer is the explicit layer, which reflects the observable reality of language, food, buildings, houses, markets, and art. These are the symbols of a deeper level of culture. The next middle layer concerns deeper layer of culture and reflected through the norm and values. While the norms define what is right and wrong shared by a group, values determine what is good and bad. The next layer is associated with the middle layer and tries to answer the question of why there are basic differences in values between cultures. Each culture has developed a logical set of assumptions to increase effectiveness of their problem-solving processes. As people have lived in different parts of the world and faced the various dilemmas, they have formed different set of assumptions to solve these dilemmas. For example, each culture has organised themselves to find the best ways to deal with most effectively with their environment, given their available resources.

The cultural studies conducted so far have surveyed human values world-wide to map the cultures of the nations (Chinese Culture Connection, 1987; Hofstede, 1980; Schwartz, 1994; Smith et al., 1996; Trompenaars, 1997). The existing cultural studies indicate that differences exist among national cultures. Adler (1986) argued that cultural diversity exists within and among the cultures; but within a single culture, certain behaviour patterns are favoured and other repressed. Adler (1986) further argued that the norm for a society is the most common and generally most acceptable pattern of values, attitudes, and behaviour. Certain behaviour patterns are favoured and others repressed. Showing disapproval in the society enforces those norms. DiStefano and Maznevski (2000) also argued that people from different cultures will bring with them diverse expectations about the interaction. People's cultural backgrounds influence their assumptions about how work with other people should proceed. Culture also influences what we notice, what meaning we give to events and what actions we decide to take. Similarly Triandis (2006) argued that people differ in term of behaviors and perceptions.

Even Though cultural studies used different methodology in data analysis, surveyed different nations with different sets of respondents, there are some conceptual overlaps with regard to the cultural dimensions found in these studies (Goodwin, 1999; Smith & Bond, 1998; Smith et al., 1996). Two of these studies seem to dominate the business literature and have been widely used in several researches involving culture. The most commonly used study is the Hofstede's work, which surveyed work-related values across the countries. This study allocates cultural value scores to each country representing cultural tendencies. For example one country may reflect individualistic cultural values; the other would prefer collectivist values. The other study is Trompenaars' country survey. Trompenaars argues that cultures dance from one preferred end to the opposite and back. Such view seems to be in contrast with Hofstede's study, which perceives cultures as static points on a dual axis map. Trompenaars (1997:26) believe that "one cultural category seeks to manage its

opposite and that value dimensions self-organise in systems to generate new meanings". It should also be remembered that the value dimensions and value scores reflect national cultural tendencies and can not be assumed that these tendencies are valid for people in a particular country.

#### **1.1.4 Cultural dimensions**

As mentioned above, several scholars have studied world cultures and try to map the cultures across dimensions to better understand the cultural differences. Here we will present one of the highly used studies of Hofstede in the literature.

##### **1.1.4.1 Hofstede's four dimensions**

Hofstede's four cultural dimensions have been the most widely used in the business literature. These are individualism-collectivism, uncertainty avoidance, power distance and masculinity-femininity, which will be briefly described in turn.

**Individualism-collectivism:** Early & Gibson (1998:265) argued that "societies differ along many cultural dimensions and a key distinguishing characteristics of work behaviour in societies is the way in which members relate to one another as a group. The pattern of responses with which individuals relate to their groups reflects their degree of individualism and collectivism". Wagner (1995:153) defined individualism-collectivism as "an analytical dimension that captures the relative importance people accord to personal and to shared pursuits".

Triandis (1995) summarised different aspects of individualism-collectivism dimension of culture based on different studies. Some of them are as follows:

- The individualist defines the self as an autonomous entity independent of groups, whereas a collectivist defines the self in terms of its connectedness to others in various in-groups...
- Social behaviour of collectivists is more likely to be driven by social norms, duties, and obligations, whereas those of the individualist are more likely to be driven by their own beliefs, values and attitudes...
- An individualist is more oriented toward task achievement, sometimes at the expense of a relationship, whereas collectivists put more emphasis on harmonious relationships, sometimes at the expense of task accomplishment...

**Uncertainty avoidance:** Hofstede (1985:347) defined uncertainty avoidance as "the extent to which people in a culture feel threatened by uncertain or ambiguous situations and try to avoid them". Further information about this dimension was given in Hofstede's famous book (1984:110). Uncertainty avoidance is reflected as high and low level cultures. In high-level

uncertainty culture, people are more worried about future, have higher anxiety, job stress and less achievement motivation. On the other hand in low-level uncertainty cultures, people have greater readiness to live by the day, lower anxiety and lower job stress.

