

The Challenges of Organization Culture in American Companies in Serbia

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ABSTRACT:-The culture depicted within organizations can revolutionize the work environment once the diverse challenges are properly addressed. This paper seeks to delve into the challenges that American companies encounter when operating in Serbia, specifically challenges relating to organizational culture. It provides a comprehensive examination of Hofstede's model of organizational culture and its application to Serbia and the US. Furthermore, the paper provides a background to Serbian cultural dynamics and how it has evolved over time. It emphasizes the importance of Foreign Direct Investments (FDIs) in the Serbian economy, in which the culture is a deciding factor of foreign companies to invest or not. Information including FDI figures were sourced from government publications and official websites, including AmCham reports among others in addition to previous surveys that were conducted in Serbia. The review of previous studies reveal that there are some challenges including duplicating identical training practices and transferring performance appraisals in some MNCs due to cultural differences. Additionally, the culture has some implications on the employee recruitment processes. Having an awareness of the culture is crucial when conducting business in a foreign country. In addition it can also lower the level of communication misunderstandings within the organization. Furthermore, it reveals that the culture is important and is a deciding factor in its success. This paper contributes to an ongoing discussion while subsequently highlighting the challenges of establishing and maintaining organizational culture for American companies operating in Serbia.

Key words: Organizational Culture, Foreign Direct Investments, Multinational Companies

I. INTRODUCTION

Every organization develops its own culture over time and strives to establish foundations that are based on a set of underpinning values. The type culture that an organization portrays can affect how technology is being transferred, the perspectives of the managers, the ideology they hold and even the relationship that exists between the government and the organization. Furthermore, the culture affects the way people think and their overall behavior (Hodgetts & Luthans, 1994). The culture of a group is defined for the purposes of this paper as the accumulation of shared learnt experiences of a group. This shared learning works well enough to be considered valid, and therefore, useful to be taught to new members as the correct way to perceive, think, feel and behave in relation to those problems (Schein 2016, 6).

Culture is inherently deeply embedded within an organization, because of this, it is often complicated for foreign companies to adapt to the demands of new cultural environments when operating abroad. This typically creates challenges, since the way people interact and behave can differ significantly across countries. As a result, some companies might try to establish new methods of conducting their operations and discard some of the old elements of their organizational culture in order to adjust to the challenges they are facing in their new environments. In general, it has been found that organizational culture has a strong impact on a diverse set of organizational processes, on the employees themselves, and on the overall performance of the organization. For instance, it had been shown that if employees are committed to an organization's culture and willfully share the norms and values of the organization, it can positively impact the performance of the organization and steer it in a direction toward achieving overall organizational goals (Shahzad, 2012).

As Serbia moves closer towards the final negotiating phases of becoming a member state of the European Union (EU), the country also becomes the beneficiary of greater levels of foreign investments and the plethora of positive complementary contributions that comes along with it. The business environment has been evolving, in which there exists noticeable changes such as the country's increasing openness towards the operation of foreign and multinational companies (MNCs). Such is known to be making contributions to the Serbian economy by having a positive influence on employment, encouraging higher levels of knowledge transfer, fostering quicker adoption of new technologies, inviting greater amounts of FDI, etc. It is thus important that organizations that partake in business activities in the country continue to adjust to meet the changing demands of the new environment. Also it is necessary that the country's leaders navigate it towards meeting the changing demands of the global environment. This is particularly crucial given the fact that culture

plays a significant role in the decisions of companies to invest or not. Meyer et al. (2010) stated that when there is chemistry and synergy, individual values are strong with organizational values, it enhances the behavioral and attitudinal employee's outcomes. It was further elaborated that to be engaged in some innovative work behavior, individuals find it essential to have the trust of their co-workers as well as having perceived organizational support. There are, however, certain challenges regarding organizational culture that American companies face in Serbia.

This paper seeks to assess the organizational culture of American companies in Serbia, focusing on the concept of culture. Four distinct types of organizational culture will be discussed, which are: Clan Culture, Adhocracy Culture, Market Culture, and Hierarchy Culture. Geert Hofstede's well-known research about national cultures will also form a theoretical framework for the research. This framework is characterized by the defining measurements of a culture: high collectivism, power distance, high uncertainty avoidance and, mostly, "feminine" values and indulgence. These will be discussed in greater detail in subsequent sections. Moreover, Foreign Direct Investment (FDI) will also be discussed, taking into consideration the comparison of experiences from the region and how desirable Serbia is perceived by foreign investors and their perspectives on it as a lucrative business environment. The evidence of this paper is based on FDI inflow data, the major contributors of FDI, and the results from previous studies pertaining to organizational culture, in general and in Serbia. This will be supported with data from official websites such as the World Bank report, AmCham, etc.

II. BACKGROUND OF ORGANIZATION CULTURE IN SERBIA

The historical and political background of Serbian society has led to it developing a very specific type of culture. The long period of Ottoman rule and the aftermath of World War I, in which Serbia lost 29% of its total population (and 60% of its male population) resulted in an extended struggle for national survival and contributed to the development of a low degree of orientation towards the future (Héran, 2014). During that period, employees were involved in the decision making process and were consulted about many important issues relevant to the operation of the organization. However, after WWI the organizational climate went through a plethora of changes and managers began to consider high levels of uncertainty avoidance as a desirable cultural dimension (Nedeljković et al., 2018). In general, the Serbian population has basic knowledge of the values and culture of western countries, not only on a personal level, but on a business level as well; their proficiency in the English language enables good written and verbal communication (SIEPA, 2016). According to Zarić and Babić (2017) in Serbia, there is a strong legacy of the self-management tradition where the employees are still showing more incentives and more activities in the process of bettering the companies' performances.

