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# The Importance of General Manager's Cultural Awareness in Norwegian-owned companies in Lithuania

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## Summary

This Master's thesis is done in order to analyse the importance of general managers' cultural awareness in Norwegian-owned companies in Lithuania. The thesis covers the following main parts:

The introduction of this thesis presents the nature and relevance of the chosen topic, the aim and desired outcomes from the research. The relevance of the research is also supported by the overview of Foreign Direct Investment (FDI) and Norwegian-owned companies in Lithuania. The tendencies of FDI flows to Lithuania, in particular Norwegian FDI, are discussed by the analysis of various sources such as scientific articles, reports and statistics.

Theoretical framework covers three parts, which are summarized by building the model of the research. Firstly, leader attributes and behaviours are discussed by comparison between expat and national general manager of a foreign subsidiary. Secondly, organizational practice is described according to Hofstede's cultural dimensions. In this part, comparison between Norwegian and Lithuanian organizational practices is presented, as well. Finally, there is an overview of the agency theory which can be applied in the analysis of the relationship between headquarters and a general manager in a foreign subsidiary. This theory refers to unobservable behavior by the agent, and explains particular problems that occur consequently.

Next, research methodology is analyzed, presenting the data gathering tools, possible interviewees and guiding questions. The research findings are discussed in three parts according to the model of the research.

The findings of the research are analyzed with regard to the selected theory in the discussion section. Final conclusions, managerial implications, further research questions, and limitations are presented at the end of this Master's thesis.

## Introduction

General manager<sup>1</sup> of a foreign subsidiary plays an important role as an intermediate between headquarters and the subsidiary abroad. This person is responsible for transferring the home-company's values, culture and managerial approaches to a foreign subsidiary. Besides this, the general manager might face challenges related to the different cultural environment, these challenges being one of the most common reasons why international business run into problems or fail (Accenture 2008). In addition to this, Hofstede states that "culture is more often a source of conflict than of synergy" (Hofstede 2001). Consequently, "selecting the right people is, and always has been, a crucial issue for MNC [multinational companies] performance" (Welch and Welch 1991, 13). As Duer (1968) argued:

Virtually any type of international problem, in the final analysis, is either created by people or must be solved by people. Hence, having the right people in the right place at the right time emerges as the key to a company's international growth (p.43).

With the general manager taking the most crucial roles in a foreign subsidiary, the question is raised whether delegated local or expatriate general manager is cultural aware and is able to understand and deal with cross-cultural issues while managing the subsidiary abroad. According to Chaisrakeo and Speece (2004), cultural awareness refers to characteristics of an individual who is self-aware and tends to be good at predicting the effects of culture on people's values and behaviour. To continue, such person is more likely to modify his/her behaviour to meet the expectations of a business partner from the other country (Alteren, 2007).

On the other hand, the cultural aspect might be less important than the issue of control and coordination, which is likely to be managed better by an expatriate from the parent company. The studies have shown that "headquarters may wish to

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assign a parent country national to fill a subsidiary position for reasons of control and coordination” (Welch and Welch 1991, 12).

Norwegians have made significant financial investments in Lithuania over the past few years (see Figure 1 and Figure 2, p. 4-5), thus effective subsidiary performance and accordingly the general manager’s role in Lithuania is critical. Even though there have been several studies about Norwegian internalization to Lithuania (e. g. Ghauri and Holstius 1996, Amdam 2009), there is still no applicable study which explores how general manager’s cultural awareness may influence his/her relationship with subordinates and headquarters.

Therefore, the aim of this Master thesis is to explore the importance of general manager’s cultural awareness in his/her relationship with subordinates and headquarters in Norwegian-owned companies in Lithuania. Consequently, the research will be made in order to examine how the general manager of Norwegian-owned company in Lithuania deals with cultural differences between Norwegians and Lithuanians when it comes to organizational practice and agency theory.

The findings of this research should give some advisory solutions to Norwegian investors in Lithuania and contribute to managerial strategies of Norwegian-owned companies in Lithuania. Finally, we expect to provide some advice how cultural awareness should be taken into account while selecting the general manager of a foreign subsidiary.