**Power distance:** Power distance is defined as “the extent to which a society accepts the fact that power in institutions and organisations is distributed unequally” (Hofstede, 1985:347). Hofstede (1984:65) provided further information regarding this dimension. Power distance is classed as high and low power distance. People from high-power-differential cultures do not expect to participate in decision making or have a great deal of discretion in their work, whereas people from a low power-differential culture expect and demand such opportunities. People who are high on the power scale are very compliant to their superior and do not question authority. They accept hierarchy as an important and inevitable part of the work. In low power distance countries, people value independence rather than conformity. Hierarchies are seen as convenient arrangements rather than as having existential justification. Managers see themselves as practical and systematic, and they admit a need for support. They are likely to consult subordinates before making decisions. Subordinates dislike close supervision and prefer a participative superior and are relatively not afraid of disagreeing with him or her.

**Masculinity-femininity:** Hofstede (1984:176) explained the characteristics of masculinity and femininity. Masculinity refers to the extent to which dominant values in a culture reflect assertiveness, acquisition of tangible things, advancement, and earnings. On the other hand, femininity refers to values of cooperation, quality of life, and environment, empathy, and service. While some cultures reflect masculine characteristics, others may be in favor of feminine traits.

## **1.2 Cultural differences and associated challenges**

As the companies sell product to world markets or move their operations abroad or co-operate with other companies across the world, they are more likely to face cultural differences and associated challenges. In order to be successful in cross-border activities, the cultural differences and challenges should be carefully managed. What type of challenges Turkish companies face and type of approach taken by the companies to manage these challenges depend on the stage of the development of the companies and the perception of managers respectively. These two topics will be discussed prior to cultural challenges and its management.

Adler (1986) argued that the impact of cultural differences and thus associated challenges would depend on the stage of development of the firm,

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industry and world economy. Companies follow domestic, international, multinational and global stage. The impact of cultural differences will be very little in domestic stage. However, the relative impact of will increase when the firms move from domestic to international, multinational and to global respectively. The last three stages involve significant cross-cultural interaction with people from other cultures and therefore require attention to cultural differences and associated challenges. Turkish companies need to consider these challenges based on their stage of development. The perception of manager regarding the cultural differences defines the organisation's approach to managing cultural differences and its associated challenges (Adler, 1986). Whether managers can perceive cultural differences as advantages or disadvantages have implications for managing cultural diversity and its associated problems. Therefore it is necessary for the managers to recognise the differences and take positive attitudes towards cultural differences and its associated challenges.

The cultural challenges can be examined in three main areas in this study: the interpersonal challenges, organisational challenges and challenges coming from consumer differences worldwide.

### **1.2.1 Interpersonal challenges**

One of the most important challenges that cultural differences cause is interpersonal challenge that occurs when people from different cultures involve in business relationship. As explained above different values, attitudes and behaviours can be observed in culturally different people. It is more likely that inter-cultural interaction between people and organisations may create problems due to these differences.

The cultural studies reviewed above clearly indicate that cultural values differ across countries. Cultural values affect the behaviour of individuals, their opinions about how things are, and should be, and their sense of good and bad (Hofstede, 1984, 1985). Thus, differences in term of values, behaviour, and opinions are reflected when individuals and organisations from different cultures do business. Supporting this argument, a study conducted by Schneider & DeMeyer (1991) found that managers from different cultures are likely to give different interpretations and responses to the same strategic issue due to their distinct cognitive perceptions of environmental opportunities, threats, and organisational weaknesses. The cultural differences are likely to result in integration problems, communication difficulties and conflict, which in turn negatively affect cross-cultural interaction between people, organisations as well as people in multicultural teams. In order to cope successfully with interpersonal challenges, the cultural differences outlined above should be clearly understood for a healthy intercultural relationship. An effective cross-cultural integration, communication and healthy conflict resolution are required

for successful intercultural business relationship. Each part will be further discussed.

### **1.2.1.1 Integration challenges**

A successful cross-cultural business interaction between culturally different people requires a certain level of social integration. A certain level of social interaction will lead to successful interactions and business relationship between people, organisations and teams. When the people from various cultural backgrounds get together it is more likely to have integration problems due to cultural differences.

