



УДК 174.4:172.4:303.446.2:658

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UKRAINE AS POTENTIAL CENTER OF NEARSOURCING: MANAGING MULTICULTURAL TEAM

Стаття присвячена розгляду питань формування навичок ефективного крос-культурного менеджменту в умовах розвитку України як одного з перспективних центрів nearsourcing в Східній Європі. Наведений в статті порівняльний аналіз вітчизняної культури та культур інших країн дозволяє визначити специфіку української бізнес-культури, можливий її вплив на роботу та взаємовідносини багатокультурної команди.

Ключові слова: культурні розбіжності, мультикультурна команда, крос-культурний менеджмент.

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INTRODUCTION

Today's shrinking due to the globalization world becomes more and more interconnected. More and more people with different cultural and ethnical backgrounds have to work together in the same teams due to migration and expanding international trade. Software engineering industry is also highly affected by globalization trends. Intense competition in business environment, ever-growing demand for diversity and quality of service as well as constant strain on company executives make them search for competent staff that can generate inventive ideas and provide technology skills. To gain these competencies IT managers can opt to either employ specialists or outsource. A lot of western companies plan to make or have already maintained business contacts with offshore service providers in attempt to cut IT costs and to gain access to a broader talent pool. These opportunities have been well utilized by countries like India, Ireland and Israel. Today's global outsourcing market is dominated by Indian software companies. Ireland is the second largest software exporter in the world. Nowadays, however, such developing countries as Pakistan, Russia, some Central European countries (Hungary, Slovakia, Poland and Ukraine) and Baltic States are viewed as main contenders for offshore services supply.

Despite the fact that Ukraine is in the initial phase of developing an outsourcing industry it has excellent prospects to compete in the global market due to considerable intellectual potential, strong fundamental education, skilful proactive programmers and its proximity to Western Europe. In 2007 Ukraine's software market was one of the most promising in Central-Eastern Europe (CEE) being first in speed of market growth and fourth in IT market volume (in capital) after the Russian, Polish, and Czech markets. The year 2009 has brought about a worldwide recession. Export-oriented sectors of the Ukrainian economy faced serious challenges due to a fall in consumption on the EU and US markets. The situation, however, has made the labour market more attractive to new investors, since the crisis stopped rapid wage growth in several industries, including IT outsourcing. Infrastructure costs, including office rent and communications costs, have also fallen. Recent IDC research shows that it will take Ukraine about three years to get the IT market back to its 2008 level. Based on the results of the expert survey conducted by the American Chamber of Commerce in Ukraine, IT sector companies are moderately optimistic about their future in Ukraine. Over half of the companies surveyed (56.5%), plan to keep their investments for the coming year at the same level as they were in 2009. In addition, a significant share of IT and telecom businesses plan to increase investment (39.1%). Only 4.3% of the experts stated that they expect a decrease in their investments in the sector. Despite some progress and positive prognoses for 2010 there are many key concerns that still may deter many potential customers:

- lack of government support of IT industry;



- numerous drawbacks in the taxation system;
- complicated and not adapted for work with international customers legal environment;
- certification difficulties;
- violations of intellectual property rights;
- communication difficulties;
- business and management skills shortage;
- lack of attention to cultural issues.

The majority of Ukrainian software companies do not consider cultural issues as a major problem and as a result they don't pay attention to cultural fit with the customers. Quite often offshore providers in Ukraine find it hard to deal with communication difficulties and different work styles.

PROBLEM STATEMENT

The goals of the research are to discover both positive and negative sides of multicultural team activity and determine ways and methods which could help to resolve possible difficulties and exploit potential opportunities, arising from cultural diversities.

For achieving the above mentioned goals, the following objectives are set:

- explore the sources of possible difficulties and potential opportunities arising in multicultural teams;
- investigate the influence of cultural diversities on team performance;
- determine successful managerial practices which could be adopted by Ukrainian software engineering multicultural teams.

The expected outcomes of the present study would be a better insight into the challenges posed by multicultural teams and a set of managerial practices effective in multinational environment.

