Research Report

The Socio-cultural Environment of International Business in Georgia

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THE SOCIO-CULTURAL ENVIRONMENT OF INTERNATIONAL BUSINESS IN GEORGIA

Abstract

Using Hofstede's five-dimensional model of national culture, the present study examines the socio-cultural environment of international business in Georgia. The study concentrates on the analysis of Georgian culture at two levels: the national socio-culture and the organizational culture. The research is based on a questionnaire survey administered during February and April of 2011 in Georgia. The sampling units were local and international business organizations. The respondents were employees of these organizations, selected randomly, and a total of 237 questionnaires were collected from 108 business organizations. The data analysis is based on the mean scores and percentage distribution of respondent value preferences. The results suggest that the Georgian national culture is individualist and that it is characterized by high power distance and low uncertainty avoidance and has a mixed gender and varied long-term/short-term orientation dimensions. Based on the research outcomes, recommendations are presented for foreign business agents who are interested in conducting business activities in Georgia.

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THE SOCIO-CULTURAL ENVIRONMENT OF INTERNATIONAL BUSINESS IN GEORGIA

Introduction

A number of contemporary scholars have recognized the importance of integrating culture in international business studies, and the influence of national culture on major business activities has been investigated by several authors. For example, Chui et al. (2002) show the impact of culture on capital structure, Gibson (1999) explores how culture determines group performance, Tata & Prasad (2006) study the relationships between micro-enterprise performance and national cultural values, and Kogut and Singh (1988) investigate the influence of culture on foreign entry mode.

The decision of international business agents when choosing a location for their operations depends significantly on the characteristics of the various nations and cultures. For example, the core traits that a culture recognizes as setting it apart from others, that is, its national identity (Clark, 1990), can be an important determinant of a country's participation in international business activities.

The need to conduct a comprehensive analysis of the socio-cultural variables and to incorporate culture into the study of international business is critical in the case of Georgia, a country that would like to be integrated into the global business, economic, and cultural space. Due to the policy and institutional reforms towards liberalization during the transition period, international business agents are now showing greater interest in Georgia. As a result, during the last decade, many international companies have entered the Georgian market. Companies from Great Britain have purchased manganese mines and the Batumi Port. Czech investments have been made in the electricity distribution network and hydro-electric power stations, and Kazakh companies have invested in telecommunication projects. In addition, some of the largest transnational corporations are now present in Georgia, such as Microsoft, Alcatel and Samsung.

The transformation processes in Georgia have resulted in unprecedented changes, which, along with opportunities, have also created some difficulties for business agents. Managers now face an entirely new business environment that is determined by an altered political system; essentially new institutions; gradually reformed regulation norms concerning taxes, customs, banking, and insurance; the loss of traditional markets; high inflation rates; the formation of new markets of money and securities; new interest rates; and large-scale privatization; among other factors.

Several Georgian scholars (Korganashvili, 2009; Papachashvili 2006; Putkaradze, 2008) have studied the expansion opportunities for international business operations in Georgia, as well as Georgian firms' prospects in the global business environment. Others (Tarkhnishvili, 2006; Surmanidze, 2002; Nijaradze, 2000) have explored various aspects of the national socio-culture. Nonetheless, none of these scholars have trenchantly investigated the importance of culture and its implications for international business development. The following issues have not been studied in connection with Georgia: the elements of the socio-cultural environment of international business in Georgia and the interaction and influence of these elements on business and economic activities; the variables within Georgian society that define the unique characteristics of its culture's national identity from the perspective of international business relations development; the role of Georgia's national cultural values in building trust and cooperation as a factor affecting international business cooperation. The goal of the present study is to provide a comprehensive analysis of

the above-mentioned issues and to make recommendations for business agents regarding the findings.

The research is centered on three research questions:
1. What is socio-culture?
2. Which forces form the socio-cultural environment of international business in general?
3. What is the socio-cultural environment of international business like in Georgia?

After reviewing the most popular theories and approaches towards the study of culture and business relationships, arguments supporting the use of Hofstede's five-dimension model of culture are given, and its advantages are emphasized. Based on this model, the socio-cultural forces at the national level affecting international business activities in Georgia are investigated. Organizational culture is assessed according to the effects of the national cultural dimensions because it is maintained that organizational cultures depend on the wide social context in which organizations operate. The social capital being developed within Georgia's specific cultural context and its role in the development of international business relations is an additional aspect investigated herein.

THEORETICAL BACKGROUND

There are numerous definitions of culture in the scientific literature. According to Fang (2005), culture is a set of values learned over time and transmitted to new members of a particular group. Elias (1994) posits that the development of social institutions and accepted patterns of behavior are closely linked to certain groups that dominate the society. Elias (1994) regards culture as the historical process of struggle among various social groups in which the values and beliefs of the successful group ultimately form the national culture. However, other factors, such as religion and the natural environment also play an important role in forming the national culture.

According to Richardson (2001), culture is an integration of the elements that characterize society, including objects that are created, structures and institutions that are erected, concepts and ideas that are developed and the circumstances under which these elements are formed, such as the customs and beliefs. At the same time, these elements are not static or separate from those of other cultures; rather, they are in continuous interaction with each other.

In addition, culture is a learned, shared and inter-related set of symbols whose meaning provides a set of orientations for the members of a society. These orientations, taken together, provide solutions for the problems that all societies must solve if they are to remain viable (Terpstra & David, 1991). Culture is formed on the basis of social interactions and it is transmitted through societies and groups by symbols and signs; thus, language is a central element of culture. Learning the symbols and their meanings is the initial manifestation of socialization, which aims at securing understanding among the members of a society for coordinated social action. However, socialization in one society is not a homogenous process because knowledge is transferred to different gender, ethnic, and religious groups. Culture is also formed around various professional groups and organizations. As a result, the next stage of socialization is the adoption of business, legal, medical, and other professional cultures that stem from the national culture (Terpstra, & David, 1991).

According to Hofstede (2001), culture is a collective programming of the mind that differentiates one group of a society from another. Hofstede believes that national culture patterns are rooted in the value systems of the majority groups of the population. However, American scientists Griffin & Pustay (2010) define culture as the

integrity of values, beliefs, patterns of behavior, customs and attitudes that differentiate one society from the other. They describe the values and social structures of a society and assert that language and religion are the core elements of culture.

Relying on these definitions, culture, as a group-level phenomenon, is closely related to social variables (the attitudes, perceptions, customs and traditions of a society). The explanation of culture by means of its social contents is widely accepted among scholars and scientists. For the purpose of the present project, we assume that culture is an integration of the values, beliefs, perceptions and attitudes of certain groups of people. Culture at the societal level forms the national culture; the cultures of separate groups within a society create sub-cultures, while the cultures of groups of various social and national origins represent trans-national culture.

Every country has a distinct national culture; however, disconnects may exist between a country and its culture (Peterson & Smith, 1997). For example, there may be cultural differences within countries, and as cultural boundaries between nations are becoming increasingly transparent in which one culture begins and another culture ends may be unrelated to national borders. In the present research, we concentrate on national culture, which is the most widely accepted approach to assessing the socio-cultural context of international business.

The following general aspects of culture, which have implications for conducting business activities and making managerial decisions, can be distinguished:
- ✓ Culture determines style of behavior, which is formed during learning and information transmission from one member of a society to another;
- ✓ The elements of culture are interrelated (for example, religion and family or business and social status);
- ✓ Culture is adaptive and can be changed as a result of the influence of external factors;
- ✓ Members of a society share the culture of that society (Griffin & Pustay 2010).