Social integration is a multifaceted phenomenon reflecting attraction to a group, satisfaction with other members of the group, and social interaction among the group members (Katz & Kahn, 1978). Cultural differences are likely to decrease social integration. For example, Wagner (1995) argued that the aspect of individualism and collectivism that concerns differences in personal independence and self-reliance has a direct effect on co-operation. Individualists who feel independent and self-reliant are less apt to engage in co-operative behaviour, and collectivists who feel dependent and reliant on groups are more likely to behave co-operatively. Different types of behaviour may result in integration problems. According to group theory, members of a group have to get along with each other, which may be difficult if they are very different in status, values, attitudes, and abilities or interest (Fincham & Rhodes, 1994). The similarity attraction paradigm of Byrne (1971) also offers some explanations for the underlying reason why cultural differences diminish the social integration of the team. It suggests that similarity between people produce positive effects through the validation of the perceiver's worldview. Knowledge of attitudinal, belief, and value similarity between individuals forms the basis for continued attraction and affiliation (Harrison et al., 1998). Similarly, Adler (1986) argued that people are generally drawn to people who are similar. When the people are dissimilar in terms of culture, lower interpersonal attractiveness, stereotyping, and more within-culture conversation are likely to occur in inter-cultural situations.

From arguments presented above, it can be concluded that Turkish companies should bear in mind that cultural differences can create integration difficulties and thus take necessary actions to overcome such difficulties in order to be effective in cross-border activities. Companies should never let the cultural differences be the source of disintegration, instead let it be a source of attraction and richness between culturally different people.

### **1.2.1.2 Communication challenges**

Bakan (2006) argues that communication is an important element of successful cross-cultural business relationship. Whatever the reason behind international business or type of international business, communication will play a vital role in determining the success of the companies. When companies involve in cross-border business relationship, it will be inevitable to experience communication problems. Companies need to resolve these problems for a healthy international business relationship.

When Turkish companies engage in cross-border activities, they may be exposed to communication problems due to cultural differences. DiStefano and Maznevski (2000) argued that cultural background affect the assumptions about how the interaction takes place among people. People with different cultural background are likely to have interaction difficulties with other people belonging to a different culture. Lane et al., (1997) argued that even the interaction within the same culture could be very problematic so it would not be hard to imagine how difficult it would be to communicate with people from other cultures. Interactions with people from different cultures present an even greater potential for distortions and misunderstanding. Trompenaars (1997:85) argued that miscommunication is more likely than dialogue for international manager. Some studies have also shown that culture has an enormous impact on communication (Meyer, 1993). For example, relationship building, conversation style, meeting style and stereotypes and negotiating style reflect different patterns in different cultures (Adler & Graham, 1989; Tinsley & Pillutla, 1998). Therefore, people from various cultures will have different communication style, conversation style and meeting style, which will increase communication difficulties.

Communication can also be problematic in working with cultural different people in teams. For example Adler (1986) argued that misperception, misinterpretation, misevaluation, and miscommunication are the main characteristics of teams with culturally different people. Similarly, DiStefano & Maznevski (2000) argued that cultural differences represent the greatest potential for deferment of effective interaction within culturally diverse teams.

The conclusion drawn from these arguments is that communication challenges are likely to occur when interacting with culturally different people, thus these problems should be considered and resolved in order to be successful across the borders.

### **1.2.1.3 Conflict challenges**

When the Turkish companies involve in international business, conflict will be inevitable due to cultural differences.

The cross-border business relationship will involve interaction with people from different cultures. Early & Gibson (1998) noted that conflict is more likely in cross-cultural situations due to several reasons. Hofstede (1980) argued that the influence of culture on behaviour and management systems is likely to create conflicts. Pfeffer (1983) noted that diverse people have the potential to experience more conflict with one another because they are likely to have fewer experiences in common, and more differences of opinion than similar ones. Distefano and Maznevski (2000) argued that people's cultural backgrounds influence their assumptions about how work and interactions with other people should proceed. This results in deep and difficult conflicts. Lane & Beamish (1990) argued that consensus decision-making takes time and create conflicts within one single culture. The potential for misunderstanding and conflict across cultures can be enormous. Lane et al., (1997) argued that culturally different people have different assumptions and mental program; such differences will make people to see situations differently and have different approaches and solutions to problems. Different perception and approaches can be expected to lead cross-cultural conflict. Conflict will be inevitable in intercultural situations because people from different cultures believe that their way makes the most sense and is the best. In addition, people from various cultural backgrounds will have various view points on the subject matters at hand, which in turn increase the disagreement (Lane et al., 1997; Parkhe, 1991).