III. METHODOLOGY

The study adopts a theoretical approach in an attempt to explore the challenges of culture in American firms operating in Serbia. This is explained against the background of Hofstede dimension to compare both societies. Moreover, it emphasizes the importance of FDI in the Serbian economy, providing data from government publications and official websites, including the World Bank and AmCham reports in which FDI measures were used to explain it. Information was also retrieved from similar surveys that were previously conducted.

IV. LITERATURE REVIEW

(a) The Concept of Organizational Culture

The organizational culture concept was introduced by Andrew Pettigrew in the late 1970s through his article "On Studying Organizational Culture." Organizational culture is described as the publicly and widely accepted meaning of systems (Pettigrew, 1979). Following Pettigrew, Hofstede examined the applicability of American corporate culture abroad, after which other scholars made further contributions. Every organization has created its own unique set of norms and beliefs that distinguishes it from another; these are the non-tangible forces behind the specific behaviour of people or members of the group or organization. They are embedded in the values and beliefs advocated by an organization's leadership and displayed in the behaviors of members of the organization (Bogardus, 2009). Acknowledging the differences in culture and how important culture is, helps managers better understand their international partners and competitors and ultimately helps to improve their managerial skills (Cullen & Praveen Parboteeah, 2013). Furthermore, having an awareness of the culture is important in examining organization behavior, which thus helps with overall organizational management (Brooks, 2006)

Over time, organizations have realized the important role that culture plays. This has become inherent as the changing trends have given rise to differences in organizational cultures, especially in foreign companies. Organizational culture is an intrinsic factor of organizational behavior, as it directs the behavior of people in an

organization by operating from within, and by determining the values, norms, and attitudes that guide the daily actions of its members (Janičijević, 2013). In addition, the organizational culture is ingrained in practices learned on the job, that were initially created unconsciously by the founders of the organizations or members who have helped in its development. Nevertheless, it can be changed overtime given sufficient time, money and management effort (Hofstede, 2011). Similarly, a study on the Culture's effects on corporate sustainability practices conducted by Miska et al. (2017) revealed, the influence culture had on corporate sustainability practices is not confined to individual countries, but goes beyond that and can also be extended to clusters of countries that have comparable cultural characteristics. They further elaborated that similar corporate sustainability practices are likely to be appropriate among countries that share similar cultural attributes, however they emphasized that careful adaptations might be required.

(b)Types of Organizational Culture

Having a defined organizational culture is important as it determines the core structure of the organization. Therefore, understanding the type of culture provides valuable information that can clarify some of the underlying challenges that an organization might be facing. Additionally, it provides insights about the leadership capability and what is necessary to drive change within the organization, which can be a key element in the optimal functioning of the organization. Cameron and Quinn (2006) designed the Competing Values Framework (CVF) to explain several aspects of organizational phenomena. These included the major approaches to organizational design, stages of life cycle development, organizational quality, management skills, etc., this framework was initially developed through research on organizational effectiveness. They further noted four core values as distinct types of organizational culture, which include: The Clan Culture, the Adhocracy Culture, the Market Culture, and the Hierarchy Culture. These represented opposite or competing assumptions, the implication of each culture is summarized below by Cameron and Quinn (2006):

The Clan Culture is described as one in which employees embrace the attitude of collaboration and view the workplace as an extension of the family unit. Additionally, they would consider their leaders as mentors or even parent figures. Teams in this type of culture often partake in teamwork and are coordinated and cooperative, both inside and outside of the workplace. Tradition plays a big role in clan culture, where loyalty and involvement must be adopted in order for someone to seamlessly integrate with the group. This type of culture can often be found in organizations such as those in the healthcare sector and educational agencies. A second type of culture is called the Adhocracy culture, it is viewed as one that fosters an environment of creativity and entrepreneurial talent where employees, including the organizations' leaders, are perceived as innovators and risk takers. Cameron and Quinn noted these aspects are critical to the health of the group and that its success lies in the distinct products and services it offers. Adhocracy cultures emphasize innovation and constantly developing new ideas and things, encourage transformational change, and are prone to interrupting the traditional industry norms. One can imagine the emergence of new businesses as the standard of this type of culture, where leaders are often portrayed as eccentric visionaries who want to disrupt the status quo. The technology industry often is best suited for this type of culture, in which it is highly experimentation and taking risks are essential to achieving company goals and succeeding amidst other fast-moving players. Many of the United States' well established companies, such as Amazon, Google, and Tesla, are known to be highly representative of this type of culture. Other industries where this type of culture is often present include think-tank consulting, film-making, and aerospace. High levels of organizational knowledge sharing also define Adhocracy cultures.