There are several theoretical models developed to describe national cultures that are applied to the analysis of the international business environment. The contextual approach by Hall (1976) is one of the most effective methods for the description of cultural differences among countries. This approach distinguishes high-context versus low-context cultures according to their mode of communication. High-context cultures are group-oriented, and people are less constrained in the private space. Representatives of this type of culture use non-verbal language in communication. High-context cultures are also characterized by a polychromic nature. Intuition and situational factors play an important role in interpersonal relations, traditions are important, and the distinct formulation of ideas in verbal communication is not typical. However, the outcome of communication should be distinct as people from high-context cultures make transactions without a written contract.

In contrast, low-context cultures are more individualistic, and as people's communication style tends to be more direct and frank, the message itself conveys its meaning. These cultures are monochromic cultures with sequential attention to individual goals; that is, work and personal life are separated, there is a precise concept of time, and interpersonal communication is distinctly formulated and formalized. Therefore, as the meaning of a message does not depend on traditions and situations, business transactions are regulated with contracts formulated in detail.

The most widely recognized research regarding the influence of socio-cultural variables on business and management has been carried out by Hofstede (2001). Based on theoretical and statistical analyses, the author describes five dimensions of culture to characterize societies rather than individuals. His theory is the most widely

applied approach among international business researchers and is designed for the analysis of the differences between national cultures.

Hofstede argues that it is possible to gain considerable insight into organized behavior across cultures using value dimensions. Initially, Hofstede developed four dimensions but later added a fifth dimension based on his research with Michael Bond (1991). The empirical basis for his research was formed by data collected through questionnaire-based interviews in IBM corporation subsidiaries across 72 countries. Overall, 116,000 questionnaires were collected between 1968 and 1972. Hofstede performed a factor analysis of the survey responses and proposed power distance, uncertainty avoidance, individualism, and masculinity as the key distinguishing aspects of national culture. The fifth dimension, long-term versus short-term orientation, was incorporated as a result of the analysis of student samples in the 23 countries surveyed by the Chinese Value Survey. The five dimensions are herein described.

Power distance represents people's relationship towards dependence in a society. It indicates the extent to which it is acceptable that the power be distributed unequally in organizations and institutions. The most important categories describing this concept are equality, inequality, privilege; social rank, social status, social roles; degree of dependence; hierarchy; power-bases and sources of power, legitimating power, ways of exerting power; manifesting power, the value of the different types of power (Davidkov, 2004). High level power distance is typical in France, Spain, Mexico, Japan, Singapore, and others, while the USA, Austria, Germany and New Zealand are characterized by low level power distance.

Uncertainty avoidance represents a culture's ability and desire to deal with uncertainty. It indicates to what extent members of a society feel discomfort under unusual or uncertain circumstances and whether the society can control uncontrollable processes. Notably, uncertainty avoidance does not equal risk avoidance, and reducing uncertainty will not necessarily reduce risk, but rather reduce ambiguity (Hofstede & Hofstede, 2005). The main categories that enable one to characterize cultures using this dimension are security – insecurity – threat; anxiety – calmness; tension – stress; fear – psychological comfort; aggression, conflicts; written/unwritten regulations – nature and scope of rules; stability – change; risk; difference; weakly-structured situations – soundly-structured situations; time – meaning of time – punctuality; action – inaction; standard – non-standard – innovative; security – achievement (Davidkov, 2004). The societies of the USA, Sweden, Singapore and Australia tolerate uncertainty, while Israel, Austria, Italy, Japan and France avoid uncertainty (Hofstede, 2001).

The **individualism/collectivism** dimension reflects how people live together within a given society. It distinguishes cultures that are organized based on groups from those that are organized based on individuals. This dimension determines the degree of independence versus degree of integration with groups of individuals. Individualist societies are characterized by weak connections among individuals, the importance of time for personal life, a preference for individual decisions, and the assessment of each decision from the individual's perspective (Hofstede, 2001).

The main categories that the relationship between the individual and the group are described by are as follows: closed groups – more open groups; subjects of rights, obligations, responsibilities; roles and importance of the individual (for the group) – roles and importance of the group (in view of the individual); interests/priorities of the individual/the group; identification – self-identification; integration – alienation; dependence (control) – independence (self-control); equality – freedom of the individual; and social environment – harmony – confrontation (Davidkov, 2004). According to Hofstede's findings, the societies of the USA, Great Britain, New

Zealand, Canada and Australia are individualist, while Mexico, Taiwan, Greece, Columbia, Pakistan have a collectivist orientation.

Masculinity/femininity refers to the distribution of gender roles. It characterizes emotional attitudes and distinguishes a firm masculine society from a tender feminine one. In masculine societies, gender roles are clearly differentiated, while in feminine cultures, gender roles tend to overlap. Cultures that are strong in masculine values will exhibit assertiveness, aggressiveness, materialism and a lack of concern for others, while feminine values are relationship-orientated and concerned with quality of life (Hofstede, 2001). The main categories that masculinity/femininity dimension can be defined by are dominating goals/values; social ideals and priorities; being socially just; meaning of life; role models of behavior; way of handling conflicts (Davidkov, 2004).

The **long-term/short-term orientation** dimension determines how long the society can postpone the satisfaction of its material, social and emotional needs. According to Hofstede (2001), these two opposite poles are based on Confucian logic, which values perseverance, thrift, personal stability and a respect for traditions.

Hofstede's work highlights the different aspects of the relationships of national and organizational cultures. A separate, large-scale study of organizational cultures was conducted in the 1980s across 20 organizational units in Denmark and the Netherlands. The main research outcome was that values differentiate national cultures, while practices differentiate organizational cultures. Hofstede distinguishes the following types or organizations: process oriented – result oriented; job oriented – employee oriented; parochial – professional; open system – closed system; weak control – strong control; normative organization – pragmatic organization.

Hofstede is often criticized for using open questions and incorporating inconsistencies into his methodology. Hofstede assumes that the managers of one corporation are the representatives of the given society. However, it is quite possible that the cultural differences perceived by the managers do not reflect the real differences between the countries in which the subsidiaries are located. In addition, Fang (2005) indicates the bipolar nature of the cultural dimensions, suggesting that Hofstede admits one or another dimension and excludes the simultaneous existence of both. However, culture is arguably a multi-faceted phenomenon in which various dimensions can co-exist.

Sonderguaard (1994) replicated Hofstede's research to compare his findings with those of Hofstede. In most cases, he reached the same conclusions as Hofstede, with the exception of one dimension, individualism.

In contrast, B. Macsweeney (2002) rejects Hofstede's model and argues that national culture cannot be a systematic causal factor of behavior. The main arguments of Hofstede's critics are as follows:

1. Surveys are not a suitable tool for measuring cultural differences.
2. Nations are not the best units for studying cultures.
3. A study of the subsidiaries of one company cannot provide information about an entire national culture.
4. The IBM data are old and are therefore obsolete;
5. Four or five dimensions are not enough for measuring culture (Hofstede, 2002).

Hofstede's counter-arguments to these criticisms are:
- ✓ Surveys should not be the only way of analyzing culture.
- ✓ Nations are appropriate units for making international comparisons.
- ✓ Any set of functionally equivalent samples (not only IMB subsidiaries) from national populations can supply information about cultural differences.
- ✓ The dimensions found are assumed to have roots that are centuries old.

✓ Additional dimensions should be both conceptually and statistically independent from the five dimensions already defined, and they should be validated by significant correlations with conceptually related external measures (Hofstede, 2002).

One of the drawbacks of Hofstede's study is that it does not acknowledge the change of cultural differences over time. Recent sociological research demonstrates that cultural distance as well as economic or political distance can change quite rapidly over time (Inglehart & Baker, 2000; Shenkar, 2001). Therefore, the research conducted in 1970, it can be argued, cannot provide an accurate picture because cultural values, including business-related values, are not static and may change when social, economic and political contexts change.