Cross-cultural business interactions may even require working in teams with culturally different people and conflict is likely to surface in such situations as well. Adler (1986) argued that people in culturally diverse group frequently disagree, implicitly and explicitly, on expectations, the appropriateness of the information, and particularly decisions that must be taken. Adler further noted that in culturally diverse groups, disagreement is visible in term of meanings such as the causes of events, the relevance of specific information, and the possible conclusions that can be drawn. Moreover, it is also important to note here that the expression of conflict and how it is handled vary across cultures. In many cultures expression of conflict may not be appropriate behaviour while the opposite is valid in other cultures (Hofstede, 1984).

These arguments lead to summarise that conflict is natural and should be expected in cross-border business relationship and the necessary measures should be in place to manage them.

### **1.2.2 Organisational challenges**

In addition to interpersonal challenges that cultural differences create, some organisational challenges can be expected as a result of cultural differences. These challenges concern the implications of cultural differences on management practices. Management practises differ across companies from

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different cultures. Different management practices are likely to create problems when the companies from different cultures work together.

Cultural differences are also translated into different sorts of systems, policies, management practices, and interpersonal relationships. The theoretical and empirical studies in the literature confirm that management practices differ across cultures. It is argued that cultural values and assumptions have great influence on human resource management (HRM) practices (Hoecklin, 1995; Newman & Nolen, 1996). Lane et al., (1997) argued that culture influence the practice of management. Many management concept and systems developed and taught in business schools are based on cultural beliefs and values, and assumptions about how managers should behave. These may work well in countries in which they were developed. However, these concepts, techniques, and systems may not work as intended in other countries. If they transferred to another country and used improperly, they can compound manager's problems. Some of the empirical work supports this argument. Wang and Satow (1994) argued that the cultural and managerial traditions of the country in question affect the theory and practice of human resource management. For example, differences in management practices, particularly in HRM practices, are mostly attributed to cultural differences (Brewster, 1995; Evans et al., 1989; Ngo et al., 1998; Wang & Satow, 1994): selection (Schackleton & Newell 1991), importance of work goals (England, 1986), work meanings (England, 1995), motivation (Hofstede, 1991; Alpander & Carter, 1995), reward system and appraisal (Easterby-Smith et al, 1995), compensation practices (Schuler & Rogovsky, 1998), managerial style (Hayes & Allinson, 1995; Hofstede, 1984; Evans et al., 1989) and strategy formulation (Kagona et al.,1985). Some studies have also shown that culture has an enormous impact on communication (Meyer, 1993) (for example, relationship building, conversation style, meeting style, and stereotypes) and negotiating style (Adler & Graham, 1989; Tinsley & Pillutla, 1998). After finding differences in organisational approach, Evans et al. (1989) concludes that management style is a function of the level of industrialisation, but is tempered by cultural characteristics. One important implication of this is that when national borders are crossed, the companies may need to take local management practices into account. Hofstede (1984) argued that managerial models developed in one culture might not be easily implemented in another culture due to cultural differences of the management and workforce. Newman & Nollen (1996) examined the financial performance of European and Asian work units of one multinational company and found that congruity of management practices with national culture leads to higher performance outcomes.

These studies presented above show that cultural values and assumptions have considerable influence on management style, HRM practices, negotiation, and communication style. Therefore, when the companies involved in cross-border activities, they need to consider the differences in terms of

management practices and manage them. When the companies operate in another country, it is necessary for them to understand the local management practices and align their practices accordingly. The global business strategies should include the element of cultural differences if they are to be successful. Understanding and taking cultural differences into account and managing associated challenges will be the key in doing business across the borders.

### **1.2.3 Challenges derived from consumer difference across the world**

Another important challenge is the differences in terms of consumers in each country that companies sell their product and services. Companies sell their products in various countries in various market segments. Therefore, companies need to understand the unique characteristics of each country in general and each market segment in specific.

Consumers across the countries vary in terms of their characteristics, life style, taste, purchasing behaviour and decision making style etc. (Lamont, 1996). For instance, Lamont (1996:139-173) explains how Japan differ from the west in terms of social, political and cultural aspects in general along with values, life style and purchasing behavior in specific. The same is true for the other countries worldwide. Socio-cultural context that consumer live will influence the consumers and their behavior.