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<sup>1</sup> In this Master thesis we decided to use the concept of the General Manager, which is applicable to the Managing Director, too.

## **FDI and Norwegian-owned Companies in Lithuania**

There has been a decreasing trend of Foreign Direct Investments (FDI) worldwide. According to Financial Times, FDI decreased by 22 percent during the first ten months of 2012. On the other hand, in 2012 foreign companies in Lithuania announced to have 21 percent more investment projects than in 2011. Consequently, according to FDI index by Financial Times, Lithuania is in the 5<sup>th</sup> place in the world, the 3<sup>rd</sup> place in Europe and the leader among the Baltic States.

Furthermore, this positive FDI flows tendency in Lithuania is not new. For instance, while in 2001 FDI inflows fell by 41 percent globally, and another 21 percent in 2002, in Lithuania it increased with 18 percent in 2001, and another 64 percent in 2002 (Amdam, Lunnan, and Ramanauskas 2007).

Prospects for foreign investment in Lithuania were studied by Venkataramany and Miller (2010). The research showed that financial and regulatory systems would become stronger and position Lithuania for future growth and accordingly foreign investment. To add more, wage growth, inflation and labor scarcity would be less relevant. As the result, these factors would “enhance the attractiveness of entry into the Lithuanian market via FDI over the long term” (Venkataramany and Miller 2010, 33).

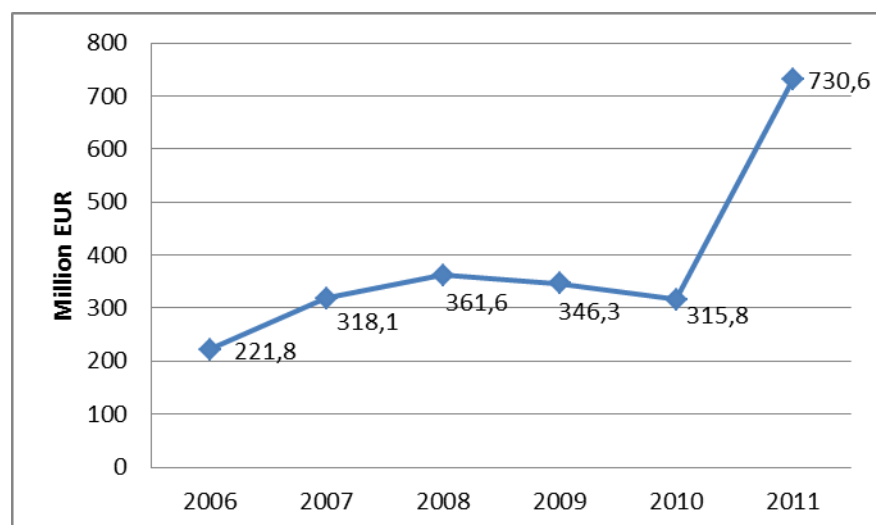
Invest Lithuania is a Lithuanian government agency which provides free support for foreign investors in terms of advice, investment assistance and project management. According to this agency, Lithuania is considered to be an attractive foreign investment destination due to high number of graduates, western culture, and consistently high quality of spoken English, availability of other languages, and quick learners, and very loyal employees.

In addition to this, Lithuanian government takes initiatives to attract foreign investments by concession policy. This government policy has succeeded since such companies as Barclay’s (UK), IBM (US), Western Union (US), IKEA (Sweden), Transcom (Sweden), DFDS Seaways (Denmark), Storebrand Baltic

(NO), Euromonitor International (UK), Valeant Pharmaceuticals International (Canada) invested heavily in Lithuania. Moreover, British company Callcredit Information Group chose Lithuania as the first foreign market to begin internationalization.

To consider Norwegian FDI in Lithuania, it is worth mentioning that Norwegian firms began to internationalize from the mid-1980, and until that time there were only few Norwegian companies that could be considered as multinationals (Amdam and Hagberg 2001). After Soviet Union collapse, the economic relationships between Norway and Lithuania became more intensive, and it is thought that “Norway and Lithuania is of a special kind, since the two countries belong to a greater Nordic-Baltic region with strong cultural, political, and not at least economic relationship for centuries” (Amdam, Lunnan, and Ramanauskas 2007, 22).