During the last two decades, scholars have developed measures of cultural differences that can be considered as alternatives to Hofstede's. One of them is Schwartz's cultural values framework (1992; 1994), which offers a more comprehensive set of dimensions. Schwartz argues that the essential distinction between societal values is the motivational goals they express. He identifies ten universal human values that reflect needs, social motives, and social institutional demands. These values can be found in all cultures and represent the universal needs of human existence (Nardon & Steers, 2009). The human values identified are power, achievement, hedonism, stimulation, self-direction, universalism, benevolence, tradition, conformity, and security.

Schwartz differentiates between individual-level cultural dimensions and social culture. At the individual level, psychological factors play a role, while cultural-level dimensions reflect the solutions that societies find to regulate human actions. At the cultural level of analysis, Schwartz identifies three dimensions: conservatism versus autonomy, hierarchy versus egalitarianism, and mastery versus harmony.

Another alternative to Hofstede's approach to cultural distance analysis is the Global Leadership and Organizational Behavior Effectiveness (GLOBE) study conducted by J. House and the representatives of the Wharton Business School. Their main conclusion is that leadership is contextual and depends on social and organizational norms, values and beliefs. The GLOBE project offers nine dimensions for assessing similarities and differences between the norms and values of societies: power distance, uncertainty avoidance, human orientation, institutional collectivism, group collectivism, assertiveness, gender equality, future orientation, and task orientation (House *et al.*, 2004).

Concurrently, culturally similar countries constitute clusters, and cultural *differences* increase the distance between clusters. The Southeast Asian, Confucian, Latin American, Eastern European, African, Latin European, Nordic, Anglo, Middle Eastern and Germanic clusters are among the clusters that have been distinguished. Georgia belongs to the Eastern European cluster, along with Greece, Hungary, Albania, Russia, Poland, Slovenia and Kazakhstan. This cluster is characterized by a high degree of assertiveness, group collectivism and gender equality. Low dimensions were manifested in future orientation, task orientation and uncertainty avoidance (House *et al.*, 2004).

The GLOBE study is the most comprehensive empirical research analysis of the relationship between culture and leadership behavior while simultaneously using diverse qualitative and quantitative methods in many countries and many organizations. Hofstede compared the similarities and differences between the GLOBE study and his approach, concluding that, in spite of a very different approach, the GLOBE study reflects the structure of his original model.

Another interesting piece of research is the World Value Survey, which describes cultural differences using a factor analysis of two dimensions and ten indicators. The

two dimensions are traditional/rational values and survival/self-expression values. In the societies in which traditional values are important, priority is given to religion, parent-child ties, authority and traditional family values, while societies with rational values have the opposite preferences. Survival values are related to economic and physical security and low levels of trust and tolerance, while self-expression values award high priority to environmental protection, growing tolerance of minorities and rising demands for participation in decision-making with respect to economic and political life.

The influence of culture on economy and business has been studied by institutionalists. For example, Heinsz & Swaminathan (2008) argue that institutionalist aspects affect every field of trans-national corporation activities, including the company's choice of location, technology, capital and labor force.

Furthermore, according to Scott (2001), institutions consist of cultural-cognitive, normative and regulation elements, as well as the related resources and actions that ensure the stability of social life. This definition shows the link between culture and institutions. Cognitive programs affect how people perceive incentives coming from the environment and how they categorize and interpret them. As cultural-cognitive elements involve traditions, regulations and universal norms, cognitive institutions are most closely related to culture. Institutional theories assume that business organizations act within institutional limits, and social institutions have considerable impact on long-term economic development.

Another important study related to the influence of culture on international business is that of Hamden-Turner & Trompenaars (1993), who studied seven cultures – the USA, Germany, France, Great Britain, Sweden and the Netherlands – from the aspect of wealth creation. From the authors' perspective, the deep structure of social beliefs is the invisible hand that regulates economic activity. Hamden-Turner & Trompenaars identify seven main valuing processes that are critical for wealth-creating organizations. For each valuing process, there are two complementary values in conflict, and in any cultural context, economic success depends on the ability to balance these two values. The valuing processes and the values in tension are presented in Table 1.

Table 1. Valuing Processes and Values in Tension

Process	Values in Tension
Making rules and discovering exceptions	Need to reconcile universalism with particularism
Constructing and Deconstructing	Need to alternate the mental and physical processes of analysis and integration
Managing communities of individuals	Need to reconcile the individualism of employees, shareholders and customers with the communitarianism of the larger system
Internalizing the outside world	Need to reconcile inner-direction with outer-direction
Synchronizing fast processes	Need to reconcile the speed of processes with the coordination of processes
Choosing among achievers	Need to balance achieved status with ascribed status
Sponsoring equal opportunities to excel	Need to balance equality with hierarchy

Source: Hamden-Turner & Trompenaars (1993).

Further important contributions are made to the research of culture and business by such authors as Chui *et al.* (2002), who study the influence of culture on capital structure. Additionally, Tata & Prasad (2008) analyze issues related to enterprise performance and cultural value relationships, while Kogut & Singh (1988) investigate the influence of cultural variables on entry mode. Contemporary researchers, such as Fischer & Mansel (2009), Stahl (2010), and Berry (2010), apply meta-analysis to the available studies.

Among these diverse theories, our research team finds Hofstede's model the most appropriate for investigating Georgia's socio-cultural environment. Despite the criticisms, there are a number of arguments that support this model and emphasize its advantages.

During the period that Hofstede's research was conducted, the field of socio-culture was rarely studied. The active processes of the expansion of trans-national corporations occurred at the same time, and they sought ways to resolve problems related to the socio-cultural differences in various countries. Hofstede is regarded as a pioneer researcher in the field of culture and business relationship issues, and his work has served as a catalyst for research in various social sciences.

Hofstede's model has been applied in a number of contexts. For example, in marketing, it was used by Alden *et al.* (1993) to investigate advertising, by Roth (1995) for the analysis of global branding strategies, and by Blodgett (2001) for the study of ethical decision making. His model has been empirically tested in the research of many cultures and provides a generalized framework for evaluating the influence of culture on various aspects of international business.

RESEARCH METHODS AND DATA ANALYSIS

The present research is based on a questionnaire survey and several semi-structured interviews conducted during February and April of 2011. The respondents were people employed in Georgian as well as foreign business organizations, and the owners of businesses. The respondents were selected randomly from organizations in Tbilisi, Batumi, Rustavi, and different regions of Georgia.

The project concentrated mainly on the analysis of Georgian culture at two levels: the national socio-culture and the organizational cultures. The project team depended on the assumption that organizational cultures stem from the national culture (Hofstede, 2001). In other words, in the workplace, employers as well as employees act in such a way that they determine reasonable given the accepted social norms and beliefs.

The theoretical basis of the questionnaire is Hofstede's theory of culture. The questions were formulated based on the conceptual and theoretical analysis of each cultural dimension. Special attention was paid to the structure and language of the questionnaire. The questionnaire was designed in Georgian because all of the respondents were citizens of Georgia.

The questions were formulated in such a way that each cultural dimension measured elements directly related to international business. The questionnaire focused on people's perceptions and attitudes towards work-related issues and business activities. Accordingly, the analysis of the questionnaire's outcomes enabled us to draw conclusions about organizational culture in Georgia.

Together with the questionnaire, which was designed by the research team, Hofstede's Value Survey Module 2008 (VSM 08) was used during the research, after having translated it from English into Georgian. The VSM has been validated in many

countries and represents a useful tool for the evaluation of culture at the societal level. We believe that the combination of the two questionnaires provides a high reliability for the outcomes.

The questionnaire designed by the research team consists of 27 closed questions and four questions related to the demographic characteristics of the respondents (age, gender, place of residence and position).