Therefore, understanding and taking into account of socio-cultural context within which consumers live along with unique characteristics of consumers will in turn help companies to serve the best product and services with the best possible combinations required by them. One should also keep in mind that there are some similarities across the consumers all over the world. That is why many global companies offer the same products such as Pepsi and McDonald's to different consumers across the countries. Yet, this does not mean that every product can be marketed across the countries. Even these companies have to change the ingredient of their product to meet the local taste and requirements. Companies are to be successful, only if they match what their consumers across countries need and wants. This requires consideration of each consumer in terms of their characteristics, taste, life style, and values of each country.

After explaining the associated cultural challenges, the following section concerns how to manage these challenges.

### **1.3 Managing cultural differences and associated challenges**

As outlined above, while the type of activities of companies abroad will determine the level of cultural challenges that companies face, the perception of

managers with respect to cultural differences will define the type of action that companies take regarding to managing cultural differences.

While some companies export, some other companies can combine the resources and involve in strategic alliance or they may prefer total ownership. Some operations expose companies little intercultural interaction, whereas others may involve frequent intercultural interactions. Therefore the level of involvement in inter-cultural interaction increase, the level of attention to cultural challenges and the level of effort to manage them will increase accordingly. Thus one can expect that the level of effort will be less in exporting companies compared to those involved in strategic alliances. As mentioned above, the cultural differences create numerous cultural challenges such as integration difficulties and communication difficulties. Especially when the companies involved in strategic alliances such as international joint ventures where the importance of managing such challenges becomes great importance for success of these types of companies. The question of how the companies manage the cultural challenges and what methods and strategies should be used in managing them need to be answered.

The perception of managers with respect to cultural differences and its associated challenges will define their approach to managing cultural differences (Adler, 1986). Thus managers need to see the cultural differences and associated challenges and take a positive approach to managing these challenges. In managing the cultural challenges, the most important thing is to recognise and understand the cultural differences and its associated challenges outlined above (Lane et al., 1997; Trompenaars, 1997). This requires understanding both your own culture and that of others. Understanding your own culture as well as that of others is likely to eliminate some of the potential problems and overcome the difficulties. When the companies involved in cross-cultural business interaction, cultural differences should be taken into account in every aspect of business. As mentioned above, culture influences almost all aspects of businesses, therefore culture and its implications should be embedded into management of all aspect of cross-border business activities such as production, marketing, strategy formulation, organisational structure, HRM practices and management in general.

After the managers understand their culture and that of others, recognise the cultural differences and take a positive attitude towards them, they need to use the methods and strategies to manage cultural differences and associated challenges in order to be successful across the borders. These methods and strategies will be explained next.

### **1.3.1 Methods and strategies for managing cultural differences and associated challenges**

Several methods and strategies have been offered in the literature to manage the cultural differences and associated challenges. Companies consider these strategies and select the most appropriate one or more.

There are some models suggested in the literature to manage cultural differences and related challenges. For instance, Lane et al, (1997) have been highly interested in managing the cultural differences in intercultural situation and have suggested a model of intercultural effectiveness for people and teams. According to this model, first people understand their own culture and that of other, after that the focus should be on bridging the difference through communication and then manage the differences by integration. People first understand the nature and components of culture and how they affect the behaviour and management systems and that of others so that differences can be identified and mapped. After this stage, these differences can be bridged by communication. Three important communication elements have been offered to help to bridge the differences. First, people should be able to have motivation and confidence in communicating across a cultural boundary both to be understood and to understand others. The other communication element is to establish a common reality and agreeing on common rules. The last component of effective communication involves decentering without blame. This means sending and receiving messages with other person's cultural code in mind (perspective-taking) as well as making blame free and correct attributions about problems and conflicts. The next thing to do is to move forward and build on ideas. At this stage, exploration of ideas should be encouraged with the conscious attempt to invent new ideas and to build on ideas initially created. Finding solutions to issues or problems that are acceptable to all parties from various cultural backgrounds is likely to increase the synergy.

Trompenaars (1997:195) suggested that the managers to be successful in cross-border activities should acquire transcultural competence. He argued that such competence could be achieved by being aware of cultural differences, respecting them, and ultimately reconciling them. Cultural awareness means understanding states of mind, your own and those of people you meet. Genuine self-awareness recognises the fact that people from different culture operate with different mental programs. Trompenaars (1997:195) suggested several ways to employ in developing respect for cultural differences. For instance, he suggested looking for situations in our life in which we would behave like a person from another culture. Reconciling requires to be ourselves, but at the same time to see and understand and how other's perspective help our own. Seeing the cultures complementary rather than conflicting opposites can be useful method to help to reconcile the differences. As mentioned above synergy approach can be adopted to help to bridge the differences. Trompenaars (1997: 210) argued that when two values work with one another they are mutually

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facilitating and enhancing. Companies adopting this kind of approach in managing cultural differences and its associated challenge can help to turn cultural differences into competitive advantage.

