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Hirt, Christian; Ortlieb, Renate

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Cultural standards of Bosnia and Herzegovina: Empirical findings and implications for strategic human resource management*

*Christian Hirt, Renate Ortlieb***

According to theoretical approaches to strategic human resource management (SHRM), knowledge about a country's business culture and the ability to develop appropriate skills are a source of competitive advantage. This article analyses cultural standards in the transition economy of Bosnia and Herzegovina. On the basis of narrative interviews with twelve Austrian managers and feedback sessions with thirty Bosnian business experts we identify seven cultural standards, for example regarding bureaucratic behaviour, decision making and customer focus. Therewith we contribute to culture specific human resource management (HRM) research and deficient cross-cultural literature for transition economies.

Theoretischen Ansätzen des strategischen Personalmanagements zufolge können Wissen über eine landesspezifische Geschäftskultur und die Fähigkeit entsprechende Kompetenzen zu entwickeln, einen strategischen Wettbewerbsvorteil begründen. Dieser Artikel analysiert Kulturstandards in Bosnien und Herzegowina. Auf der Basis von narrativen Interviews mit zwölf österreichischen Managern und Feedbacksessions mit dreißig bosnischen Managern identifizieren wir sieben Kulturstandards. Diese beziehen sich zum Beispiel auf bürokratisches Verhalten, Entscheidungsverhalten und Kundenorientierung. Damit leisten wir einen Beitrag zur kaum beachteten länderbezogenen Personal- und Kulturforschung in Transformationsländern.

Keywords: Strategic human resource management, cross-cultural management, cultural standards, cultural standard method, strategic training, South Eastern Europe

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** Christian Hirt, School of Social and Economic Sciences, Department of Human Resource Management, University of Graz, Austria. Main research areas: International human resource management, cross-cultural management. Corresponding address: christian.hirt@uni-graz.at.

Renate Ortlieb, School of Social and Economic Sciences, Department of Human Resource Management, University of Graz, Austria. Main research areas: Human resource strategies, especially with a focus on migrant employees, gender and power relations in organisations, workplace diversity, employee absenteeism.

Introduction

The elaboration on the economic development of transition economies in Eastern Europe receives increasing attention from researchers (e.g. Hooley et al. 2000; Chelariu et al. 2006). Due to liberalisation, macroeconomic stabilisation, restructuring and privatisation, transition economies play a major role in attracting foreign investments. Regarding transition economies of the Balkan region, in particular Bosnia and Herzegovina (here in after 'Bosnia'), literature predominantly focuses on challenges of business activity (Dell'Anno/Piirisild 2007) or lessons learned (World Bank 2002; Stojanov 2005). The main characteristics of the former Yugoslav republic's past decade were war-torn political regimes and civil conflicts which have generally been rooted in ethnic or territorial divisions. These developments resulted in a prolonged loss of political order and control (World Bank 2002:99). We maintain that since macroeconomic and institutional developments of a transition economy strongly influence behavioural patterns of locals, they are fundamental for the understanding of intercultural cooperation in a globalised world. Thus, if characteristics of culture specific behaviour in emerging nations of South Eastern Europe are recognised and harnessed at an early stage – e.g. through consideration in the business strategy – international business can highly benefit and a competitive advantage can be achieved.

However, the development of an appropriate business strategy needs knowledge about the respective culture. Accordingly, this paper investigates Bosnian business culture. We empirically identify so called cultural standards (Thomas 2003; 2011; Fink et al. 2005; Romani et al. 2011), which are cognitive schemata of business partners from two distinct countries. Cultural standards are points of orientation – in this study, for interactions of Bosnian and Austrian managers who do business in Bosnia. After having identified the cultural standards, the empirical findings are linked to strategic human resource management (SHRM) theory. Finally, we discuss implications as to how culture specific knowledge and skills can help to achieve a competitive advantage. Therewith we contribute to the literature in three different ways: *Firstly,* by focusing on business culture we contribute country specific knowledge about Bosnia to research on South Eastern Europe. *Secondly,* by applying and critically reflecting on a promising empirical research method, namely the cultural standard method, we contribute to international management literature. *Thirdly,* we contribute to business practice by providing knowledge about doing business in Bosnia as well as recommendations for implementing appropriate human resource management (HRM) measures and concepts. Consideration of such knowledge can help companies to gain a competitive advantage.