As it relates to Serbia, a study conducted by researchers at the University of Pannonia (Hungary) and the University of Novi Sad (Serbia) revealed that Adhocracy culture is the rarest of the four types of cultures amongst Serbian organizations. In a random sample of 50 organizations in Serbia, the researchers found that only 17% of them possessed an Adhocracy culture (Gaal, et al 2010, 8). In the same study, the researchers disclosed that Serbia's most common type of organizational culture, however, was the so-called Hierarchy Culture, in which it is more structured and emphasis is placed on efficiency. The most important aspect of this culture has to do with the operation of the organization and its adherence to formal rules and policies. In this regard, success is defined by the consistent introduction and development of new products and services, and leaders are more concerned with secure employment and predictable behavior. The final type of organizational culture is Market Culture, which focuses on the end results. It is a goal-oriented culture where the leaders reinforce an environment of internal and external competitiveness (Cameron & Quinn 2006, 222). The emphasis, and corresponding feedback, is measured by winning, reputation, and success. The share in the market and market leadership are often used as key performance indicators for these types of organizations, and leaders will emphasize and regularly display a fiercely competitive, results focused leadership style. At the forefront of this type of culture is stability, control, and market positioning which are viewed as other key elements of this type of culture. The type of culture varies significantly across organizations, therefore it is

important to have one that is specific to the organization so as to counteract the foreseeable challenges which can result in less misunderstandings and a more productive workforce.

(c)Theoretical development of Hofstede Framework applied to Serbia and US.

Hofstede (1984) was the first to introduce the cultural dimensions of Power Distance (PDI), Individualism versus Collectivism (IC), Masculinity versus Femininity (MAS), Uncertainty Avoidance (UAI) and Long-term versus Short-term Orientation (LT). Since its introduction, his framework has received wide scale notoriety. In 2010, Hofstede added a sixth dimension, indulgence versus self-restraint (Hofstede Insights, 2019). His research was conducted in Yugoslavia (in 1980 and 2001), namely in Slovenia, Croatia and Serbia, and after the break-up of Yugoslavia, it was possible to extract results for these new countries (Hofstede, 2001). Below are the results of Hofstede’s dimension study in relation to Serbia and US on the cultural differences between both countries.



Figure 1 :Bar chart showing an overview of the deep drivers of the Serbian culture relative to the American culture.

Source: Hofstede Insights,2019

Based on the figure above, it was revealed that there were differences in behavior and attitudes of employees across countries. National culture explained more differences in work-related values and attitudes than the position within the organization, profession, age, or gender. Initially, Hofstede discovered four dimensions which were later expanded into six. Serbian and US culture, through the lens of the Hofstede 6-D Model, show the dimensions of how Serbia relates to United States and vice versa, which is explained below, the information is based on Hofstede 2001 survey (Hofstede Insights, 2019):

Power Distance: This highlights the differences in the work culture as it relates to the power delegated to the employees. Serbia scores high on this dimension (score of 86), which means that people accept a hierarchical order in which everyone has a place and which needs no further justification. Furthermore, centralization is popular, subordinates expect to be given orders or be told what to do, and the ideal manager is a good-natured autocrat. This is contrary to the United States which had a fairly low score on Power Distance (40).

Individualism vs Collectivism: Some organizations place a greater emphasis on joint effort in which employees tend to help each other when required. On the contrary, certain organizations adapt a different culture where employees prefer to work alone rather than working as a team. Serbia, with a low score of 25, is considered a collectivistic society. This is manifested in a close long-term commitment to the member ‘group’, be it a family, extended family, or extended relationships. Loyalty in a collectivist culture is sought after, deemed valuable, and negates most other societal rules and regulations. The society promotes an atmosphere of

strong relationships where each individual takes responsibility for fellow members of their group. In collectivist societies, offence leads to shame and loss of respect.

Employer/employee relationships are perceived in moral terms, hiring and promotion decisions take account of the employee's in-group, management is the management of groups. The collectivist culture of Serbia is relatively different in comparison to that of the US, which culture tends to be more Individualist, scoring 91 on this dimension. This is reflected in the general atmosphere of individual goal attainment in the US and its organizations, which prioritizes an individual's rights and responsibilities and is less group oriented.

Masculinity vs Femininity: This deals with the level of dominance by "male or female" characteristics in the workforce and its effects on the organization's culture. Serbia scores 43 on this dimension, based on the results it is considered a relatively Feminine society. In Feminine countries, the focus is on "working for survival", managers strive for harmony, people value equality, solidarity and quality in their working lives. The score of the US on Masculinity is fairly high at 62, which is depicted in typical American behavioral patterns. This can be explained by the combination of a high masculine drive and the highest level of individualist drive in the world.

Uncertainty Avoidance: This is the factor that describes employees' ability and willingness to handle unforeseen circumstances. Organizations that score high on this index are among those that usually adhere to stricter guidelines and policies. Serbia scores 92 on this dimension, therefore there is an inclination for avoiding uncertainty. Generally, countries exhibiting high Uncertainty Avoidance maintain strict codes of belief and behavior and are less tolerant to unconventional behaviour and ideas. In these cultures, there is an inner need for the implementation of rules, time is of utmost importance, people have a desire to be busy and hardworking, precision and punctuality are the norm, new ideas and ways may be met with opposition, and job security is an important element as it relates to motivating the individual. The US scores below average, with a low score of 46, on the Uncertainty Avoidance dimension.

Long Term Orientation: Those with a culture which scores high on this dimension take a more realistic and practical approach. For instance, they are known to encourage frugality and efforts in modern education as a way to plan for the future. With an intermediate score of 52, there is no clear preference for Serbia on this dimension. The United States, on the other hand, scores normative on the fifth dimension with a low score of 26. American businesses measure their performance on a short-term basis, with financial statements being inspected on a quarterly basis. This also motivates individuals to aspire for fast results within the work place.