In addition to the methods to manage cultural differences and associated challenges, there are some skills that can be acquired in order to overcome some of cultural challenges like communication and integration difficulties. Cross-cultural orientation and training programs are offered to better handle cross-cultural situations and associated problem. These are language training, brief lectures, group discussions, role-playing, video presentations, multimedia presentations and case studies (Elashmawi, 1998; Meyer, 1993). These programs can help companies to recognise and understand the cultural differences and its influence on people, management, and interpersonal relationship. These programs in general can also help managers to recognise and respect cultural diversity, which in turn create a healthier and successful intercultural business relationship. They can help to create intercultural competencies, which in turn can help to bridge the differences and to obtain the best solutions to the problems faced. Language training programs can increase communication effectiveness.

Some researchers also argue that successful interaction across cultures requires cultural intelligence (Early ve Mosakowski, 2004; Maznevski, 2006; Triandis, 2006). Tan (2004) argue that the global workplace requires individuals to be sensitive to different cultures, to interact appropriately with people from different cultures, and to analyze new cultures as they are encountered. There are also some strategies suggested in the literature for managing cultural differences and associated challenges. As mentioned above, one of the strategies has been the use of synergy in cross-cultural situations. Particularly when two or more companies involved in some sort of business activities such as international joint ventures, synergy approach can be an invaluable asset. Companies can take an advantage of synergy approach in intercultural situations where the combination of “our way” and “their way” can provide the best way to organise and work (Adler, 1986; Elashmawi, 1998; Lichtenberger & Naulleau, 1994; Trompenaars, 1993).

It is also important to note that manager will be the one who faces cultural difference and its associated challenges. Therefore, companies should be careful in selecting and developing managers for cross-cultural business assignment. These managers need to have some special competencies, enabling them to better cope with the potential problems in cross-cultural business interactions. These competencies will be discussed later on.

### **1.3.2. Turning cultural difference into competitive advantage**

Cultural differences can be source of a competitive advantage when managed well and thus individual, groups and companies should focus on how to turn cultural differences into competitive advantage.

At the individual and group level, these differences are reflected through diverse perspectives and opinions, which in turn can increase creativity and innovation. Such diverse views are more likely to help to solve problem and to make better decision by creating more alternatives to the problems and decision-making. Schneider and DeMeyer (1991) argued that culture give manager different knowledge bases and distinct perception and found that managers responded to and interpreted the same strategic issue differently. Nardon and Steers (2007) noted that interacting with others brings the possibility of learning more about ourselves, discovering new ways of doing things, and finding creative solutions to both new problems and old. It also contributes in no small way to business success. Hence cultural diversity is likely to increase the range of perspectives and ideas, improving problem solving, creativity, and innovation within culturally diverse groups (Adler, 1986; Hambrick et al., 1998; Kirchmeyer ve McLellan, 1991; Watson et al, 1993).

At the organisational level, the cultural differences can also be a source of competitive advantage. Adler (1986: 99) argued that cultural diversity can create multiple perspectives, increase openness to new ideas and bring in multiple interpretations. It can also increase creativity, flexibility and problem solving skills. Organisations can take an advantage of these benefits of cultural differences. Adler (1986) summarised how cultural diversity can help organisations. Cultural diversity can decrease groupthink by bringing in multiple perspectives to decision-making and thus improving decision-making. Diversity also helps organisation to expand its perspectives, its approach, its operations and product line. They can also help organisation to reposition themselves in a new marketing plan, planning new operation, or assessing the trends from a new perspective. Cultural diversity increase responsiveness of organisation to world markets by better understanding their customers worldwide and accordingly their needs.

In sum, cultural differences can be source of a competitive advantage when managed well. Companies need to learn how to acquire cultural-diversity-based competitive advantage, which can help them to better race in today's global business world.

The previous sections explained possible cultural challenges, how to manage and turn them into competitive advantage. The following sections will cover the other types of challenges that Turkish companies may face and will also present the role of Turkish managers in global business dreams.