The SHRM framework for the explanation of competitive advantage

Several authors have provided a theoretical framework to explain the role and function of HRM in the larger organisation (among others e.g. Wright/McMahan 1992; Barney/Wright 1998; Wright/Snell 1998; Wright et al. 2001). They argue that human resource (HR) practices must be linked with the strategic management process of an organisation and that HR practices have to be coordinated through planned action, such as the composition of human capital resource pools, the specification of HR behaviour and the effectiveness of such decisions given various business strategies and competitive situations.

One of the most influential strands of SHRM literature originates from the resource based view of the firm (Penrose 1958; Barney 1991), which emphasises the significance of internal factors as sources of competitive advantage. While there are different approaches to explain competitive advantage, they share the common proposition that a firm's HR pool can be the source of competitive advantage, if the employees have valuable but rare knowledge and skills (e.g. Wright et al. 1994; Boxall 1998; Noe/Tews 2009). Hence, this approach highlights the need for an organisation of learning and investing in employee and team development. In addition, HR systems themselves can be a source of competitive advantage (Lado/Wilson 1994), if they are unique, synergistic and causally ambiguous in how they enhance firm competencies.

Of particular interest with regard to transition economies are both dynamic capabilities (Eisenhardt/Martin 2000; Dixon et al. 2010) and HR systems that can be adapted quickly to a dynamic environment (Wright/Snell 1998). SHRM can therefore play an integral role in determining the organisational flexibility and consequently contribute to competitive advantage by providing knowledge of skills and behaviour necessary to implement the strategy, knowledge of HR practices to get behaviour, and the ability to quickly implement HR practices.

Only a few studies in SHRM research consider cultural influence as a lever. Although Gerhart and Fang (2005) argue that cross-cultural differences were overestimated and other unique country characteristics are important when exploring the effectiveness of HR practices, Hofstede's (1980) original research highlights unique sets of shared values that lead to differences in the efficacy of HR practices. With regard to theory, Župan and Kaše (2005) question the extent to which SHRM from developed countries apply to Eastern European transition economies by using the example of Slovenia. However, aside from a few recent studies of HR and market entry in South Eastern Europe (Meyer/Peng 2005; Ninan/Puck 2010) this field is hardly surveyed in both cultural and SHRM literature.

Barney and Wright (1998) consider the importance of culture within their elaboration on the characteristics of the so called VRIO framework – implying that a resource has to be valuable, rare, inimitable and exploited by the organisation – to a certain extent. Whereas value and rareness in HR can provide above normal profits in short-term, a potential advantage will be gone if imitated by others. Therefore the task of an HR executive should be the attempt to develop and nurture characteristics that cannot be easily imitated by competitors. The authors focus thereby on an organisation's unique history or culture in providing competitive advantage. Although reference is only made to organisational culture, this concept of integrating cultural aspects is taken on in our following argumentation. We argue that by focusing on culture in terms of acquiring cross-cultural competence and applying such competence in an organisation's target market as anchored in the business strategy, a competitive advantage can be achieved. This argument is in line with Schuler et al.'s (1993) framework of strategic international HRM that also comprises socio-cultural factors as a key determinant of HR practices. Pfeffer (1994) suggested practices, e.g. such as extensive training or sharing information. Such practices are not only shaped by contextual contingencies but include national, sectoral and organisational factors (Boxall/Purcell 2000). Knowledge of such factors can facilitate the development of skills and elicit desired firm behaviour in target markets. By means of strategic training such capabilities can be transferred in order to cope with the challenges of changing environments.

Bosnia and culture studies

Management literature about the Balkan area is prone to generalisations, thereby merging the countries of the former Yugoslavia into one region without differentiating between cultures (e.g. Edwards/Lawrence 2000:115ff). In contrast, Luthans et al. (1995) underline the importance of recognising and appreciating the diversity in Central and Eastern Europe and suggest refraining from considering the whole area as a bloc within the scope of international management. This train of thought is followed in this paper.

Although cross-cultural literature focuses on many different geographical regions, Bosnia is barely represented. Tipurić et al. (2007) use a modified version of the original Hofstede questionnaire. Findings among postgraduate and doctoral students in the field of business and economics show that cultural distance between Croatia and Bosnia appear to be trivial in comparison to Slovenia. Using recent World Values Survey data from representative samples of national populations, Hofstede et al. (2010) introduce the additional dimension 'indulgence versus restraint' and for the first time determine country scores for Bosnia for the long-term orientation dimension as well as the indulgence versus restraint dimension. Results for Bosnia show a long-term time orientation and a society with strict social norms. However, apart from the