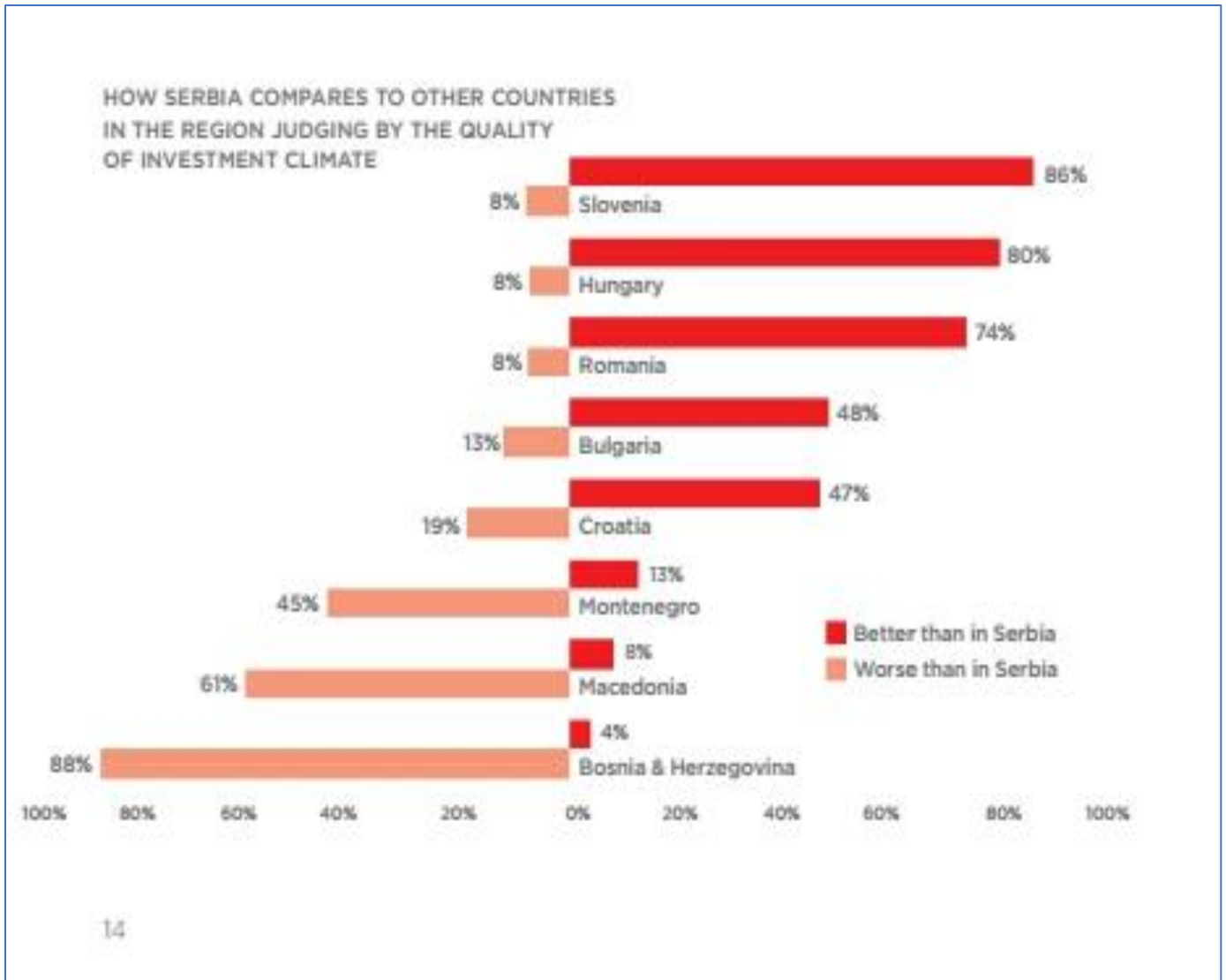
Indulgence: This entails the extent of liberation that is allowed. A low score of 28 on this dimension indicates that Serbian culture is reserved. Societies with a low score in this dimension tend to display distrust. Also, in contrast to Indulgent societies, reserved societies do not put much emphasis on leisure time and control the gratification of their desires. People with this orientation have the perception that their actions are restricted by social norms and feel that indulging themselves is unacceptable. The United States scores as an Indulgent (68) society on the sixth dimension (Hofstede Insights, 2019).

(c) Foreign Direct Investment's (FDI's) in Serbia and the problems of organizational culture

According to the Government of the Republic of Serbia (2019) report titled *Invest in Serbia: Opportunities for Investors from China*, the Financial Times (FT) ranked Serbia as #1 in Europe and #2 in the world in Greenfield FDI performance for 2017. This index is based on the number and size of Greenfield investment projects relative to the country's GDP. Similarly, IBM locations trends ranked Serbia as #1 in the world by the estimated number of jobs that were created from FDI per million people. In addition, Serbia is 15th in the world by total estimated jobs created from FDI. Furthermore, the inflow of FDI in Serbia was an estimated 3,496 million Euro in 2018 (Government of the Republic of Serbia, 2019). It is without a doubt that there has been continuous investment over the last few years, especially demonstrated in 2018 when Serbia became the second largest recipient of FDI among transition economies as flows grew by 44% to \$4.1 billion. This was driven by a surge in equity capital (UNCTAD 2019, 57). Similarly, FDI increased by 343 USD million in Oct 2019, compared with an increase of 299.4 USD million in the previous month (NBS; Serbia FDI, 2019). The country is also perceived as a favourable location for investment as the World Bank's Doing Business report (2019) ranked Serbia 44th among 190 countries.