Questions 1-7 touch upon the individualism/collectivism dimension. Questions 1, 2 and 6 allow us to assess the extent to which independently made decisions and actions are preferred in the society and whether decisions are evaluated from the individual perspective. Questions 4-5 emphasize whether the behavior of an individual is determined by his/her responsibility towards the group and how the success or failure of the group is perceived. Question 7 reveals people's inclination to do individual work as opposed to working in teams.

Questions 9-13 examine power distance elements, including the degree of power concentration, the role of formal rules and procedures, the attitudes of subordinates towards the fulfillment of tasks, and the degree of information transparency.

Questions 14-18 are related to uncertainty avoidance. These questions focus on such determinants of avoiding uncertainty as people's preference for large or small organizations, acceptance of technological novelties and changes in general, and the perception of job security.

Masculine/feminine orientation is assessed by questions 18-22. The answers to these questions allowed us to understand the respondent's preferences concerning various factors, such as relationships, their working environment, job content, earnings, and competition.

Questions 23-25 are related to the long-term/short-term orientation dimension. The answers show the extent to which people expect quick results from their activities as well as their attitudes toward traditions. The last part of the questionnaire contains questions concerning high and low contexts.

The second questionnaire used in the research, the VSM 08 by Hofstede, is designed for the analysis of cultures at the national level. This questionnaire is widely accessible and can be used separately as well as in combination with other research instruments. However, it is not applicable for the study of individual characteristics or for the assessment of different organizational cultures.

This questionnaire is convenient for making comparisons if the research is undertaken simultaneously in a number of different countries. However, we cannot compare Georgia with other countries for which Hofstede's five-dimension indices are available because of the time gap between Hofstede's research and because the samples are not identical. Our project does not involve the study of socio-culture in two or more countries; however, if the research is further extended and based on a similar sample, Georgia's data can be compared to that of other countries.

Our survey covered 108 local and international companies operating in Georgia. The companies represent large- and medium-sized organizations from various fields of business (banking, insurance, construction, trade) and are considered successful and powerful within their industries. Sole proprietor enterprises were also included in the research. Although such enterprises are usually small, the information obtained from people who are simultaneously owners and managers of businesses in Georgia was regarded as important by the research team.

In total, 237 questionnaires were collected. Among the respondents, there were 38 top managers, 51 middle managers, 79 highly-skilled employees, 18 professionally trained subordinates, 24 employees with general skills, 5 semi-skilled

subordinates, and 2 volunteers. Some respondents refused to identify their positions. The questionnaires were collected via face-to-face interviews and over e-mail.

The research team reviewed, in detail, the existing literature on Georgia, the Caucasus and other transition contexts, including studies by the World Bank, USAID and other donor agencies. An extensive analysis of the data of CRRC's annual Caucasus Barometer, the World Values Survey 2005-2008 wave, the GLOBE project and Georgia's Foundation of Strategy and International Relations was also conducted as part of the research.

The data analysis included mean scores for each question and the percentage distribution of respondents' preferences. Questions not answered or containing more than one answer were excluded from the analysis. The answers to the questionnaire enabled the researchers to differentiate between values, perceptions and attitudes, on the one hand, and facts, on the other.

GEORGIAN NATIONAL SOCIO-CULTURE

Individualism/Collectivism

Individualist and collectivist societies mainly differ from each other by the degree of personal independence. The ties between individuals are weak in individualist societies, while collectivistic societies are characterized by strong interdependence among individuals. In individualistic societies, people care for themselves, their personal life and their families. Personal life, and time reserved toward it, is very important. Great importance is also attached to freedom in the workplace and a job that is interesting and challenging. In addition, it is undesirable to stay in a company for a long time, and long-serving managers have no advantage. Small and local companies are considered more attractive, a worker is responsible for only his/her life, and individual proficiency and abilities are crucial for career advancement. Independent decisions are advantageous, and each decision is evaluated from the individual's perspective.

In contrast, in collectivist cultures, connections with the internal groups are strong, and there is confidence only in internal group members. Relationships between the people are determined by belonging to the internal group.

Furthermore, Triandis (1994) distinguishes the following characteristics of individualist and collectivist cultures. In collectivistic cultures, the meaning of "self" is connected to the internal group. People's actions are guided by universally accepted norms and duties, and the most important factor in relationships is the recognition of the internal group. In contrast, in individualistic societies, the concept of "self" is isolated from any internal group, people's actions are determined by personal beliefs and attitudes, and personal achievements are the most important aspects in relationships.

Our research team relied on Hofstede's variables to investigate individualism/collectivism in Georgia. These variables and their mean scores are provided in Table 2. The greater the importance given to a variable, the higher the degree of individualism. Accordingly, on a five-point scale, 1 indicates "very important" and 5 indicates "unimportant". A society is individualist when it gives more importance to time for personal and family life and jobs that are secure, interesting and respected by friends and family.

Table 2. Individualism/collectivism variables in Georgia

	Variable	Mean score
1	Time for personal and family life	2.36
2	Job security	1.90
3	Having a respected job	2.61
4	Job is challenging (Have an interesting job)	1.83

As evidenced from the data, the mean scores for these variables are below 3, indicating that these cultural variables appear to be "very important" or "important" for the majority of the respondents. Thus, individualist values seem to prevail in the Georgian society.

This outcome differs from the conclusions of the GLOBE project in Georgia. The GLOBE research results suggest that Georgia is characterized by many collectivist features and orientations. However, the project outcomes also emphasize that Georgia, as well as Russia, is inclined toward individualism, meaning that the society has a desire to be more individualist.

Power Distance

This dimension is related to the hierarchy and power distribution within a society, indicating the extent to which the society accepts that privileges and preferences are given to more powerful people. In cultures with a large power distance, there is a strong desire for participation in the decision-making process, although subordinates are less involved in this process (Hofstede, 2001). In other words, this dimension indicates whether it is acceptable that the power be distributed unequally in the society and in the respective organizations.

The questionnaire includes two variables to characterize Georgian culture according to the power distance dimension. These variables include respect for the superior and a desire for collaboration in the decision-making process between the superior and subordinates. The greater the importance of these two variables, the greater the power distance in a society. The third variable is related to resistance towards one's superior, that is, power distance increases as resistance decreases. Another component, the desire to avoid having two bosses, indicates whether the hierarchy and the strong power distance are acceptable for society. On a five-point scale, 1 corresponds to a desire for a "large power distance" and 5 corresponds to the desire for a "small power distance".

Table 3. Power distance variables in Georgia

	Variable	Mean score
1	Respect for a superior	2.24
2	Desire to be consulted by a superior	2.33
3	Fear of disagreement with a superior	2.89
4	Avoidance of organizational structure with two bosses	1.84

As the data show, all the mean scores are below 3, indicating that the majority of the respondents chose answers demonstrating a large power distance.

Uncertainty Avoidance

Uncertainty connected to the future is an ordinary phenomenon, and each society tries to cope with it as best it can. According to Hofstede, technology, laws and religion (at a country level) as well as technology, rules and rituals (at the organizational level) help a society to avoid uncertainty. Thus, the observation of rules can be an important element for measuring the degree of uncertainty avoidance. The more the society is inclined to observe rules, the less it tolerates ambiguity.

Another element is job security, which appears in the Hofstede (1994) questionnaire, but not in VSM 08. The stronger the perception of the security of their jobs, the less people are willing to adapt to uncertainty, which suggests that such societies have a high uncertainty avoidance index. High stress, high emphasis on the rules and job security form the Uncertainty Avoidance Syndrome in a society (Hofstede, 2001). Stress increases when people try to avoid uncertainty.