Hofstede dimensions, additional information on cultural attributes in Bosnia is lacking. Like Hofstede's earlier work in other countries, Trompenaars (1994) identifies dimensions that can provide cultural insights for management. Trompenaars' extensive research on dimensions of cultures widely excludes the former Yugoslavia, with the exception of some indications for Serbia. Goić and Bilić (2008) use the Trompenaars framework for Slovenia, Bosnia and mainly Croatia. In comparison to the other surveyed countries they show for Bosnia a lower level of universalism, a slightly higher level of individualism, a low level of affectivity in business relations and a low significance of achievement. Further culture studies regarding Bosnia exist in the field of business ethics, e.g. focusing on the problem of tax evasion and corruption (McGee et al. 2006) or marketing (Shultz et al. 2005). Still, studies on business culture which highlight noteworthiness for everyday business conduct with Bosnia are scarce. Supplemental information in this regard is only found in accumulated knowledge on Bosnian business culture which can be traced from online sources (e.g. www.culturecrossing.net; www.intercultures.ca; www.doingbusiness.org). Even though such information allows insight into culture based behaviour, collected data lacks a structured analysis, and information supporting representativeness and accuracy of research is missing. Furthermore, information retrieved might not be specific to business situations and the possibility to 'delve deeper', as it can be done in in-depth interviews, is lacking.

As Kirkman et al. (2006) suggest after their extensive review of empirical cross-cultural studies, more focus should be stressed on complementary cultural values beyond the Hofstede dimensions and cultural values that are unique to particular countries. This idea is taken on in this paper. A science based approach to contribute to culture theory is by applying the cultural standard method introduced by Alexander Thomas (2003). According to Thomas, cultural standards are norms of perceiving, thinking, judging, and acting that the vast majority of individuals in a given culture consider as normal for themselves and others (Thomas 2003; 2005; 2011; Fink et al. 2005). Own behaviour and behaviour of others is guided, regulated and evaluated according to such culture based standards. The cultural standard approach was picked up by Meierewert (2009) for Slovenia and Croatia. This paper adds to cultural standard research by illustrating selected business specific cultural standards for Bosnia, which impose challenges for the development of skills and behaviour within the field of SHRM.

Challenges of research in a transition economy - the question of a Bosnian identity

When doing research about the Bosnian culture the first challenge to face is heterogeneity. General information on Bosnia can be obtained from the Bosnian state agency for statistics (Bosnia and Herzegovina Agency for Statistics 2011).

Bosnia is a mosaic of different ethnic groups with a heterogeneous population. As an ethnically mixed country Bosnia's population consists of Bosniaks, the largest population group of three, Serbs in second, Croats in third and some minorities. Regardless of ethnicity, a citizen of Bosnia is often identified in English as a Bosnian, although a uniform term does not exist officially. In accordance with Shultz et al. (2005) the term Bosnian is used to denote citizens of Bosnia without ethnic or religious attribution. Nowadays the ethnic term Bosniak has replaced Muslim, which in general has a religious connotation with Islam, and Bosniaks represent, with a percentage of 48%, the majority of the current population in Bosnia (CIA 2011). The coexistence of three constitutive ethnic groups which are explicitly mentioned in the constitution already pinpoints the difficulty of describing Bosnian behaviour. If we try to identify Bosnian culture, is it not more a description of Bosniak, Croatian and Serb behaviour than a general Bosnian culture? It is difficult to generally describe Bosnian people with such a diversity of ethnic groups originating from the former socialist Yugoslavia, and researchers have to make presumptions where the composition of research sample is concerned.

The continuous process of identity formation in Bosnia is influenced by several indicators. With regard to ethnical affiliation some distinct characteristics can be identified: territory, language, culture, and religion. In the historical development of Bosnia, people were always attached to a certain geographical territory that unites them. Where the language is concerned, Bosnian was in fact established as the single official language after the war in 1995; however, it still goes under three names: Bosnian, Croatian and Serbian (Bugarski/Hawkesworth 2004). One easily recognisable feature that distinguishes the three ethnic groups is religion, with Croats predominantly Catholic Christians, Bosniaks predominantly Muslim, and Serbs Orthodox Christians. Religious communities and their strong connections to politics as well as national and international recognition of the three ethnical groups rather separates than contributes to a common Bosnian sense of community. According to Filipovič (2009) it is difficult to establish an identity of ethnical groups who in fact share many of the same historical conditions and similarities, such as heritage, language, history, territory, ways of life, etc. because of diverging faith practices and political ideas. Only acceptance allows the overcoming of differences and enables people to co-exist as part of one harmonious political, social, spiritual and cultural entity. Within the scope of the present study behavioural patterns are analysed according to the following limitations: the ethnical composition of the Bosnian interviewees was similarly distributed as the current distribution of population in Bosnia. Despite the constellation of a multiethnic country such an approach provides for the identification of Bosnian cultural standards and eliminates the description of mere Bosniak, Croatian or Serbian cultural standards.