Statistics show that Norwegian FDI in Lithuania increased steadily from 2006 to 2008 (see Figure 1), while decreases of FDI in 2009 and in 2010 could be considered as the circumstances of the recession. However, in 2011 Norwegian FDI increased twice comparing to 2010. According to Norwegian-Lithuanian Chamber of Commerce, in 2011 Norwegians invested most in finance and insurance (246 mil EUR), manufacture (108 mil EUR), and real estate (62 mil EUR).

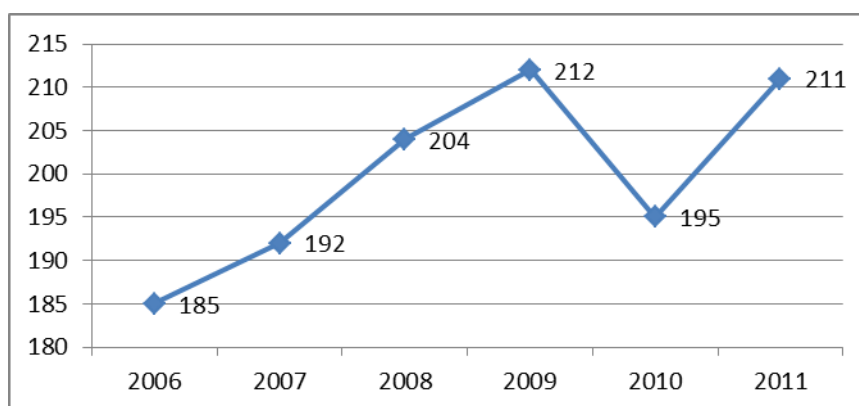


**Figure 1.** Norwegian FDI in Lithuania, in million EUR.

*Source* – Lithuanian Department of Statistics



Primary data show that the amount of Norwegian FDI was 764,0 in 2012 (Lithuanian Department of Statistics 2013). This increase represents high Norwegian investors' interests in Lithuania as a foreign investment destination. Moreover, in 2013 March accumulated Norwegian FDI accounted for 6,0 percent of total accumulated FDI in Lithuania, and Norway was the 5<sup>th</sup> country among the main foreign investors in Lithuania (Lithuanian Department of Statistics 2013). The number of Norwegian-owned companies in Lithuania was changing towards the pattern of Norwegian FDI in Lithuania, having only one significant decrease in 2010 (see Figure 2).



**Figure 2.** Norwegian-owned companies in Lithuania<sup>2</sup>

*Source* – Lithuanian Department of Statistics

Norwegian-owned companies such as “Statoil and RIMI were among the largest foreign investors in Lithuania in 2006” (Amdam, Lunnan, and Ramanauskas 2007, 22). From that year the number of Norwegian-owned companies in Lithuania was increasing until 2010. Nevertheless, in 2011 the number of Norwegian-owned companies in Lithuania almost reached the range of 2009 (see Figure 2). The biggest Norwegian-owned companies in Lithuania in 2012 were DnB, Norvelita, Hjellegjerde Baltija, Devold, Adax, Kitron (Verslo klasė 2013<sup>3</sup>).

The research showed that since 1990 most of the companies had moved production to the Baltic States due to low wages that defines low costs as the key

<sup>2</sup>Foreign-controlled enterprise is an enterprise resident in Lithuania and directly or indirectly controlled by non-resident institutional unit (natural or legal person), that has 50 % or more shares carrying voting rights (Lithuanian Department of Statistics).

<sup>3</sup> Verslo klasė (in English: Business Class) is a Lithuanian magazine which publishes the list of the biggest companies in Lithuania “Top1000“ every year in July.

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element to attract foreign investment. However, recently there has been “an increasing tendency of developing relationships based on the idea of exchanging knowledge and taking advantages of local competence that can be developed to a corporation’s advantage“ (Amdam, Lunnan, and Ramanauskas 2007, 27).

In addition to this, knowledge exchange is highly relative to cross-cultural networks as several studies on investments in the Baltic States indicated that deep personal networks are a prerequisite in order to succeed in this region (e. g. Törnroos and Nieminen 1999, Salmi 1999).