#### **1.4. What are the other challenges for companies involved in cross-border businesses?**

In addition to cultural challenges that this article focuses on, there are many other challenges that need to be taken into account in doing business across the borders. Czinkota et al., (1996:77) noted that “operating

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internationally requires both firms and managers to be aware of a highly complex environment. Domestic and international environmental factors and their interaction have to be recognised and understood. In addition, ongoing changes in these environments have to be appreciated. Furthermore, international managers must be acquainted with the purpose and activities of major international institutions”. Some of the main challenges mentioned in the literature will be briefly presented below.

• Companies need to follow the recent world development and their impact on the international business (Mendenhall et al., 1995; Parker, 1998). For example, the increasing speed and efficiency of global communication make it possible to envision offices in the future that are vastly different from offices in the past. It will not be necessary for the employees to be physically located in the same place: Some employees can just work anywhere and still be in touch with others.

• Companies should be aware of environmental issues and consider social responsibility and ethics issues (Mendenhall et al., 1995; Parker, 1998).

• Companies need to be able to monitor and assess the environment and be ready for change to fit the changing environment. International companies operate in a world of unprecedented uncertainty so they need to be flexible, responsive, and adaptive (Mendenhall et al., 1995).

• Monetary systems in which the relative values of currencies fluctuate (Mendenhall et al., 1995; Odenwald, 1993; Parker, 1998). Business activities across national boundaries often involve several currencies and conversion of these currencies from one to another. Companies need to understand the implications of these different currencies for their activities to make appropriate decisions (Mendenhall et al., 1995)

• Companies pay attention to legal systems that vary not only in particulars but in underlying assumptions (Odenwald, 1993; Parker, 1998).

• Nations have varying trade incentive and barriers. Businesses that cross boundaries may be able to take an advantage of incentives and must deal with several barriers (Mendenhall et al., 1995; Parker, 1998).

• Companies need to consider political structures and administrative systems that differ in operation and how they influence and are influenced by business (Mendenhall et al., 1995; Odenwald, 1993; Parker, 1998). Companies need to be able to function within a variety of systems and to manage the risks associated with different political ideologies.

• Companies should evaluate the market structures that require subtle changes in products and marketing techniques from country to country (Odenwald, 1993).

• While these macro level areas are very important to consider, there are some micro level areas that should also be taken into account. Especially when

the different organisation merges, or get in joint ventures, corporate cultures should also be taken into account. There might be different business cultural norms and ethics in each company, which should be carefully considered (Mead, 1998; Trompenaars, 1997; Woldu et al., 2006).

- When the people from different departments work together, different occupational cultures are likely to create conflict between people from different departments. Companies need to take this into account for effective interaction (Hofstede, 1985; Trompenaars, 1997).

- Economical condition of the country in general and industry involved along with associated challenges should be carefully analyzed (Parker, 1998).

- Individual differences can also create problems in inter-cultural interaction as in any type of interaction and need to be taken into account.

- Additionally balance of control between corporate headquarters and local business units can be problematic as well (Mead, 1998).

- The ease of communication and travel, taken for granted today, links virtually the entire world and makes the world seem like a village in many ways. At the same, the world remains one of war, conflict and misunderstanding between and among nations and cultures. These are important issues that need to be considered by the companies (Mendenhall et al, 1995).

- There are several methods for the companies to engage in cross-border business activities, each method with its advantages and disadvantages should be assessed before making entry decision (Czinkota et al., 1996; Mendenhall et al, 1995).

### **1.5 The role of Turkish managers in global business adventures**

Companies have to deal with global business environment characterised with complexity and uncertainty. Companies need to find and develop effective manager to effectively manage in global markets (Mendenhall et al., 1995:25).

Managers need to understand the nature of global business and various challenges and acquire the necessary competencies to manage the global business endeavours. The success of Turkish managers will also depend on understanding macro and micro level challenges. As outlined above they need to have knowledge regarding general environment in a specific country such as legal, social, political, monetary systems and market structure. Researches suggest that managers need cross-cultural training, interpersonal skill, language skill and international experiences to be successful across the borders. The same also applies to Turkish managers who engage in cross border business relationships. Cultural challenges have been on top of the list as one of the most complicated challenges ever; therefore extra effort should be put on to manage these challenges. Turkish managers need to recognise, understand, respect and reconcile the cultural differences as outlined above. Supporting this view, Early and Erez (1997, 176) contended that “becoming a successful manager abroad

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requires a knowledge of understanding of people, their cultural backgrounds, and their unique needs”.