Method

The goal to identify cultural standards for Bosnia is observed through critical incidents collected in narrative interviews with Austrian and Bosnian managers. First introduced by Flanagan (1954), the critical incidents technique has been used for many applications and disciplines. Wight (1995) and Dant (1995) demonstrate the fruitfulness of this method in the field of cross-cultural management research. As a method of data collection, the critical incidents technique offers the opportunity to preserve the advantages of the interactive interview whilst at the same time imposing a form of questioning which ensures that all respondents focus upon the same issues (Norman et al. 1992). Regarding cultural standards, a situation is considered critical, if one or both counterparts are confronted with unexpected behaviour and reactions, and where the meaning cannot be understood due to different cultural systems of orientation (Thomas 2005:24). In addition, the situation must derive from an everyday occurrence, and a conflict must be perceived from at least one party, that is, one party perceives a behaviour of the other party in a particular situation as inadequate (ibid.). According to Fink et al. (2005), short stories about real incidents are suitable to identify cultural standards. The authors emphasise that such stories gained from narrative interviews permit to analyse reported events and to convert the experience of managers into knowledge, without only collecting information about reflections, prejudices and stereotypes of the interviewed persons. Similarly, Romani et al. (2011) point to the high validity of this method. Thus, while the influences of prejudices and stereotypes in narratives can never be completely eliminated, the critical incidence technique minimises them by focusing on distinctive situations and the interviewees' real-life experience. In addition, the cultural standard method comprises both comparisons between different narratives regarding coherence and prevalence of specific descriptions and feedback sessions with experts from the involved countries. This procedure suppresses biases due to individually held prejudices or extreme situations. Many prior empirical studies aim at the identification of cultural standards (e.g., Brislin et al. 1986; Triandis 1995; Cushner/Brislin 1996; Landis/Bhagat 1996; Thomas 2005). They all analyse critical situations and discover cultural difference and characteristics that become effective in intercultural encounters.

For the present survey extensive interviews, with an average duration of approximately two hours, were conducted in Austria and Bosnia in 2006/07 and analysed in three steps. In a first step, narrative interviews including feedback loops were conducted. Exploiting the database of the Austrian Trade Commission twenty Austrian managers routinely involved in Bosnian business situations were identified and agreed to participate in the project. The interviewees were selected from areas such as banking and insurance, real estate as well as the public and construction sector, representing business fields with

major presence of Austrian companies' in Bosnia. Although the selection is based on convenience sampling this approach reflects available Austrian companies in Bosnia at the time of conducting research. In accordance with the pre-condition for a worthwhile interview partner (Fink et al. 2005:13; Thomas 2005) a basic criterion was that each candidate had at least two years of cross-cultural experience within the Bosnian business environment. Thereof twelve managers constructively contributed to the survey, as they were able to remember significant incidents. Information was collected by means of open questions referring to the managers' experienced difficulties in bicultural business situations. The interviewees were questioned about often occurring and task related actual situations in which foreign business partners did not react in the expected way and consequently were prone to conflicts. The managers felt the wish and need to talk about such negatively experienced situations and found them to be of value for interpersonal relations. The collection of critical incidents and related information was complemented by a follow-up analysis. In order to minimise interviewer bias all interviews were conducted by an Austro-Bosnian co-researcher who lived in both countries for many years and therefore is well integrated in both cultures. Literature highlights the importance of such an approach in order to avoid the collection of mere generalisations and stereotypes by interviewers not associated with the same culture, as trust building and a different understanding of cultural meanings between interviewer and interview partner with diverging cultural background can lead to unsatisfactory results in data collection.

In a second step, all narrative interviews were transcribed, grouped into different categories and analysed according to qualitative content analysis (Lamnek 2010:434ff; Mayring 2010). In the process of *summarizing* texts were reduced to important contents and additional material was used for *explication* of parts that could not be easily interpreted due to wording or incomplete sentences. Finally, *structuring* allowed the definition of characteristics developed by rereading the interview protocols: short stories with a clear beginning and end were identified within the transcripts and grouped into categories. In case of incongruity with an already existing category a new class was constructed. All interviews were compared with each other in order to identify similarities. In a third step, incidents were validated with reference to scientific literature and feedback of 'culture experts', consisting of respondents with many years of experience in business situations of both cultures involved.