RESULTS OF RESEARCH

Analysing culture and cultural differences, we suggest that culture may be defined as the system of inherited ideas, beliefs, values, behavioral patterns and knowledge of a group of people that provides a sense of shared identity and belonging and which, to a certain extent, shapes and influences perception, decision-making and behavior. We use this rather general definition as it allows to describe different types of culture, such as national, organizational, functional, etc. As a cultural group, our solutions to life's fundamental questions are influenced greatly by the natural environment in which we live, and our history, religion, and language. Individually, a mixture of formal and informal influences shapes us, thus any person over his lifetime becomes a part of a number of cultures: family culture, school culture, professional culture, national culture, etc. [2, 22-64]. All of the abovementioned types of culture have a certain impact on teams, however, some types have a stronger effect on team interaction and performance,



while others influence to a lesser degree. In our research we are particularly interested in national and organizational cultures as they influence behavioral patterns of team members to a great extent [1, 15-89]. Although each culture is unique and complex, being made up with internal tensions, contradiction, and variations, it is possible to compare different national cultures on the basis of Geert Hofstede's cultural comparison matrix which distinguishes between the five basic dimensions of culture:

- power distance (PDI);
- individualism-collectivism (IDV);
- uncertainty avoidance (UAI);
- long term-short term orientation (LTO);
- masculinity-femininity (MAS).

Table 1 shows the comparison between the United States, United Kingdom, Germany, Ukraine, Russia, India, China, and the world average for each of Hofstede's primary measurements.

Table 1

Hofstede's cultural dimensions

	World Average	United States	UK	Germany	Ukraine	Russia	India	China
(PDI)	55	40	31	30	33	43	77	80
(IDV)	43	91	95	62	51	31	52	20
(UAI)	64	46	30	61	57	103	40	48
(LTO)	45	29	21	28	56	24	61	118
(MAS)	50	62	71	61	13	-5	56	61

Power distance (PDI) is an extent to which the culture believes that institutional and organizational power should be distributed unequally [5, 84-121]. Western cultures on average have lower power distance index, while eastern cultures typically have higher ones. According to Table 1 Ukraine is below the world average in this dimension. It means that Ukrainian employees can work on their own initiative, mainly independently without constant supervision and without involving much the manager into decision making process. Although they are likely to expect relative closeness to their managers Ukrainians will feel uncomfortable with strong displays of power or privilege. Managers can influence their subordinates by friendly reasoning or bargaining.

In countries with high PDI (India, China) the subordinates wait for more detailed guidance on the tasks they perform, expecting the manager to make the decisions on his own, without consulting team members. In high PDI cultures communication flows downward and respect upward, upward communication is neither expected nor encouraged, managers perceived as less approachable. The employee with high PDI distances himself from a manager and shows his deference towards the manager by avoiding the eye contact, by using the formal greetings, or addressing only to the manager, when making the presentation. The subordinate will never question the manager's authority as it is perceived highly negatively.



Potential difficulties may arise when a manager and the employee with different cultural background and different expectations of what a good manager or a good employee is work together without being aware of these differences which may consequently lead to a clash of opinions, negative attitudes towards each other and respectively decrease in productivity later on. For example high PDI subordinate who is constantly looking for directions and expecting to be consulted on decisions may be consider by a low PDI as being professionally incompetent, lacking skills and knowledge to handle tasks independently. On the other hand the subordinate might see the manager uninterested in his work or also technically incompetent as he seems to be unable to answer the simple questions [6, 57-115].

Individualism dimension (IDV) can be described as the degree to which people prefer to act as individuals rather than in teams. In cultures with high individualism index there is a lack of interpersonal connection, the roles within the team are clearly defined, the individual is first of all assessed as a professional and the relationship between employer and employee are quite loose with less moral obligations. In the high collective societies the needs of a group are often placed before the needs of the individual, with many tasks being the responsibility of the entire team, thus subsequently implying stronger relationship between employer and employee and resembling family relationship. In hiring process the potential employee is looked upon not only as a skilled professional but also as a member of a certain group.