Stress, state of health, perception of rules and acceptance of the fact that managers may not have answers to all job-related questions are the elements of the uncertainty avoidance dimension in the VSM 08. In uncertainty-avoiding societies, there is an expectation that superiors can answer all job-related questions, while competencies can be distinctly demarcated.

The mean scores of the abovementioned variables in Georgia are presented in Table 4.

Table 4. Uncertainty avoidance variables in Georgia

	Variable	Mean score
1	Frequency of stress	3.16
2	State of health	3.38
3	Acceptance of "don't knows"	3.28
4	Observance of company rules	2.53

As evidenced, the mean score of only one variable is below 3. The majority of the respondents believe that organizational rules must not be violated, even if doing so corresponds to the company's interests. The average mean score is 3.2, thus indicating low uncertainty avoidance.

Masculinity/Femininity

Masculine cultures, on the one hand, value assertiveness and a focus on material success, while modesty, tenderness and a concern about quality of life are representative of feminine cultures (Hofstede, 2001). In addition, recognition at the work place, promotions and earnings are important in strongly masculine societies. Feminine cultures, on the other hand, value a friendly atmosphere, a friendly working environment, and interpersonal relationships.

According to psychologists, masculine roles embrace three factors. The first factor is an expectation that men will achieve status and respect (the norm of status). The norm of status means that a man's social value depends on his earnings and success, and this norm is widespread across all continents. The second norm is the norm of solidity, which reflects an expectation that men will be mentally, emotionally and physically assertive. This norm is related to the expectation that men will resolve their emotional problems independently. The third is the norm of anti-femininity, which means that men will not engage in any unsuitable, "feminine jobs".

Based on these norms, the masculine/feminine orientation of a culture can be assessed. On a five-point scale, 1 corresponds to "strong masculinity" and 5

corresponds to "strong femininity". The results obtained in Georgia are presented in Table 5.

Table 5. Masculinity/femininity variables in Georgia

	Variable	Mean score
1	Recognition for good performance	2.1
2	Pleasant people to work with	4.11
3	Living in a desirable area	3.36
4	Chances for promotion	1.90

According to Hofstede, Japan is a strongly masculine country as are the Germanic countries, while the Scandinavian countries and the Netherlands are strongly feminine. It is interesting to note that except for masculine and feminine cultures, there are mixed-type cultures in which masculine and feminine characteristics co-exist. The Georgian culture is an example of this type. As the mean scores of the variables in Table 5 demonstrate, the Georgian respondents stressed both masculine and feminine values as being important. The results of the research coincide with Nijaradze's (2000) opinion that the Georgian culture is a mixed-type culture.

Long-term/Short-term Orientation

The values of the long-term orientation component include the adaptation of traditions within a new environment, the perseverance of the society, and the willingness of the society to postpone long-term results. The opposite, short-term orientation, is represented by invariability and a focus on the present and the past, rather than the future. Short-term orientation is characterized by a devotion to traditions, an orientation to short-term results, a preservation of "face", and a lack of inclination towards saving.

Our research in Georgia produced the following, rather conflicting, results as two variables, perseverance and thrift, indicated long-term orientation; while the other two variables, stability (preservation of "face") and respect for heroes of the past, suggested short-term orientation.

Table 6. Long-term/short-term orientation variables in Georgia

	Variable	Mean score
1	Saving versus spending	2.38
2	Persistent effort to achieve results	2
3	Maintaining face	3.52
4	Honoring heroes of the past	4.71

In addition, according to the results of our research, people in Georgia are ready to invest in a project that does not bring immediate results. Of the respondents, 70percent claimed that they would make investments even if it only brings a return after 3 years. This demonstrates a capacity for patience in the society. In addition, the majority of the respondents prefer to keep their savings in the form of real estate. This feature, as a deeply rooted value, is typical of cultures with a long-term orientation; however, in Georgia, it may also be explained by macroeconomic instability and a lack of trust in financial institutions.

There are, however, some contradictions in the research outcomes. For example, 62percent of the respondents believe that traditions must be adapted to the new environment, a belief that is typical for cultures with a long-term orientation. At the same time, 43.7percent totally agree that past heroes must be respected, a sign of short-term orientation. Therefore, our research indicates that long-term and short-term values co-exist in the Georgian society.

High-context/Low-context Orientation

Our research suggests that face-to-face contacts are highly important in Georgia. To this end, the respondents find it uncomfortable to make decisions on important issues via written communication or telephone. In fact, 59percent of the respondents indicated that they solve important problems face-to-face, while 9percent use other communicative means, and 32percent find either face-to-face or other means of communication to be acceptable. In addition, 56percent of the respondents rely on nonverbal communication when interacting with colleagues, while 44percent prefer verbal dialogue as the means for making decisions. These results indicate that, according to Hall's typology, Georgian culture is a high-context culture.

ORGANIZATIONAL CULTURE IN GEORGIA

National and organizational culture issues are especially important for managers. Therefore, we find it reasonable that the organizational culture be assessed considering the influence that the five national cultural dimensions may have on organizations. We assume that organizational cultures depend on the wide social context in which organizations operate and that values are transferred into the organizations from this environment. Fey & Nordal (1999), analyzing organizational culture in Russia, conclude that the collectivist orientation of the Russian national culture, in many respects, reflects the organizational context. For example, Russians prefer to work in teams rather than individually; thus, they tend to organize regular corporate events.

Individualism/collectivism

The individualist/collectivist orientation has implications for organizational cultures. The employees in individualist countries act according to their personal interests, while in collectivist cultures, the interests of internal groups supersede those of the individual. In individualist countries, the work should be organized in such a way that the interests of the employees and the interests of the organization coincide and are in alignment (Hofstede, 2001). In individualist cultures, employees act according to the logic of economy, which means that they first attempt to satisfy their individual needs.

In collectivist societies, however, acting according to the group's interests is natural and normal. In collectivist cultures, relatives, friends and family members are hired preferentially because it is considered to be a method of reducing risks. At the same time, in individualist countries family relations at the workplace are not desirable.

In collectivist cultures, an organization may, itself, be an internal group, and the relationship between the employer and employee is based on moral principles. In individualist countries, however, the employer-employee relationship represents a business transaction and the promise of higher pay is a sufficient reason for terminating a work contract. In our research, 52.8 percent of the respondents in Georgia claim that they would move to another organization if they were offered a more prestigious job. In addition, people highly value opportunities for making autonomous decisions in the workplace with 54 percent of those surveyed indicating that their independent approach to work is very important and only 9.4 percent believing that such autonomy is unimportant. However, our study reveals that the employee's desire to act independently is greater than the actual opportunity to do so because the majority of respondents, 56.2 percent, say that they follow their individual decisions only in special circumstances.

In collectivist cultures, responsibilities are distributed among group members, and accordingly, the role of individuals is less important. In Georgia, the failure of a joint project is identified as a personal failure by 67.7 percent of the respondents. This result indicates that the sense of individual responsibility is high among Georgian employees.

A number of scientific studies have shown that people from different cultures perform differently depending on whether their work results are measured as a group or as an individual. Employees from individualist cultures perform better if they work under individual conditions, while in collectivist countries, employees are more successful in groups. According to our research, Georgian respondents give almost equal preference to individual work and team-work. Among our respondents, 43.5 percent feel that they perform better when working individually, while 43.9 percent prefer team work. However, 10 percent indicated that they are good at both.

According to Hofstede, another important characteristic of individualist cultures is a strong commitment to organizations, thus implying a commitment to business rather than to emotional and moral obligations, which are typical for collectivism. Of our Georgian respondents, 69.1 percent responded that if there was a conflict between their private plans and a corporate arrangement, they would choose the latter. From our perspective, this represents an expression of organizational commitment, and it is quite possible that the respondents associate participation in a corporate engagement with self-representation and success at work.