This again allows the elimination of a possible interpretation bias of the interviewers and provides interpretation of the critical incidents by members of both the home and the counterpart culture. First and foremost Bosnian, but also Austrian 'culture experts' were confronted with the findings and asked to assess the behaviour of their country representatives. In a feedback loop the Austrian managers were able to comment on and complement the findings. Furthermore,

at this stage thirty intensive interviews were conducted with Bosnian managers and business people. They were selected according to their experience in Austro-Bosnian interactions through personal contacts and recommendations and included Bosnian managers from both Austrian and Bosnian companies, representatives from the trade commission and embassy as well as business consultants. As representatives of the analysed culture, they were supposed to be able to explain the described behaviour in the incidents and their underlying meaning. Items for which there was too much disagreement concerning the explanations, or which were unclear and ambiguous, were eliminated. The retained incidents were considered clear by the validation sample and there was agreement concerning the correctness of explanations.

Survey findings and implications for SHRM

The analysis of the narrative interviews delivered several critical incidents that were reported frequently. All incidents give insight into different norms of thinking, perceiving, judging and acting and were considered to be normal behaviour in the Bosnian culture. Each incident includes a perceived conflict which lets us derive cultural standards pertaining to (1) difference in negotiation behaviour, (2) relationship orientation, (3) interpretation of friendliness, (4) attitude towards time, (5) handling of decision making and responsibility, (6) customer contact, and (7) understanding of conviviality. These cultural standards, their main characteristics and a recommended course of action are presented in Table 1, whereas the recommended course of action is mainly based on the interviewees' best practice as well as feedback from culture experts.

Table 1. Empirically derived cultural standards for Bosnia

Subject area	Main characteristics	Recommended course of action
Negotiation orientation	• openness for new things • culture of debate • "stereo talking" • loud and strong emotional reactions • contracts not in detail • susceptible to corruption • favouritism for friends and acquaintances	• not everything mentioned in a discussion or negotiation process should be taken personally • knowledge of the local language essential • adjust contract to market needs • establish relationship networks • consult a local advisor

Bureaucratic behaviour and relationship orientation	• support by mutual favours: *"I will help you now, you will help me later"* • problems solved locally and via relationship networks • slow, inefficient and complex bureaucracy and corruption • *"loop ways" can accelerate bureaucracy*	• establish a personal relationship with your business partner • follow the formal way first • establish relationship networks • involve a local advisor or liaison man
Friendliness as weakness	• strong focus on interventionism • diffuse private and business life • strangers are asked for support • understanding of friendliness equals willingness to make exceptions and special agreements • *"special"* conditions and agreements between friends	• show understanding for people's problems but keep distance • clear rules necessary for business life • don't bluff! • avoid exceptions in order to keep a good reputation
Flexible time orientation	• appointments/invitations at short notice • little need for planning • settle matters none too soon • flexible handling of time • deadlines hardly kept and time-limits exceeded • lateness for appointments • difficulties with time estimates for certain tasks	• be flexible and open with time • allow tolerance but agree on a fixed ultimate deadline with contractual penalty in case of delay • develop back-up plans • approx. 15 minutes delay at appointments are considered normal and should be tolerated • a delay should not be considered rude
Decision making and accepting responsibility	• delegation of decisions to a higher organisational level • little willingness to accept responsibility • fear of (wrong) decisions	• clearly define competence • persons in charge should be announced by name • introduce a standard reporting system and forms in the company

Customer focus and service orientation	• little customer focus and service orientation • in particular traceable in the public sector	• organise employee training to improve social competence • introduce performance-linked remuneration
Sociability	• Austrians are considered welcome and friends of the nation • sociableness and hospitality of the people • having coffee and eating out together are of particular importance • preference for dry jokes	• try to keep a good reputation • accept invitations • be aware of not only paying for your own drinks • don't get offended by jokes • avoid discussions about war and politics if you don't know your business partner well

Now, the question is, what are the implications of these cultural standards for SHRM? According to the SHRM literature, for key employees in an intercultural working environment HR practices should enable the development of specific cultural knowledge. With reference to Prahalad and Hamel's (1990) concept of core competencies, which develop through collective learning and improve knowledge through application, cultural training programmes are suggested. If trainings are strategically planned they can help the organisation to achieve a competitive advantage by developing competencies, firm specific skill sets and creating knowledge. We will exemplarily highlight three of the above identified cultural standards, discuss their relevance for the development of cross-cultural competence in strategic training and link the findings to SHRM theory discussed before.