In conclusion, Lithuania has a strong position in terms of attracting FDI, and Norwegian FDI as well, since Norway is among five main foreign investors in Lithuania. Also, recently Lithuania has been an attractive foreign investment destination due to high number of graduates, western culture, and consistently high quality of spoken English, availability of other languages, quick learners, loyal employees, and preferential government policies.

## **Introduction to the Literature Review**

For companies operating across cultures it is essential to understand the host country properly in order to find the way for cooperation and avoid ineffective performance. For this reason, cross-culture studies have addressed the question of how to analyse and characterize different cultures. The largest and most often analysed cross-culture studies were conducted by Hofstede (1980, 2001) and House et al (2002), whose models will be used in this Master thesis.

To begin with, House et al (2002) conducted the project GLOBE (Global Leadership and Organizational Behavior Effectiveness) which seeks to analyse the impact of cultural values and practices on organizational performance and leadership attributes. The GLOBE theoretical model (Appendix 1) proposes various linkages in terms of societal culture, organizational culture and leader's performance. In order to support the aim of this Master thesis (to explore the importance of general manager's cultural awareness in his/her relationship with subordinates and headquarters in Norwegian-owned companies in Lithuania), two linkages of GLOBE theoretical model will be used. The model suggests that leader's<sup>4</sup> attributes and behaviour has an impact on organizational practice; the founders of organization establish the initial culture of the company, and subsequent leaders continue to affect that culture afterwards (Schneider et al 1995). Simultaneously, organizational practice also affects what leaders do; by time, founders and following leaders respond to the organizational culture and adopt their behaviour and leader styles (Schein, 1992).

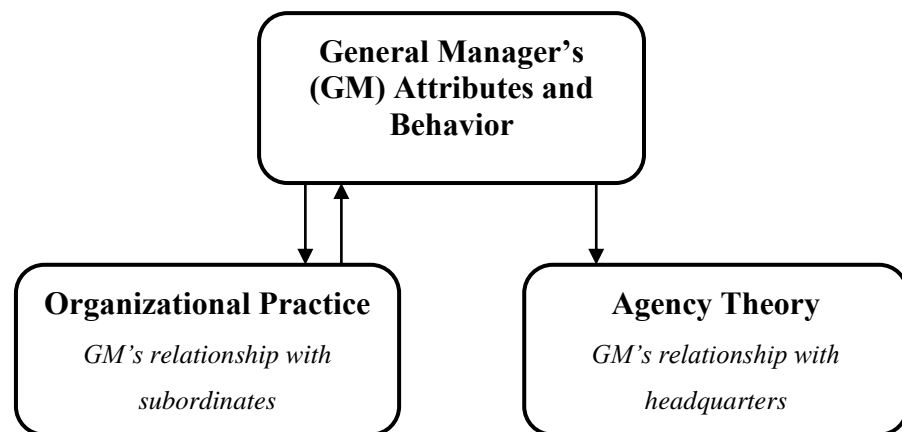
Furthermore, Hofstede's (1980, 2001) cross-cultural study distinguishes cultures according to the five dimensions. As Hofstede (2001) explored in the survey, all organizations are embedded within societal culture which are likely to have a surrounding influence on the organizational culture embedded within them.

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<sup>4</sup> In this Master thesis the Leader from GLOBE model refers to the General manager of a foreign subsidiary.

Finally, the general manager of a foreign subsidiary is engaged to perform service and make decisions on behalf of headquarters. In case of different nationalities of the general manager and the top management, cultural distance might occur and lead to miscommunication and the reduction of joint efforts. These issues are analyzed in the agency theory, which is “directed at ubiquitous agency relationship, in which one party (the principal) delegates work to another party (the agent), who performs that work” (Eisenhardt 1989, 58).

Consequently, the theoretical part of this Master thesis will be conducted according to the following model (figure 3).