With individualism index higher than the world average, Ukrainian employees are expected to be more comfortable with the tasks that challenge them as individuals. Nevertheless, they will be more confident in group settings and more satisfied with group assignments rather than with individual. However western businessmen working with Ukrainian employees point out that Ukrainians do not take on personal responsibility as easily as westerners. At the same time, after gaining a leadership position, many Ukrainians tend to become rather authoritarian and concentrate decision-making powers in their own hands [5, 145-153].

Uncertainty Avoidance Index (UAI) describes the degree to which members of a specific society are likely to avoid uncertain or risky/new situations. Representatives of high UAI cultures may have need of extra information gathering, preparation or planning at the earlier stages of the project to prevent future problems. Ukraine as well as other low UAI countries can be differentiated from those with a high UAI by a lower resistance to change, tendency to change workplace frequently, lower work stress, and a weaker orientation towards rules. Employees are likely to agree on the relative value of risk in business situations.

Long Term Orientation index (LTO) describes the degree to which members of a culture are likely to think about the long term results of an action, versus the short term possibilities. Ukrainian employees are more



likely to judge a business situation or possible action by its long term possibilities. Values of the long term culture include persistence, perseverance, personal adaptability and thrift. In the short-term oriented culture quick results, or investment returns are valued.

Masculinity (MAS) dimension shows the extent to which gender roles and activities are defined in a culture. A high ranking suggests that men and women follow very different roles in the culture. There is a greater equality between males and females as Ukraine is significantly less masculine than the world average.

In many projects it happens that some teams are formed not only with members of diverse cultures but also drawn from different organizations. Thus, together with their personal qualities and cultural values the team members bring along the cultural specifics of the organization they are from. On one hand an individual's work style, skills and interests can help complement the team. Thus teams which include people with diverse national and organizational culture background provide a number of advantages to international companies, including:

- fresh ideas, increased creativity and innovative approaches to problem solving due to a wider range of perspectives;
- a more global perspective on the product;
- deep knowledge of different product markets, etc.

On the other hand if not taken into consideration, differences in organizational culture may seriously obstruct the team's performance. Besides differences in time conception, organizational culture may cover other important areas, such as: organization attitude to the competitive environment (leading or reacting), organization way of managing people, organizational structure, etc. [3, 3-55]. Cultural and organizational differences can create substantial obstacles to effective teamwork as team members usually have bring different expectations and beliefs regarding intra-team processes, communication, and leadership.

Intra-Team Processes difficulties cover misunderstandings that may arise among the team members of a multicultural team during their joint activities, and include:

- attitudes to time;
- problem solving approaches;
- division of responsibilities;
- the necessary level of cohesiveness.

Quite often foreigners working in Ukraine find that being late is the norm for Ukrainians. Meetings are often rescheduled and cancelled, often at the last minute. That all can be explained by the fact that Ukraine is a moderate time culture and typically there may be some flexibility to deadlines and strict adherence to schedules. So while working with Ukrainian employees it is advisable to strengthen the importance of the agreed-upon deadlines and reinforce how that may influence the rest of the



organization. At the same time Ukrainian managers should remember that Germany, United Kingdom, and United States are controlled-time cultures and schedules are important because they permit planning and prevent uncertainty. Missing a deadline will be regarded as a sign of poor management and will shake people's confidence. It is not unusual for managers of controlled-time cultures to expect people to work late or even give up weekends in order to meet target deadlines. These cultures also dislike interruptions and expect complete concentration on the task at hand; doing two things at once (taking a phone call during a meeting) is viewed as being inattentive or may even be considered rude.

Common problematic situations in communication section associated with unsatisfactory communication are the following:

- difficulties originated from the use of English as a foreign language;
- reduced communication lines between the team members in case when the team consists of several cultural groups;
- insufficient communication between managers and subordinates.