Bureaucratic Behaviour and Relationship Orientation

This cultural standard illustrates the importance of bureaucracy and strong personal ties within the Bosnian culture and between business partners. Regarding bureaucracy business people complain that navigating a byzantine regulatory system remains a hassle (Bilefsky 2009). A World Bank Group survey has revealed that Bosnian bureaucracy is complex and inefficient. Based on a scale of 0-10, in which 10 is the best rating, Bosnia was rated 3.1 on corruption perception. The average number of procedures required to start a business scored 12 and the average number of days required to start a business scored 54, which is in comparison to other surveyed West Balkan states in the upper range (World Bank Group/MIGA 2006:59). In our exploratory study the Bosnian staffing policy was reported to be another reason to explain the slow working bureaucracy. Many civil workers were brought into the system by

networks and not qualification, which sometimes overstrains their decision making capability. In combination with a feeling of underpay – an average net salary amounted to 350 Euro whereas living costs for an average family with two children accounted for 700 Euro on average in 2007 (AWO 2007:3) – lacking motivation was reported to cause delays in processing job tasks and making people receptive for secret commission. The fundamental characteristic of relationships has been confirmed in the feedback sessions as well. Interviewees identified both the general problem of tackling bureaucracy as well as the establishment of trusted relationships as two major challenges. A strong relationship orientation is illustrated in a diffuse Bosnian culture, where networking is usually the prerequisite for signing a business contract. In the literature, the importance of relationships is further highlighted by Goić and Bilić (2008) as well as Savšek (2008). According to Vasić (2007), one of the most important competences among Bosnian managers is building relationships and influence on others.

The combination of a lack of respective networks and the slow working bureaucracy can pose an insurmountable obstacle. Such insights should be core elements of strategic training programmes with Bosnia as the target culture. This need for HR practices such as extensive training and sharing information was highlighted by Pfeffer (1994). Further implications of the identified strong relationship orientation can be noted for SHRM in general. As Noe and Tews (2009) emphasise, knowledge sharing and transferability maintain competitive advantage. Both are facilitated by the existence of respective networks. Therefore HR practices must aim at supporting existing networks which implies that HR systems can be adapted quickly and allow for the development of a capital pool with a broad array of skills and flexibility in dealing with bureaucracy (cf. Wright/Snell 1998).

Decision Making and Accepting Responsibility

This standard informs about implications of delegation and responsibility behaviour in Bosnia. In Communist times working groups were strong and active. Employees enjoyed employment security with the support of syndicates. This implied that the whole collective was liable for negative occurrence in the company. Decisions could be easily delegated to a higher organisational level. We can therefore understand the behaviour in the above incident as a burden of the past of the fallen regime. Although Bosnian managers consider judgment and decision making capability the most important management competence (Vasić 2007), narratives reveal that in Bosnia, a country with high unemployment and a still precarious political situation, reluctance to do so is supported by a continuous fear of losing one's job by making a wrong decision. A lack of trust in non-Bosnian nationals is also pointed out as a reason for not being willing to accept responsibility for decisions to be made.

In fact, a noteworthy study on trust in Bosnia reveals that trust is generally low and higher levels of trust are only found within the traditional structures of family networks (Håkansson/Sjöholm 2007). Considering Bosnia's turbulent past of a war-torn country it is argued that socialism had a negative effect on trust building and the process of regaining trust in Bosnia will be difficult. This poses challenges to the idea of HR pools as source of competitive advantage as argued by Wright et al. (1994). A lack of trust in intercultural cooperation negatively affects the willingness to interact, which together with the respective skills accounts for competitive advantage. HR practices are not considered to be rare, inimitable and non-substitutable within their argumentation, however we argue that they can be used as an essential lever to encourage trust building. Boxall (1998) highlights the need for an organisation to invest in its employees and encourages team development. The present findings show a deficiency in this regard for both decision making and accepting responsibility. However, supported by respective training and HR practices we see great potential to overcome this shortfall in a changing economic and political environment.