Furthermore, when analyzing the individualism-collectivism aspects, Tirandis (1993) emphasizes the relationships between the leader and the members of the organization and concludes that one of the aspects of individualism is task orientation, while relationship orientation is a sign of collectivism in an organizational context.

In relationship-oriented cultures, people are reluctant to engage in business transactions with unfamiliar partners, and business is mainly conducted based on personal contacts with individuals whom they know and trust. In task-oriented cultures, however, people are prepared to discuss business opportunities with strangers. Business agents from these cultures mainly rely on distributors and trade representatives to export goods and services. Contrarily, the representatives of relationship-oriented countries make contact with available customers and consumers. Therefore, in task-oriented cultures, transactions are less time-consuming, and business operations are performed more quickly.

The task-orientation and relationship-orientation division of organizational cultures is recognized by many authors, such as Smith (1997) and Harrison (1995). In task-oriented cultures, any action is determined by the organizational goals, while in relationship-oriented organizations, harmony in interpersonal relationships is of primary importance. The latter is supported by the frequent communications among

individuals not only with respect to job-related questions, but also about private matters.

In Georgian society, family relationships and friendships are important values. Spending a significant part of one's free-time with friends is common for Georgians (Jgerenaia, 2006). This characteristic, together with low trust on a wider social level, is a feature of collectivist cultures. This view of Georgia's collectivist orientation is shared by many authors. Nijaradze (2001), for example, argues that a result of collectivism is an alienation of law and daily life, while Surmanidze (2002) confirms that in Georgia, in-group values intrude into the individual consciousness. Kipiani (2011), however, finds the implementation of collectivist-oriented approaches and schemes of organizational development reasonable in Georgia. Vardishvili (2011) considers that collectivism in Georgia is manifested by its 1) preference for in-group members while recruiting personnel; 2) over-estimation of the importance of interpersonal relationships at the workplace; and 3) prevalence for kinship within organizations. Notably, Vardishvili mentions these practices among the problematic issues for management, while speaking about the need for change so that the activities of business agents can be successful.

In contrast, according to our study, individualist values have priority over collectivist values in Georgia, and this holds true for deep social values as well as for organizational norms and behaviors. This behavior, from our perspective, can be explained by the current transformation of the society in which changes in values are taking place.

Power distance

In countries with high power distance, subordinates usually expect that the manager will tell them what to do. According to our survey, 51 percent of the respondents prefer managers who make all decisions in cooperation with their subordinates. This result indicates the appeal of respondents to be involved in the decision-making process. However, the real organizational context is not supportive of that as 86percent of those surveyed indicated that they follow the instructions of their boss, whether they agree or not. Only 5.5 percent of respondents protest and refuse to obey if they disagree with their supervisor. This is also an expression of a low level of contradiction with superiors. Thus, at the workplace, formal relationships and hierarchical subordination prevail. In support of this, 44 percent of the respondents indicate that they perform job-related tasks simply because the tasks are given to them by their manager. However, in informal situations, the distance between the superior and the subordinates is not so great because 54.9 percent of respondents indicate that their boss is a friend in informal circumstances.

In addition, information transparency is an important indicator of power distance. 57.8 percent of respondents believe that information in their organizations is accessible for only the top management. This hierarchical constraint of information indicates a high power distance.

Uncertainty avoidance

The attitude of Georgian respondents towards change is positive with 69.7percent of the respondents viewing technological advances and related changes as new opportunities. This result confirms that in an organizational context, the implementation of innovations, advanced technologies and new practices will be positively accepted. Only 3.4 percent believe that such changes bring numerous

problems. Change, in general, is regarded as a normal course of life by 58.6 percent of the respondents.

These results indicate that the Georgian society tolerates, rather than avoids, uncertain situations. However, the appeal of employment stability is strong, which is typical for uncertainty-avoidance cultures because 88.4 percent of respondents believe that they will work for their organizations for more than one year. Furthermore, 74percent prefer to work for large organizations because there is greater employment stability.

Although the employees show support for changes and novelties at the workplace, they are apprehensive about losing their jobs. This fear is due to the macroeconomic instability and the social and economic difficulties within the country. The results of the World Values Survey of 2005-2008 also support this assumption. While free-time is "very important" for 39.3percent of the respondents and "important" for 44.3 percent of those surveyed, according to the same survey, 43.5 percent of the respondents "completely agreed" with and 35 percent "agreed" with the statement, "work should come first, even if it means less spare time".

The latter two dimensions - power distance and uncertainty avoidance - are especially important for understanding the dominant management style and the organizational culture. Hofstede (2001) discusses four possible combinations of these dimensions and the relevant organizational culture models. The models include the "village market" – low level in both dimensions; the "oiled machine" – low power distance and high uncertainty avoidance; the "family" – high power distance and low uncertainty avoidance; the "pyramid" – high level in both dimensions. According to this typology, Georgia represents the family-type model, a model characterized by simple organizational structures in which the leading strategic tip and coordination mechanism is in direct control (Hofstede, 2001).

Masculinity/Femininity

Our research shows that under work-related conditions, masculine values prevail. In addition, 45.6 percent of the respondents indicated that pay is critical when choosing a job, while 34.6 percent indicated that job content is important. At the same time, feminine orientation variables, a friendly environment and free-time were preferred by 15.4 percent and 4.1 percent, respectively. Furthermore, 86.4 percent of the respondents opposed equality of pay for people in the same position, believing that pay should be defined according to employee performance results. Results also indicate that Georgian respondents demonstrate feminine orientations in consumer behavior. In other words, foreign products have more appeal, and there is a distrust towards advertisements.

Long-term/Short-term orientation

In an organizational context, long-term orientation implies that managers do not expect immediate results and focus on forming a solid market position. Contrary to this, in short-term oriented cultures, performance control systems are based on past and present results. In a long-term oriented culture, relationships are configured according to status, and such configurations help not only business owners to manage the business, but also help employees to maintain task orientation.

Vardishvili (2011), based on his many years of practical managerial experience, argues that in Georgia, employees direct almost all of their efforts to solving the difficulties that arise during the work process and overlook the final outcomes of their work. This feature of management style in Georgia leads to a

concentration on past results and current processes, a characteristic that is typical of short-term orientation.

In sum, considering the results at the societal and organizational levels of the long-term/short-term orientation dimension, we can conclude that Georgian culture is of a mixed-type culture as elements of both co-exist.

SOCIAL CAPITAL AND INTERNATIONAL BUSINESS TRANSACTIONS

Social capital is critical for business both at the national and the organizational levels. In modern economic literature, it is recognized that social capital is an equally essential factor of economic growth when compared to other forms of capital. The development of social capital is associated with a high level of civil and political freedom as well as with the improvement of management practices and institutional development, thus resulting in fewer risks for investors and in increases in foreign capital inflow and related effects.

Researchers (for example, Alvesson, 1995) regard interpersonal relationships as the central component of organizational culture because it expresses informal control and integration, on the one hand, and harmony and consensus, on the other. This further supports the development of mutual trust and cooperation among the members of the organization. Thus, the exploration of interpersonal relationships at the organizational level leads to the development of social capital.

Fukuyama (1995), however, identifies social capital with trust. Trust reduces transaction costs and is essential for team work, participative management and the formation of new businesses. In countries in which trust is available on a wide societal level (USA, Germany), large corporations are developed, while in cultures with highly developed interpersonal relations and trust, small family-type enterprises operate more successfully (China, Singapore).