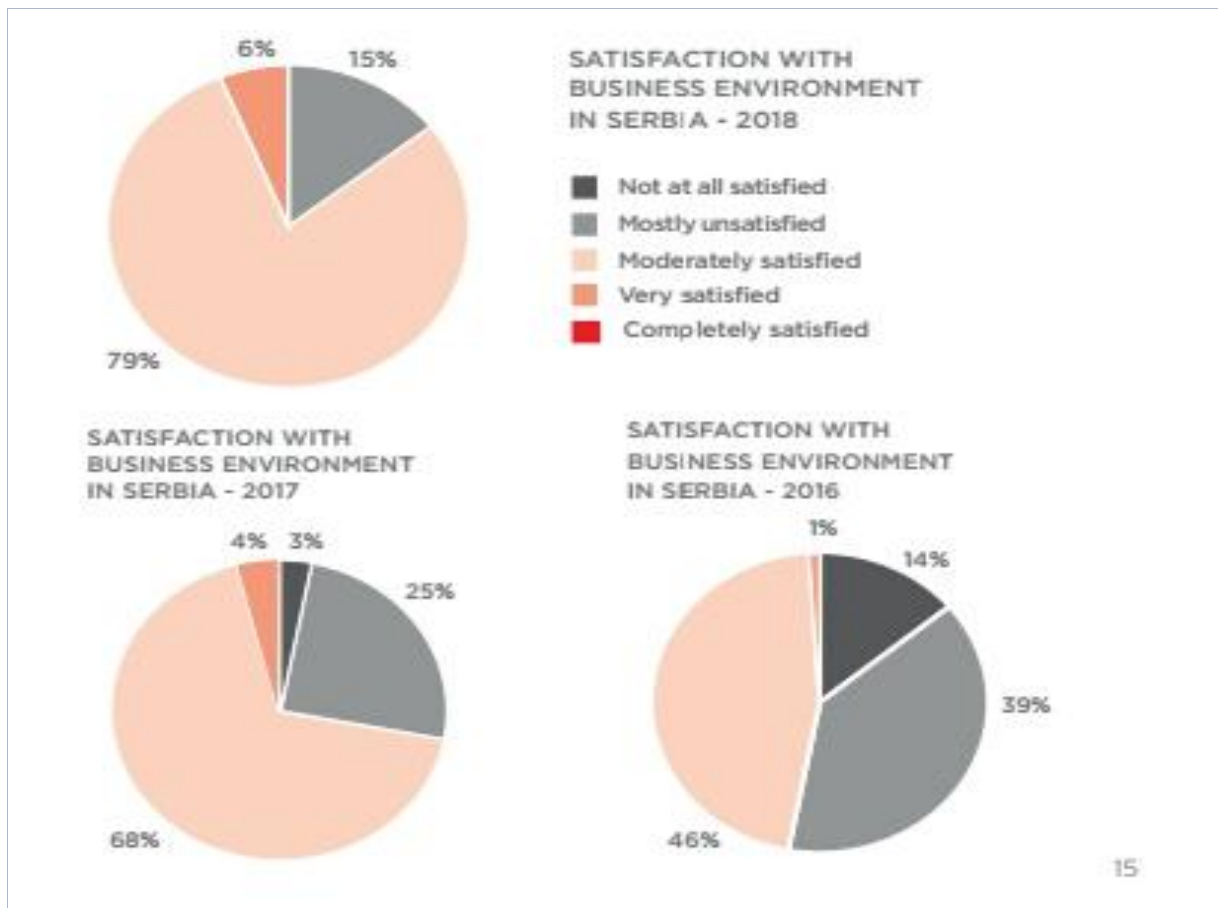
Additionally, in an article on cultural influences on FDI by Goraieb et al. (2019), it was revealed that cultural values affect FDI between countries, including cultural factors such as language. They further elaborated that similar countries in Hierarchy and Power Distance among people, social, and cultural issues, have been important components in the international relationship between countries, especially in the area of FDI. Below is a depiction of the investment climate in Serbia.

Figure 2: Investment Climate: Serbia vs Other Countries of the Region
 Source: AmCham6th Lap Time 2018, 14.



The chart above shows comparisons between Serbia and other countries in the region. While some of the countries show better investment climates than in Serbia, others portrayed inferior investment climates.

Figure 3: Pie Charts showing the Satisfaction level with the Business Environment in Serbia between the years



2016 and 2018

Source: AmCham Serbia 6th Lap Time 2018, 15.

The pie charts above show that from 2016 to 2018 there were moderate levels of satisfaction with the business environment in Serbia. In 2016 it was 46%, growing to 68% in 2017 and eventually to 79% in 2018. This shows that there has been a remarkable improvement in the business environment and satisfaction over the past 3 years, as the majority of investors express a moderate but developing level of satisfaction regarding the business climate in Serbia.

Table 1: Largest Foreign Investments in Serbia (€ millions) The top ten largest foreign investments in Serbia.

