

# The Socio-Cultural Environment of International Business in Georgia

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## Summary

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: national socio-cultures and organizational cultures.

The project team relied on the assumption that organizational cultures stem from national cultures (Hofstede, 2001). In other words, in the workplace, employers and employees act in such a way that is deemed reasonable in accordance with the accepted social norms and beliefs.

The present research is based on a questionnaire survey and several semi-structured interviews conducted throughout February and April of 2011. Respondents included those employed in Georgian and foreign business organizations, as well as those that are self-employed. The respondents were randomly selected from organizations in Tbilisi, Batumi, Rustavi and many of the different regions 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 high reliability for quality results.

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). Our survey covered 108 local and international companies operating in Georgia. These companies represent medium- to large-sized organizations from various types of businesses - banking, insurance, construction and trade - 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 those who are simultaneously owners and managers of businesses in Georgia was highly regarded 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 e-mail correspondence.

The research team reviewed, in detail, the existing literature on Georgia, the Caucasus and other transitional contexts; this includes studies conducted by the World Bank, USAID and other donor agencies. An extensive analysis of the data from the 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 the 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.

The results of the present research enables us to conclude that Georgia's national cultural orientation is individualist with the added societal characteristic of high power distance relations. The latter is manifested by employee desire to be more involved in 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, showing tolerance in 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.

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 assigned by their superiors. Therefore, employees will perform better if managers provide clear and precise instructions.
- ✓ High power distance is often related to some degree of bureaucracy in organizations and governmental agencies. As a result, foreign managers should be prepared to face this problem.
- ✓ Despite the high power distance, individualist tendencies and low uncertainty avoidance suggests that, in Georgia, very strong hierarchy and an inflexible management style would be inappropriate. 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.
- ✓ Due to 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 the focus on reward and advancement, should be considered when developing a human resource management strategy. It is desirable for a company's motivation policy be linked to these values.
- ✓ Emphasis on feminine values indicates that positive interpersonal relationships and trusting environments 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, the use of a distributive strategy, formal negotiating styles and complex and indirect communication are the likely negotiating behaviors of Georgians.
- ✓ 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 would have to consciously work to build trust during the initial stages of their activities in Georgia.