In general, Georgian society is characterized by a low level of trust. The 2008 World Values Survey found that 82 percent of Georgians felt that "you can't be too careful" when dealing with other people, and only 18 percent felt that most people could be trusted. These results are well towards the lower end of the international trust scale. In countries such as this, it is essential to build trust before entering into any business discussions. As this is a time-consuming process, operations in such cultures proceed very slowly. If we compare Georgia's data with those of other countries, for example, that of Switzerland, we find that 54 percent felt that most people could be trusted, while in Norway and Sweden this figure was over 65 percent (CRRC, 2011). In Georgia, 95 percent of people prefer to have business relationships with Georgians. This attitude is a manifestation of a distrust towards representatives of other groups, and this is one of the primary factors impeding people from participating in collaborative associations (CRRC, 2011).

In addition, the research of the Caucasus Resource Research Centre, which is similar to that of our project, shows that 81percent of respondents see themselves as citizens of Georgia, 64 percent see themselves as members of the local community, and 49 percent consider themselves to be autonomous individuals.

A number of studies (Hofstede, 2001; Allik *et al.*, 2004) find connections between individualism and the level of trust in a society. According to Hofstede (2001), the higher the individualism score, the higher the interpersonal trust in the society (more respondents agree with the statement that most people can be trusted). Allik *et al.* (2004), in their empirical research, conclude that countries in which interpersonal trust is developed have high levels of individualism. Allik *et al.* investigated different states in the USA according to this variable, revealing that for

the states in which civil and political activity is higher and people believe that most people are fair and trustworthy, individualism is more evident. In these states, people find jobs on their own and, as a rule, live alone. Thus, highly individualist states maintain a strong system of social networks based on compulsory cooperation and mutual trust (Allik *et al.*, 2004).

These results confirm that individualist values are essential for the development of social capital. In 2010, the research initiative "Capital and Conflict: Georgia" revealed that 75 percent of foreign entries in Georgia were green-field investments. Only 10 percent of the firms acquired existing businesses, and even fewer foreign companies chose mergers as an entry mode. These data suggest that foreigners prefer to own and control their businesses themselves.

Favorable conditions motivating foreign investors to enter Georgia are the ease of starting a business, the availability of family ties and friends in Georgia, and the geographical location of the country. Interestingly, the majority of foreign companies regard family ties and friendly relationships as essentially unimportant for the profitability of business, while one-third of firms confirm using their social contacts in purchasing real estate in Georgia. In addition, social contacts play a greater role when determining the location as well as during the first stage of conducting a business transaction, while the latter operations of the business are less dependent on social contacts.

Because of the distrust inherited from the Soviet system towards formal institutions, the Georgian society trusts informal networks and relies on them in business activities. This characteristic of transitional societies is empirically supported in Hungary by Whitley *et al.* (1996) and in Russia by Puffer & McCarthy (2007). In our view, the distinct orientation to in-groups in Georgia is due to the fact that the informal social ties and networks are substitutes for those institutions that were not trustworthy. Therefore, we contend that Georgian collectivism is not as deeply rooted an orientation as, for example, collectivism in China. In fact, further development of market institutions will strengthen individualism as a social orientation, and it will be followed by an increase in social trust and the development of positive social capital.

CONCLUSIONS AND RECOMMENDATIONS

Management tasks are universal, but the solutions to them are specific to the different cultures. As trans-national and global corporations share the values of their home countries, the main management problem the corporations face is that these values will be interpreted differently by the managers and employees in the recipient countries.

Types of cultural orientations assessed through individualism/collectivism, power distance, uncertainty avoidance, masculinity/femininity and long-term/short-term orientation dimensions, together with high contextualization and low levels of trust and cooperation, form the distinctiveness of the socio-cultural environment of international business in Georgia.

The results of the present research enable us to conclude that Georgia's national cultural orientation is individualist, and high power distance is another characteristic of the society. The latter is manifested by the desire of the employees to be more involved in the decision-making processes, although they have few opportunities for it in practice. The research confirms that the Georgian society positively accepts changes and new initiatives and shows tolerance towards uncertain situations. The research has also revealed that masculine/feminine values co-exist within the Georgian society. The same is true for long-term/short-term orientation

values. Thus, we can conclude that the Georgian culture is of a mixed type according to these two dimensions.

Systemic transformations that are affecting value formation are currently occurring in Georgia. While some traditional values are being maintained, some are being shaped and others are under transformation. This can be an explanation for some of the inconsistencies that are evident between social orientations and behaviors at the organizational level.

Our research outcomes enable us to provide some recommendations for foreign business agents interested in conducting business activities in Georgia.

- ✓ As individual needs and personal interests are foremost in Georgian society, work organization, appraisals, rewards-based systems and human resource management in general should be based on the individual performance results of the employee.
- ✓ It is less likely that subordinates challenge or refuse to perform tasks given by the superior. Therefore, employees will perform better if managers give clear and precise instructions.
- ✓ High power distance is often related to some degree of bureaucracy in organizations and government agencies. As a result, foreign managers should be prepared to face this problem.
- ✓ Despite the high power distance, individualist tendencies and low uncertainty avoidance suggest that, in Georgia, a very strong hierarchy and an inflexible management style will not be appropriate. Although employees follow their superiors' instructions, showing initiative and producing new ideas is not uncommon to them. It is recommended that managers be open and flexible towards such initiatives and that superiors provide support and direction in realizing the initiatives of employees.
- ✓ Because of low uncertainty avoidance, new technologies can be implemented without much resistance in Georgia. In addition, entering markets with new products will be relatively less time-consuming and more efficient than in uncertainty avoiding societies.
- ✓ The importance of masculine values, such as a focus on reward and advancement, should be considered when developing human resource management strategy. It is desirable that the company's motivation policy be linked to these values.
- ✓ Emphasis on feminine values indicates that positive interpersonal relationships and a trusting environment are also very important in Georgia. Considering this, managers should encourage the development of a cooperative atmosphere in the workplace.
- ✓ The revealed socio-cultural characteristics will have an impact on business negotiations. Orientation on personal goals, use of a distributive strategy, formal negotiating style and complex and indirect communication are Georgians' likely negotiating behaviors.
- ✓ The most obvious obstacle to the development of international business activities in Georgia is the lack of trust at the societal level, which hinders the development of alliances, networks and other flexible forms of international business cooperation. Considering this, foreign business agents will have to consciously work to build trust during the initial stages of their activities in Georgia.

ISSUES FOR FUTURE RESEARCH

The present study does not enable us to compare Georgia's socio-cultural dimensions with those of other countries covered by Hofstede's research due to the differences in samples and the time gap between Hofstede's research and ours. However, the present research can be extended further in other countries by using samples similar to ours such that the results for Georgia can be compared internationally.

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APPENDIX

Chart 1

To what extent is it important for you to apply your own approaches in your work?

Very important: 54%
Important: 42%
Unimportant: 4%

Chart 2

How often do you express your views with your colleagues?

Very Often: 47.3%
In special cases: 51.5%
Never: 0.4%
No answer: 0.8%

Chart 3

You know that you are very important for your organization, but you are offered a more prestigious job somewhere else. You will…

Move: 52.3%
Not move: 46.9%
No answer: 0.8%

Chart 4

Your private plans and a corporate event coincide.

67.1%	Corporate event is more important
30.0%	You will not postpone your private plans
2.9%	No answer

Chart 5

A joint project in which you participated failed. You think that it was

67.0%	Your personal failure
27,8%	A result of the leader's or other participants' incompetence
5,2%	No answer

Chart 6

How often do you rely on your independently made decisions when performing work-related tasks?

40.0%	Often
56.2%	In special cases
3.8%	Never

Chart 7

You are good at …

Individual work	43.5%
Team work	43.9%
Individual as well as teamwork	10.5%
No answer	2.1%

Chart 8

Your opinion differs from that of your boss.

Despite this, you agree	8.5%
You express your view, but act according to his instructions	86.0%
You protest and do not obey	5.5%

Chart 9

You enjoy a party with your colleagues and, unexpectedly, your boss enters.