Turkish managers should also have some special skills to help them to be effective in global business settings. The profile of effective global managers has been identified in the literature. Freidheim (1999) argued that successful global leaders need to acquire the following competencies: Has values and conviction, visionary, decisive, motivators, confident, understand the business and its people, driven to succeed and superb communicator. Macfarlane (2007) summarized some of the important competencies for a successful global leader.

- Implements world-class processes and systems that significantly improve business operations both locally and on a global scale
- Considers the impact of decisions on both local and global operations and initiatives
- Shows a profound interest in understanding how globalisation creates both challenges and opportunities
- Energises others towards a global mindset
- Is superior at building collaboration and teamwork across the local and global  
Organisation
- Works to ensure global best practices and innovations are utilised on a global basis

Dainty (2005) also mentioned some of the competencies of global leaders taken from Mendenhall (2001): Global Business Savvy, Global Organisational Savvy, Integrity Managing Cross- Cultural Ethics, Thinking Agility, Managing Uncertainty, Maturity, Expertise in Negotiation Processes, Balancing Global versus Localization tensions, Inquisitiveness / Curiosity and Self Learning, Conflict Management, Community Building / Networking, Creating Learning Systems, Stakeholder Orientation, Improvisation, Motivating Employees, Entrepreneurial Spirit, Establishing Close personal Relationships, Commitment, and Courage. Working successfully in cross-border business activities as a manager is not an easy task, yet important and necessary for the success of international companies. Thus, managers need to develop various skills to cope with challenges and to be successful in global business dreams.

### **1.6 Conclusion**

This article presented the potential challenges that Turkish companies may face in their global dreams. Although Turkish companies involving in international business may confront numerous micro and macro level challenges, this study focused on the cultural differences and related challenges and their management.

In order to understand the cultural differences and related challenges, the literature on culture, cultural studies and related issues have been presented. The

article explained cultural differences, its implications and related challenges for the companies. Cultural differences were briefly explained by presenting cultural dimensions from two commonly used studies in the literature. Cultural challenges were divided into three main areas: interpersonal and organisational challenges and challenges derived from different consumer worldwide. While the interpersonal challenges concern the communication, integration problems and conflict between the culturally different people, organisational challenges refer to the different management practices and associated problems, which result from cultural differences. Challenges associated with consumers concern the fact that consumers across the countries vary in terms of their characteristics, life style, taste, purchasing behaviour and decision making style etc. The article also outlined the methods and strategies available to companies to manage cultural challenges and turn them into competitive advantage. It further discussed other challenges that Turkish companies may face abroad. Moreover, the role of managers in global business dreams was discussed along with some traits, which can help the managers to better work effectively across the borders.

In order for Turkish companies to be successful in their global endeavours, a number of important factors have to be considered.

- Any company small or big need to be aware of global business realities and understand threats and opportunities and adapt to changing conditions. Companies without such realisation may no longer survive in today's business world. Companies need to open up their horizons and participate in international business activities.

- As the companies engage in international business, they need to take into account of several micro and macro level factors and associated challenges. Companies should keep in mind that challenges that companies may face will depend on types and nature of international business activity. Thus, associated challenges with different types of international business activity should be carefully evaluated before selecting mode of international business activity.

- The challenges that companies meet can be resulted from cultural as well as social, political, economical, historical, geographical differences. One of the most important challenges cited in the literature has been cultural differences and its associated challenges that companies need to take into account.

- Companies need to carefully evaluate the cultural differences and associated challenges along with the others when participating in international business activities. This will enable companies to take necessary actions with respect to any challenges that may occur.

- Companies should manage and turn cultural difference into competitive advantage. In managing and turning cultural differences into competitive advantage, companies need to take a positive and proactive approach. Companies need to be aware and understand their own culture and that of

others'. This requires managers to be equipped with necessary skills and traits outlined above. Managers should be able to develop and use global strategic skills and manage change, transition and cultural diversity. They also need to be able to communicate and work in different environment with different people. Moreover, they should acquire cross-cultural training and gain language competence.

• Companies need to select best possible methods and strategies to manage and to turn cultural challenges into competitive advantage. The selected strategy should allow companies to minimize problems associated with cultural difference and maximize the benefits that can be derived from cultural differences. Several other factors (types of business activity, people involved, internal and external business environment etc.) are likely to affect the types of strategies that companies use in managing cultural challenges. These factors should be considered in selecting best suitable strategy for the company.

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