Customer Focus and Service Orientation

This cultural standard was compiled from repeating incidents about difficulties within the tertiary sector in Bosnia. Narrations from our interviewees revealed that many Austrians ascribe little service orientation to a certain dislike of Bosnians towards Austrians who live in Bosnia due to the fact that they have in general better jobs, salaries and status. This was however contradicted in the feedback sessions with Bosnians, where on the contrary, esteem and a strong affinity to Austrians were observed. The reason for such behaviour was found to lie in the former structures in the public sector, where quality awareness and customer focus was insignificant. In the former Yugoslavia it was in particular bank officials who were credited a high social status because of representing power and the state. A survey on leadership and management in Bosnia points out that 83% of 200 surveyed managers agreed that their personal behaviour was affected by the culture and philosophy of their organisations (Vasić 2007). Lacking customer focus, quality awareness and service orientation are still major problems in Bosnia. The 'traditional' attitude is reported to be widespread among bank employees and attempts to introduce training programmes often seem to fail. However, acquiring such knowledge about Bosnian behaviour as part of cross-cultural competence can distinguish employees from those of competing firms. In this context the concept of dynamic capabilities (Wright et al. 2001) seems of particular relevance for transition economies. Due to a changing environment a constant development of capabilities is deemed necessary in order to remain competitive. Human capital resources need to be constantly examined with regard to organisational routines and processes – e.g. can the organisation survive with deficient service orientation in a competitive environment? Whereas it is doubtful that culturally biased attitudes towards

customer focus and service orientation can be changed, external preconditions of a transition economy might facilitate the implementation of new HR practices which in the long term can lead to change.

Sum-up Analysis and Recommended Course of Action

Discussion and feedback loops with our 'culture experts' revealed that historically and politically influenced patterns of thought are still prevalent characteristics of Bosnian behaviour. Core constituents like a strong relationship orientation, a cumbersome bureaucracy, status and power games as well as working groups are remnants of former Communism and are still reflected in organisations and management. Still, it was noted in cultural standard research that alterations of cultural standards are possible as they are liable to change and adjustments can take place. Although globalisation opens markets and promotes increasing business contacts in Bosnia, some approved behavioural patterns seem to be sustained. The consideration of historical-political context characteristics and macroeconomic developments is often neglected by incoming business agents and HR managers, as the identified critical incidents document. Even with regard to Austria and its historical ties, a strong cultural difference is prevalent and cross-cultural mismatches impair the effectiveness of Austro-Bosnian business relations. For the above examples, feedback interviews therefore suggest identifying loop holes in order to facilitate smooth business operations. The consultation of a local advisor as an intermediary is advisable, in particular as in Bosnia things have to be settled 'on-site': firstly, the official process has to be initiated, but then supplemented by informal ways of solution finding. As the formal way is in general time consuming, interviewees confirmed bribery and networking to be the common approach. In fact, this was reported to be a simple and practical way if one knows the right persons and is willing to offer a little financial support. With regard to difficulties with decision making, feedback sessions suggest assigning responsibilities directly and forcing managers to make their own decisions by returning respective documents as long as they are lacking a definite solution. Clearly defined job specifications and a consistent reporting system within the company could help to get this problem under control. Merit based reward systems and enforced training of social competence are suggested to be a suitable approach for future improvement in order to get across that customer satisfaction is imperative for the success of a business. According to the survey findings, improvements have only been noticed in the private sector and it is presumed that much more time will be needed for implication in the public sector.

So far, knowledge of the identified cultural standards and their transfer in strategic training programmes to employees cannot be a source of long-term competitive advantage as this information can be accessible to competitors in

the same market as well. Nevertheless it can lead to a competitive advantage if HR practices aim at the following three dimensions:

Firstly, an investment focus in HR practices which intend to improve the knowledge, skills and abilities of employees. In this regard traditional HR practices tie in with recruiting, selection or socialisation, etc. Where cross-cultural competences are concerned we suggest focusing on specific training measures. As respective cross-cultural literature for South Eastern Europe is still scarce, experience-based transfer of knowledge is considered essential. This ensures that the organisation has the skills and skill levels required by those employees in execution of business processes with the respective future target markets. *Secondly,* HR practices should aim at motivating employee behaviour. With regard to cross-cultural competences, discretionary behaviour – implying to go outside the expected job behaviour in order to positively impact the organisation's effectiveness – is considered most indispensable. The involvement with different cultures and the willingness to surmount difficulties are additional challenges above routine job requirements. Strategic training needs to focus on interested and motivated employees which can be identified in talent management processes. HR practices need to support such high potentials by focusing on performance management systems which elicit positive and inhibit negative behaviours, which might be caused by additional cultural complexity in the working environment. *Finally,* HR practices should provide opportunities to participate in substantive decision making. Whereas literature recommends for example quality circles or suggestion systems, etc. we see the focus on information sharing and offering chances to communicate. Sharing experience in terms of a learning organisation can help to spread cultural experience across the whole organisation. This requires the assignment of the right individuals to the most valuable developmental experiences, when they can learn from that experience. In an intercultural context this should include outside work experience at least on a temporary basis, such as assignments abroad or expatriation.