**Figure 3.** Theoretical model

Adapted by authors from House et al 2002

## **Attributes and Behaviors of the General Manager of a Foreign Subsidiary**

General manager of a foreign subsidiary may be expected to have particular attributes and behaviors which could be not relevant while working for a domestic company in a home country. As international management refers to cultural differences in day-to-day business, there is the need for general manager's cultural awareness. However, it is not clear to what extent the dilemma between corporate culture and social culture is important. For instance, Adler and Gundersen (2007) argue that in a global context only those managers will survive who understand the international sophistications specifically with reference to the organizational behavior.

Barlow (1953) in his book "Management of foreign manufacturing subsidiaries" discuss selection of the general manager of a foreign subsidiary by comparison between local manager and an expatriate. Although Barlow's work is moderately old meaning that externalities have changed, the key concepts are still relevant. For instance, Barlow (1953) states that company has four choices to select general manager of a foreign subsidiary:

- 1) transfer he or she from the parent to the new company;
- 2) select a person with business experience in a foreign country who has not worked for the company before;
- 3) hire person with business experience in a headquarters' country, but not in the parent company or in the foreign country;
- 4) transfer from other subsidiary.

According to Barlow (1953), there are two primary important factors in selecting executives for a new operation: 1) "experience in the parent company, its methods, and its policies; 2) knowledge of the situation within the foreign country" (p. 150). Thus, Barlow (1953) states that general manager can be selected because of his or her experience in the parent company or his or her background in the country in which foreign subsidiary operates.

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Furthermore, Barlow (1953) presents characteristics of general manager of a foreign subsidiary such as:

1. **Personal characteristics** of a manager and his or her family that are related to the ability to adapt to life in a foreign country.
2. **Wives (Spouses)**. According to Barlow (1953), companies could lose expatriates because their spouses could not adapt themselves to different living conditions in a foreign country. Adler and Gundersen (2007) also agree that global companies, assigning international tasks to their employees, need to consider family dynamics (spouse and other family members' behavior).
3. **Language**. "In most countries it is vital that men speak the language of the country in order to carry on business operations successfully" (Barlow 1953, 157). Therefore, knowledge of a foreign language might be a requirement for overseas employment.
4. **Selection and training** basically refer to the idea of trainings at headquarters either the manager is an expatriate or national (Barlow 1953). To add more, Welch and Welch (1991) states that "the subject of network relationships should be an important component of expatriate pre-departure training programs" (p. 17). This shows that if a local manager is employed, he or she is likely to have solid network.

In addition to these characteristics, Adler and Gundersen (2007) include cultural effects (particularly cross-cultural issues), motivation and global career plans.

### ***Preferring for Expatriates***

While discussing whether a foreign subsidiary should be managed by a local manager or a manager from the country where the parent company is, Barlow (1953) imposes the idea that an expatriate should be sent only when national manager cannot be founded. Also, the author states the facts that it costs more to send an expatriate rather than employ local manager.

On the other hand, Barlow (1953) says that expatriates are preferred not because of the fact that they are citizens of the country where the headquarters are, but because they have experience and trainings in the parent company. It is specified

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that the more important aspect is experience in the parent company rather than the nationality of the manager.

Another reason for preferring expatriates is that manager's experience in the parent company means personal contacts with the headquarters and therefore general manager is able to interpret the views of headquarters better. Moreover, many people prefer to work with others from the same nationality in key jobs abroad because they could have difficulties in communicating frankly with foreigners (Barlow 1953). Research shows that people behave differently with the member from their culture than people from other cultures (Adler et. al 1986).

### ***Preferring for Local Managers***

The primary reason why local general manager should be selected is the desired image of a subsidiary in a local market. Some companies believe that it is important to represent a subsidiary as a local company, and this could be done better by employing a local general manager (Barlow 1953).

Also, it is thought that local managers could be more effective of building the local organization especially in the case when the parent company is looking to obtain particular experience and skills of local nationals (Barlow 1953). On the other hands, Ghang, Hong and Peng (2012) explain knowledge transfer as follows: "the successful performance of any task depends on the ability, motivation, and opportunity to perform the task" (p. 928).

In general, Barlow (1953) states that companies, while establishing subsidiaries, need to combine experience in the parent company and local knowledge regarding the selection of the general manager, and "the simplest method of combining the two would seem to be to hire young nationals with the idea of developing them into future executives" (p. 190).