You feel constrained	12.2%
Your boss is a friend in informal situations	54.9%
Nothing will change	32.9%

Chart 10

You and your colleagues make a decision within a project in which your boss does not participate.

- His consent is necessary: 37.0%
- You ask his consent in cases where it is needed: 55.7%
- His consent is not necessary: 7.3%

Chart 11

Which of the following types of managers would you prefer to work with?

- Makes only individual decisions: 4.1%
- Makes decisions and provides reasons to the employees: 37.1%
- Makes decisions only cooperatively: 51.7%
- Trusts the decisions made by the majority: 7.1%

Chart 12

I perform job-related tasks…

- Because they correspond with my opinion: 42.5%
- Because they are given by my boss: 44.2%
- Because it is my job to attend to my duties: 13.3%

Chart 13

In your company, important information is accessible to…

- Only high-level management: 57.8%
- Every employee: 40.9%
- No answer: 1.3%

Chart 14

You prefer to work for…

- A small organization: 32.0%
- A large organization: 64.1%
- It does not matter: 2.1%
- No answer: 1.8%

Chart 15

Technological novelties have brought serious changes to your organization.

- You consider this is a new opportunity: 69.7%
- You will have problems adjusting to this change: 3.4%
- It is impossible to stop progress so you accept it: 26.9%

Chart16

How do you feel about change?

	They bring numerous problems	You adapt and try to turn them into opportunities	They are a normal part of life
	25.0%	38.8%	58.7%

Chart 17

In your opinion, how long will you work for this company ?

Less than a year	More than a year	No answer
11.4%	86.9%	1.7%

Chart 18

Stress and tension at your company are…

Frequent	Infrequent	No answer
48.1%	49.8%	2.1%

Chart 19

When choosing a job, the most important factor is…

Rewards	45.9%
Job content	34.6%
Friendly environment	15.4%
Leisure	4.1%

Chart 20

With which statement do you agree?

People in the same position should receive the same rewards	13.6%
People in the same position should receive rewards based on the quality of the performed tasks	86.4%

Chart 21

If the quality is the same, which sweets will you prefer to buy for the New Year?

Local	86.0%
Foreign	13.0%
No answer	1.0%

Chart 22

Your attitude towards advertisements is…

Chart 23

You know that your investment will bring profits after 3 years, you will…

Chart 24

How important is it to observe traditions?

Chart 25

Which form of saving do you prefer ?

47.3% Real estate
36.2% In Bank
16.5% At home

Chart 26

You make important decisions…

59.0% Only face-to-face
9.0% Mainly by telephone or other means of communication
32.0% It does not matter

Chart 27

When interacting with your colleagues, you mainly consider…

44.0% Only verbally expressed viewpoints
56.0% Subtexts, mimics and expressions

Chart 28

Having sufficient time for your personal or family life is…

Of utmost importance	Very important	Of moderate importance	Of little importance	Of very little or no importance
19.6%	36.0%	35.7%	6.0%	2.7%

Chart 29

Having a boss (direct superior) you can respect is…

Of utmost importance	Very important	Of moderate importance	Of little importance	Of very little or no importance
17.8%	54.8%	17.8%	4.3%	5.3%

Chart 30

Receiving recognition for good performance is…

Of utmost importance	Very important	Of moderate importance	Of little importance	Of very little or no importance
27.7%	46.0%	17.0%	7.1%	2.2%

Chart 31

Having security of employment is…

Of utmost importance	Very important	Of moderate importance	Of little importance	Of very little or no importance
41.2%	38.1%	11.8%	6.1%	2.8%

Chart 32

Having pleasant people to work with is…

Of utmost importance	Very important	Of moderate importance	Of little importance	Of very little or no importance
37.2%	46.7%	10.1%	3.0%	3.0%

Chart 33

Doing work that is interesting is…

Of utmost importance	Very important	Of moderate importance	Of little importance	Of very little or no importance
38.6%	46.7%	9.8%	2.7%	2.2%

Chart 34

Being consulted by your boss in decisions involving your work is…

Category	Percentage
Of utmost importance	14.6%
Very important	45.6%
Of moderate importance	32.7%
Of little importance	5.8%
Of very little or no importance	1.3%

Chart 35

Living in a desirable area is…

Category	Percentage
Of utmost importance	13.9%
Very important	32.3%
Of moderate importance	35.0%
Of little importance	13.9%
Of very little or no importance	4.9%

Chart 36

Having a job respected by your family and friends is…

Category	Percentage
Of utmost importance	13.2%
Very important	39.9%
Of moderate importance	26.1%
Of little importance	14.2%
Of very little or no importance	6.6%

Chart 37

Having a chance for a promotion is…

Category	Percentage
Of utmost importance	41.8%
Very important	39.1%
Of moderate importance	9.8%
Of little importance	5.8%
Of very little or no importance	3.5%

Chart 38

If there is something expensive you really want to buy but you do not have enough money, what do you do?

Category	Percentage
Always save up before buying	23.3%
Usually save up first	34.4%
Sometimes save up sometimes borrow to buy	27.3%
Usually borrow and pay off later	7.5%
Always buy now, pay off later	7.5%

Chart 39

How often do you feel nervous or tense?

Category	Percentage
Always	3.0%
Usually	15.2%
Sometimes	47.2%
Seldom	32.0%
Never	2.6%

Chart 40

Are you a happy person?

	Always	Usually	Sometimes	Seldom	Never
	12.5%	44.0%	34.0%	7.8%	1.8%

Chart 41

Are you the same person at work as you are outside of work?

	Quite the same	Mostly the same	Don't know	Mostly different	Quite different
	17.6%	45.0%	12.9%	21.5%	3.0%

Chart 42

Do other people or circumstances ever prevent you from doing what you really want to do?

	Yes, always	Yes, usually	Sometimes	No, seldom	No, never
	3.9%	8.6%	50.6%	28.3%	8.6%

Chart 43

Overall, how would you describe your current state of health?

- Very good: 21.6%
- Good: 46.6%
- Fair: 26.7%
- Poor: 3.9%
- Very poor: 1.2%

Chart 44

How important is religion in your life ?

- Of utmost importance: 30.2%
- Very important: 41.8%
- Of moderate importance: 20.3%
- Of little importance: 4.7%
- Of no importance: 3.0%

Chart 45

How proud are you to be a citizen of your country?

- Not proud at all: 4.8%
- Not very proud: 8.3%
- Somewhat proud: 14.3%
- Fairly proud: 44.3%
- Very proud: 28.3%

Chart 46

How often, in your experience, are subordinates afraid to contradict their boss (or students their teacher?)

	Never	Seldom	Sometimes	Usually	Always
	4.7%	19.7%	39.5%	32.2%	3.9%

Chart 47

One can be a good manager without having a precise answer to every question that a subordinate may raise about his or her work.

	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
	13.8%	41.0%	12.5%	25.0%	7.7%

Chart 48

Persistent efforts are the surest way to achieve desired results.

	Strongly agree	Agree	Undecided	Disagree	Strongly disagree
	41.3%	35.0%	10.3%	9.4%	4.0%

Chart 49

An organizational structure in which certain subordinates have two bosses should be avoided at all costs.

Strongly agree	Agree	Undecided	Disagree	Strongly disagree
13.5%	23.3%	33.2%	25.1%	4.9%

Chart 50

A company or organization's rules should not be broken - not even when the employee thinks breaking the rule would be in the organization's best interest.

Strongly agree	Agree	Undecided	Disagree	Strongly disagree
20.7%	35.1%	19.4%	19.8%	5.0%

Chart 51

We should honor our heroes from the past.

Strongly agree	Agree	Undecided	Disagree	Strongly disagree
43.9%	44.8%	6.8%	3.6%	0.9%