Company	Country of origin	Industry branch	Type of investment	Amount million euros
Telenor	Norway	Telecommunications	Privatization	1.602
Gazprom Neft	Russia	Energy	Privatization	947
Fiat Automobiles	Italy	Automotive industry	Joint venture	940
Delhaize	Belgium	Retail	Acquisition	933
Philip Morris	US	Tobacco industry	Privatization	733
StadaHemopharm	Germany	Pharmaceuticals	Privatization	650
VIP Mobile	Austria	Telecommunications	Greenfield	633
Agrokor	Croatia	Retail	Greenfield	614
Intesa	Italy	Banking	Acquisition	508

Salford Investment Fund	UK	Food industry	Acquisition	500
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Source: SIEPA (Serbia Investment and Export Promoting Agency)
 Extracted from: Foreign Direct Investment in Serbia (Radenković 2016, 33.)

The above table reveals the top 10 investors in Serbia. It can be seen that the US is among the top FDI contributors with the company Philip Morris being among the top 5 investors in the country which is depicted by an investment of 733 million Euros. The US invests in other areas as well, including in tech call centers, point of sale terminals (NCR), pharmaceutical drugs, and architecture, among others. From the information above it is evident that FDI is a vital part of the Serbian government’s development strategy as seen in the investment figures. In addition, FDI brings technological progress by creating positive spillovers. From the perspective of the Serbian government, FDI is fundamental whether it is investment in fixed assets in production or investment in the service sector, they believe the investments are crucial in every sector (Radenković, 2016). It is clear that investments are crucial to the sustainability of the country, therefore the ability of the foreign firms to make adjustments to the culture is a determining factor in the optimal function of the organization.

(d) American companies in Serbia: Some experiences

American companies are among the top investors in Serbia. According to the US Ambassador to Serbia in his speech in AmCham Serbia Annual Report (2018, 6), “As long as reforms continue, US investments will continue to grow here along with the jobs and partnerships we see in the AmCham family.” He further elaborated that the US companies and partners and other AmCham members are among the primary contributors to Serbia’s current growth, making significant contributions to the Serbian economy in the form of job creation, investment, good corporate governance, and a strong commitment to socially-responsible practices. The same report also stated that the US investments in Serbia amounted to nearly \$4 billion and have created over 20,000 job opportunities. This figure was also supported by the US Department of State’s publication that reiterated, US companies have invested approximately \$4 billion in Serbia. Some of the major US investors include NCR, KKR, Philip Morris, Molson Coors, Ball Packaging, Coca-Cola, PepsiCo, Cooper Tire, Ametek, and Van Drunen Farms, in addition to others. It was also stated that there has been an increased interest from US information technology (IT) companies to invest in the country, which will provide opportunities in e-government, cloud computing, digitization, systems integration, and IT security. Companies such as NCR, Microsoft, Oracle, FIS, and IBM have a strong presence in the country. This, in-turn, provides employment for Serbian IT professionals, as there is a demand for these skills (US Department of State Publication: US Relations with Serbia, 2019).

While this demand will continue to grow, US companies may find it increasingly difficult to locate suitable candidates for new roles. Serbia’s well-documented *brain drain*, that is, the constant migration of thousands of highly educated youth to live and work abroad, will ultimately pose a challenge for American companies to fill IT roles (Lobstein, 2019). Furthermore, it highlights the reality that American companies may need to introduce strategies to increasingly develop and encourage cultures of continual training and learning. Creating such a culture will be highly dependent on the way in which the culture is structured. US companies are known to have a good reputation in Serbia and around the world. It was further noted that they offer advantages to the environments in which they operate, as they often bring modern technologies and a professional corporate culture. Furthermore, another benefit to the country is the ability of the incoming company to impart and transfer important knowledge and skills to local workers, who gain from these new insights and skills and subsequently increase the productivity of the local economy by means of incorporating more contemporary business methods (US Embassy in Serbia: Opening of AMETEK’s new facility in Subotica, 2017).

According to an article posted on eKapija by Tanjug (2017), it was stated that the country has become a desirable and stable investment destination. It was also pointed out that the free trade agreements provide Serbia with access to markets of over a billion people, furthermore, at the Trade Winds Conference at the Chamber of Commerce (CCIC), a meeting with the business-political delegation of the US State of Maryland, revealed that environmental protection, along with IT, pharmaceutical, and automotive industries, were new fields that offer opportunities of potential cooperation and areas in which a new wave of American investments within Serbia are expected. There have been increasingly more American investors in Serbia, and their contribution through production, export, and employment are increasing on a yearly basis. According to American sources, total investments of American companies in Serbia amounted to nearly USD 4 billion. The same article also posted that the former US Ambassador to Serbia, stated that the US would continue to build good relations with

Serbia, not just in investments, but in the field of bilateral relations and also in the growing service sector. It was also emphasized and clarified that the US wanted to be among Serbia's 10 most important partners (Tanjug, 2017). Due to the geographic location of Serbia which is very close to the center of Europe and close to Asia, it serves as an important trade link between the two geographic areas. Furthermore, this has aided in attracting a lot of foreign investors, which has led to the development of more business and investment opportunities. The geographic distance of internationalization is not simply measured by how far away one country is from the other, but also by the size of the country, its sea access, its terrain, its average distance from the interior to its borders in addition to its transport and communication infrastructure. All of these synonymously must be considered when assessing the condition of a country's FDI potential and lucrativeness. Therefore, these are elements that influence the exchange of information and transportation costs (Ghemawat, 2001).