Conclusion and limitations

This paper pursues the description of cross-cultural competence in a transition economy as a dynamic capability and its implications for SHRM as a source of competitive advantage. The predominant focus on Bosnia has resulted from increasing business activity and migration flow changes over the last decade. Referring to the difficult question of a common identity in Bosnia some essential factors could be identified. Above all politics and intellectuals have strongly influenced the process of a national awareness in recent years and a separation of state and religion is deemed necessary. The identified cultural standards show challenges in intercultural cooperation, originating from lacking understanding of national cultures' framework conditions, macroeconomic

developments and its implications on behaviour. Strong relationship networks and a cumbersome bureaucracy reflect the initial proposition that the macroeconomic developments of a transition economy have implications on business behaviour.

It is important to note here that out of the perspective of Western societies and business systems, the identified cultural standards of Bosnia might have negative connotations, thereby implying inferiority, inefficiency, and irrationality. However, contrary to that position we emphasise that the described standards are far beyond such judgement. Cultural standards as cognitive schemata are inherently legitimate, as they reflect individual experience embedded in certain historical and institutional context. Thus, notwithstanding the general requirement of critically reflecting on existing cultural standards, they simply represent efficient and rational patterns of thoughts and behaviours. Given their contingency, deep-rootedness, and longevity, cultural standards are rather something that business companies are faced with than something that can be easily changed by foreign business partners.

Hence, companies can reach competitive advantage if they recognise cultural standards and implement appropriate HR practices such as specific cross-cultural training of competences. In accordance with the literature review we consider HR practices as an explication of competitive advantage if practices are complex, causally ambiguous and developed over time. People need to get together and combine their talents in various types of teamwork, as this can result in a natural barrier to imitation by rivals. The combination of capabilities and processes leads to the development of dynamic capabilities, necessary to cope in changing environments. Transition economies are innately prone to fast occurring change. With regard to cross-cultural competences such impacts were highlighted for Bosnia: for the illustrated cultural standard ‘bureaucratic behaviour and relationship orientation’ the main effects of globalisation can be seen in strong personal ties and their diverging role on a local or global level. The cultural standard ‘decision making and accepting responsibility’ illustrates the still embedded thoughts of former communism. Finally ‘customer focus and service orientation’ refers to the influence of former structures in the public sector and the difference in exerting power and status in a globally dominated business environment.

Findings from SHRM theory as well as cultural standards serve as a basis for intercultural learning about a specific South Eastern culture which in the past was either neglected or due to the historical development subsumed within a larger cultural region. Its application can contribute to the deficient cultural preparation for transition economy cultures in practice. This again can lead to competitive advantage. The emphasis of the discussion on a rather neglected cultural area seems to be obvious, as preparation for Bosnia still seems to lag behind societal development and migration trends. Although the on hand

cultural standards for Bosnia were derived from critical incidents with Austrian managers, the findings can serve as a framework for other culture representatives to assess their business interactions with Bosnians. However, further research with a larger number of respondents is deemed necessary.

It is important to point to several limitations of our study. Although the narratives by our interviewees reveal many critical situations, the total number of twelve Austrian managers is rather small. In addition, the findings may still be biased through the sample selection process, as it is difficult to determine who or what a 'culture expert' actually is. In accordance with Thomas (2005) we selected representatives with experience and exhaustive knowledge about the respective cultures. Experts with both business experience and additional scientific background in culture studies would have been desirable to reduce bias, however, were barely available for both cultures represented in our research. Thus, while this study illuminates several hitherto unknown cultural standards, it is far from providing an integral description of the Bosnian culture. However, by both the feedback sessions and the alignment with existent literature on Bosnia we were able to increase validity, reliability and generalisability of the identified cultural standards. As to the cultural standard method and the critical incidents technique in general, we highly appreciate their power to go beyond stereotypes and prejudices that are related to a foreign culture. However, whereas it is argued that focusing on real experience and critical situations diminishes the danger of just reproducing stereotypes and prejudices, the reported social interactions themselves may also have been shaped by stereotypes and prejudices. Hence, our findings are not completely free from such bias. On the other hand, the findings can also be interpreted as telling more about Austrian managers than about Bosnia – how Austrians perceive Bosnian culture according to their own standards and their expectations. Consequently, interesting for future research are comparisons of our findings with narratives by managers of other countries. Finally, we see a limitation of our study by focusing on performance implications of some internally important attributes of the firm. As most research in SHRM the resource based view of the firm establishes the context for empirical research. This holds true for this contribution as well and therefore does not directly test the theory developed. However, by focusing on cultural aspects as influential determinants of HR practices we contribute to the findings which substantiate the non-generalisability of SHRM theory and practice.

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