Language can be both unifying and divisive. Quite often team members need to communicate in language which is non-native at least for one party. Difficulties in expressing themselves in foreign language may lead to switching to a native language whenever possible, which subsequently will cause deteriorated communication and team being split into several parties [4, 26-49]. Multinational team might be split in several one-culture groups, with poor communication lines between each group. Poor contacts between the sub-groups result in respectively even poorer understanding, conflicts, which finally result in reduced performance. Another challenge is difficulty with accents and fluency. Team members who speak English as a second language retain much of their foreign accent and have lack vocabulary in the language of the team, often are reluctant to speak up on an area of their expertise. So the team loses out on their expertise. Besides some members' lack of fluency in the teams dominant language can lead others to underestimate their competence. Differences in communication are not limited to the verbal component of language. Nonverbal communication components such as gaze and eye contact, body language, gestures and facial expressions, proxemics, intonation, spans of silence, and feedback giving can also differ greatly. It is easy to misinterpret someone's behaviour by assuming that they share out understanding of it [7, 290-306]. Deteriorated communication between the manager and his subordinates could arise from a large power distance difference between manager and those team members.

Nevertheless cultural and organizational challenges are manageable if managers and team members choose the right strategy and avoid imposing single-culture-based approaches on multicultural situations. To deal with these challenges the following strategies proved to be successful:

- adaptation;
- structural intervention;



- managerial intervention;
- exit (removing a team member when other options have failed).

Adaptation involves acknowledging cultural gaps openly and working around them. Perhaps the most obvious practices aiming at solving problematic communication issues in multicultural teams would be language courses and periodically repeated cultural awareness training, which should cover not only all cultures represented in the workforce, but others that are prevalent in the local community. The goal of such training is to increase the general awareness of the cultural aspect within the group, help the employees discover their cultural differences and map them in order to break down barriers, build trust and avoid unnecessary misunderstandings or badly formed stereotypes. The lack of cultural awareness preparation may result in poor working relations, stress, internal conflicts, poor staff retention, poor productivity, and loss of clients.

Structural intervention is a deliberate reorganization or reassignment aiming at reducing interpersonal disagreements or removing a source of conflict for one or more groups. In order to stimulate inter-group contacts and avoid the situation when the team splits in several one-culture sub-groups or when team members are proud, defensive, threatened, or clinging to negative stereotypes of one another, the importance of intra-team interactions should be especially stressed. A group of people can be called a team only when employees see their jobs not merely as what they are supposed to do, but as contributions to the group's success and when the team members have worked out ways to resolve communication problems when they occur. In order to build an effective and cohesive team the following suggestions could be recommended:

- team's common goals and purposes should be clarified as well as each person's role in achieving the common purpose;
- effective ways to resolve conflicts based on the needs of the specific team should be worked out;
- smaller working groups of mixed cultures or mixed corporate identities should be created in order to get team members to know and respect everyone else on the team;
- team members should be encouraged to make suggestions and provide input;
- team as a whole and each employee individually should be appraised and rewarded;
- celebrate team milestones and successes.

Intra-group communication can also benefit from outdoor social activities, task rotation, daily 10 minutes sessions where everybody has to speak out, etc.

Managerial intervention to set norms early in a team's life can really help the team start out with effective processes. Managers who intervene early and set norms; teams and managers who structure social interaction and organize work to engage everyone on the team; and teams that can see problems as arising from culture, not personality, approach challenges with good humour and creativity [7, 30-112].



CONCLUSIONS

In conclusion we should say that on the whole, the providers of IT services in Ukraine are optimistic about the industry and they believe that with progressive government policies, improved foreign language skills and better competence in business culture, Ukrainian software exporters truly have the capability to make Ukraine a world class, prosperous IT services destination. Though they point out that a lot has to be done before Ukrainian IT exporters become a competitive force in the global market. It is advised that Ukrainian providers ask themselves not just how they feel working with international clients, but how their customers feel working with them. This requires constant awareness of cultural differences. In this paper we identified some cultural-related problems and provided some means and approaches that can be used to address the above mentioned difficulties.

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