International companies are comprised of individuals that possess diverse national values. They operate through the integration of organizational culture and similar practices, which is a regular practice on which multinationals build a foundation for long term management across borders (Hofstede, 2011). Przulj and Draskovic conducted a study to determine success patterns of Serbian US business leaders and the correlation with the cultural dimensions of American society and the American myth of success. They also analyzed whether the American success pattern could be universal and applied to other countries, for instance Serbia, with completely different cultural characteristics, and strategies for success. The findings of the study revealed that there is a relationship between the success patterns and dimensions of national cultures between both countries. However, the success of the Serbian business people in America and the way they achieved it is evidence that their success strategy was different from the assumptions and beliefs attributed to success in Serbia, their country of origin. US business leaders who were originally from Serbia followed the path of the American road to success. This is evidence that individuals can adapt to a different business culture easily, especially if the culture is more conducive to achieving their goals faster than in their home country (Przulj and Draskovic, 2012).

(e) Challenges facing american companies in the area of organization culture in Serbia.

Before conducting business in a global environment, it is important to acknowledge the diversity in cultures. The organizational cultures across countries are more prominent than the differences in the culture of countries', as there are certain practices that cannot be applied if they are derived only from the culture at the country level (Gerhart and Fang, 2005). There always exist challenges for companies engaged in business across national boundaries, and American companies are not exempt from this. Major differences exist between Serbian and American cultures, as seen in the previous Hofstede dimensions (Hofstede, 2001), and this can make it complicated to fully implement the American culture in organizations. It requires more than simply duplicating a concept that is successful in the United States, even if in some cases it might be beneficial, however, it does not come without its challenges and cultural differences are a major factor of this. There must be an understanding of the local culture, its diversity, and the value of organizational cultures (Aycan et al., 1999) in order for multinational companies to transfer similar management styles to their various subsidiaries. By enhancing cross-cultural training and adapting to local needs, multinational companies can begin to succeed in bridging the gap of these cultural differences.

MNCs with work environments that are based on transferring knowledge through effective communication in the workplace often have a competitive edge worldwide (Peltokorpi & Vaara, 2012). Therefore, sharing knowledge becomes essential in order to gain new insights and create common ground. Other studies have also suggested that organizational performance is dependent on how much the cultural values of the organization are shared (Lai & Lee, 2007). If there is no collaboration by all individuals involved, it can lead to misunderstanding and improper communication. These communication mistakes pose a disadvantage to the organization linguistically and culturally (Noma and Crossman, 2012). The difference in Serbia, however, might not be that evident. Even though both countries speak different languages, English can be viewed as the primary second language and is spoken by many, as most people begin learning the language in primary school. With that being said, the difference in language can still pose a challenge for the organization, as the fact remains that Serbians are adopting a language in which they are not native speakers. This can often create some misunderstandings for Americans communicating with Serbians and vice versa. For example, the directness and assertiveness in which many Serbians speak English may come across as aggressive for native English speakers coming from the US. In short, what might be acceptable in the American organization culture might not be for the MNC operating in Serbia.

The culture of a country or region in which MNCs operate differs, and these differences can affect the way that employees are motivated, as the factors that motivate employees often vary across cultures. Individuals

from different cultural backgrounds communicate differently in terms of body language, written communication, verbal communication etc. For instance, people from the United States and England both speak English, but the meaning of certain words is sometimes different between them. There also exists differences in subject verb agreement, usage of collective nouns, and vocabulary, especially financial vocabulary (e.g. *capitalization issue* vs stock split) (Kutateladaze, 2014). It is important for managers to study other cultures, as their employees may be from different cultures, and also for employees to adapt to and integrate with new work environments (Treven S., et al. 2008). Similarly, a study conducted on the influence of culture on Human Resource Management: The Propositions for Serbia revealed that a new profession of HR managers is coming to the forefront, but with insufficient educational background and human resource skills. When implementing Western HRM practices in Serbian organizations, they are still susceptible to some challenges. Moreover, the culture also influences several areas of the recruitment process, so only those recruitment methods and practices that are suited for the culture are likely to be effective (Bogićević-Milikić, 2009).

Similarly, a study conducted among 65 subsidiaries of foreign-owned multinational companies in Serbia on the transfer of Performance Appraisal (PA) policies and practices from a MNC-parent company to its Serbian subsidiaries revealed that half of the surveyed MNCs, including US-based MNCs, implemented PA practices from the parent company, while only 20% fully transfer their PA policies and practices from headquarters to their Serbian subsidiary. When each PA policy was analyzed individually, it was revealed that the majority of the transfers occurred mostly in terms of standardized methods and criteria. The main reason for the issue in transferring PA in some MNCs is in relation to the environment of the host country, specifically in areas of cultural difference between Serbia and the home country of the MNC. This may have some implications on the performance appraisal process, as it creates a barrier to successfully implementing a uniform performance management system (Ratković and Orlić, 2015). So the culture or the ability to adapt to a specific type of organization culture can have some influence on the way things are done within the subsidiary of the MNC.

(f) American Companies in Russia and Applicable Insights to Companies Operating in Serbia

Another way to examine the challenges American companies might face in Serbia is to explore the challenges American companies have faced in Russia, which, according to Hofstede's model, is a country with very similar cultural features as that of Serbia. There exists literature, such as Carl Fey and Daniel Denison's *Organizational Culture and Effectiveness: Can American Theory Be Applied in Russia*, that analyzes the experiences of American companies operating in Russia. Certainly, more literature exists in this field than that of American companies operating in Serbia. For this reason, it may be worthwhile to consider the findings of studies of the former category in order to gain perspective into the latter. In doing so, a degree of insight may be gained given the similarities between Russian and Serbian working cultures. These similarities are evident when observing each countries' rating on Hofstede's cultural dimensions model. As discussed earlier in the paper, Serbia scores an 86 for power distance, 25 for individualism, 46 for masculinity, and 92 for uncertainty avoidance. Russia scores at 89, 40, 50, and 87 for each of those dimensions, respectively (Fey and Denison, 2003). In addition to these measured cultural similarities, Russia and Serbia display quite similar socio-economic histories, each country being governed by a communist-style system for many years.

In more concrete terms, Fey and Denison found that a major challenge firms encounter is dealing with the subcultures that exist within the Russian workforce. They divided these subcultures mostly by age, where the older workforce, having been groomed in an era of communism, are resistant to change and express a level of reluctance to work with foreign managers due to language and cultural barriers. The other subculture exists within the younger generation, which is comprised of career driven individuals who adapt easily to changes, speak English, and are eager to take on new challenges. Dealing with and understanding these subcultures, which very likely exist in Serbia as well, would be key for the success of an American company operating in Serbia. Another challenge Fey and Denison identified was that of the concept of time. In Russia, it was found that Russian workers and managers placed little attention to responsiveness, likely due to their historical inclination to only respond to central authority. In American firms, on the other hand, being competitive is an established premise where competitiveness and time constraint are defined (Fey and Denison, 2003). Furthermore, in dealing with certain work related issues, managers may find significant differences in the way these processes are handled between Serbian and American workers and should be prepared to handle them, especially in regards to the level of responsiveness workers will display.

A final point worth discussing that Fey and Denison found in their research was the element of flexibility. For American firms operating in Russia, flexibility was the most important trait managers should encourage and uphold. Given Russia's (and Serbia's) "turbulent and unpredictable environment," flexibility and adaptability are highly valued within a culture than that of mission, which is often the most important in

American firms (Fey and Denison, 2003). Involvement was also a recommended trait the researchers found to be important in dealing with challenges in Russia. As discussed in the paper, competition was limited to that of groups, rather than individuals, under communism. As a result, group involvement plays a vital role in the management of teams. In summary, if similarities are to be recognized between Russian and Serbian working environments, there is the need for American firms to be flexible, involving, and patient when implementing their own culture and dealing with Serbian employees and to maneuver the culture.

V. CONTRIBUTION

The paper contributes to the plethora of discussions regarding the challenges surrounding foreign firms and the mishaps they encounter regarding the culture while undertaking investments. This research delves into the challenges faced by American companies in Serbia, providing complimentary sources of information such as FDI in Serbia. The findings observe that organization culture is important for foreign firms as it acts as a deciding factor in whether or not the organization will succeed. Hofstede research on different societies unveil how essential it is to be familiar with the culture of the host country so as to allow room for adaptation. The paper proposes that American companies are prone to challenges when operating beyond their borders, more specifically in this context, Serbia.

VI. CONCLUSION

The organizational culture of American companies operating in Serbia is different than those of companies operating in America. In Hofstede's six dimensions, the high level of uncertainty avoidance presented and high level of power distance in Serbian society provides evidence of the challenges that may be experienced by American companies operating in Serbia as they relate to organizational culture. The high level of individualism and indulgence values in American culture may create more competition between employees. Nevertheless, the fact that Serbian culture places greater importance on group cohesion and thrives more by employees working together might be the cause of some challenges when implementing American organizational culture in Serbia. While there exists little literature about the challenges American companies face while operating in Serbia, especially as they relate to organizational culture, there are good reasons to think that the more comprehensive literature that exists which covers this topic for American companies in Russia can offer insights into the challenges American firms would face in Serbia. These challenges include managing the differing subcultures that emerged as a result of major political upheaval and navigating employees' differing conceptions of time. Some of this may be partially overcome, however, by adjusting for and incorporating some components of the local culture. Initially, some American based companies might find it difficult to quickly adjust to the culture, but overtime they will manage to cope and make adjustments in their organizational cultures, hence the continued operation of American MNCs in Serbia.

The literature reveals that the culture has some implication on the recruitment process, as it relates to subsidiaries of MNCs it might be difficult to duplicate the exact processes from the headquarters of the MNCs without considering and adjusting for cultural differences. Similarly, the literature reveals that it is difficult to transfer the same performance appraisal practices because of the cultural differences between the two countries. In addition, the diversity in language might also pose an issue as the same language might create some slight misunderstanding in its interpretation. Also, Serbia boasts an increasing level of FDI and is being viewed in a positive light regarding its investment climate, especially in comparison to nearby countries. Regardless of the expected challenges American companies may face when investing in Serbia, in general the country is viewed positively as a country to invest in based on investment reports and investors collectively express a moderate satisfaction level with the business environment. The paper presents an understanding of the challenges of organization culture. However, it is important to note that this research is based on theory and a more comprehensive an in-depth study is needed to fully grasp the extent of the challenges.

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