To conclude, general manager of a foreign subsidiary is expected to have particular characteristics related to professional experience (work experience abroad or in the parent company), personal life (personal characteristics and family dynamics), skills (cross-cultural communication, knowledge of foreign

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language), and career path (motivation and global career expectations). However, there is no common answer whether general manager of a foreign subsidiary should be sent from the parent company or a local manager should be employed since both strategies have advantages and disadvantages.



## Organizational Practice

As Hofstede (2001) explored in the survey, all organizations are embedded within societal culture which are likely to have a surrounding influence on the organizational culture embedded within them. This theory was supported by House et al. (2002) introducing the GLOBE (Global Leadership and Organizational Behavior Effectiveness) study. Authors claim that societal culture has a direct impact on organizational practice “as the shared meaning of organizational culture results from the dominant cultural values, beliefs, assumptions, and implicit motives endorsed by societal culture” (House et al. 2002, p.6).

In order to evaluate cultural differences between Lithuanian and Norwegian organizational practices, existing literature will be analyzed on the basis of these countries’ cultural dimensions, presented by Hofstede. The explanation of choosing Hofstede’s model is the fact that both countries – Norway and Lithuania – are evaluated under his cultural dimensions, making this study more applicable.

Firstly, the concept of culture should be presented in general and particularly at organizational level. It will be used Kotter’s and Heskett’s (1992) interpretation of culture since it encompasses both social and organizational cultures. According to Kotter and Heskett’s (1992):

The culture has two levels, which differ in terms of their visibility and resistance to change. At the deeper and less visible level the culture refers to values shared by society that tend to remain over time even if the members of society change. Another one, more visible level of culture represents the behavior patterns or practices of an organization that new employees are enforced to follow (p. 4).

Kotter and Heskett (1992), as well as Hofstede (2001), claim that culture can be very stable over time, but it is never static and is actually a subject of change.

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Since Lithuania is located at an international crossroads between Russia, Scandinavia and Europe, it has economic and geographic proximity to these areas. Sometimes Lithuanians are even described as “people with a Slavonic heart and a Scandinavian head” (Huettinger 2006). Although close and friendly ties to Scandinavia continue, cultural values and attitudes between these societies might be different and can lead to complication in work-related attitudes and behavior (Roffe 1995). In order to examine these differences, we will continue with Lithuanian and Norwegian cultures comparison based on Hofstede’s cultural dimensions.

1. **Power distance**: the extent of power inequality among members of an organizational society. Small power distance refers to relatively equal relations among people, more consultative and democratic, while large power distance refers to extremely unequal relations. Recent studies show (Huettinger 2008) that power distance in Lithuania is moderate (42), quite in the middle of all Hofstede’s dimension scale. Even though Lithuania scored quite similar to Norway (31), but the higher score might be the reason that Lithuanians still have communistic way of thinking about authority and responsibility sharing in organizations. As was indicated by Huettinger (2008), Eastern Europeans, including Lithuanians, share the belief that the manager is the only one who knows everything and is able to lead and give directions. As expressed by Mole (2003), senior managers have to dominate in the meetings and it is not the task of employees to contribute. As distinct from Lithuanians, Norwegians are more open towards empowerment and more averse towards rules (Huettinger 2008). According to Grenness (2010), low power distance of Norwegians shows relationship between two almost equal parties where subordinates’ attitude towards managers are non-deferential and not dependent of the goodwill of the manager. To continue, other authors Cardona and Morley (2013) states that low power distance is mixed with egalitarian values which refer to the high level of interpersonal trust among Norwegians. The same authors continue that the lack of hierarchies in Norwegian firms facilitates the use of cross-functional teams which are given high and extended authority and responsibility from management. At the same time it also leads to expectations that those subordinates to whom the trust is given, will put efforts to built collective responsibility, which demands trust and

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cooperation between team members. In other words, trust leads to more trust.

2. ***Uncertainty avoidance***: the extent to which members of an organizational society feel threatened by and try to avoid future uncertainty or ambiguous situations. Uncertainty avoidance is concerned with the way cultures use rules, structures, and laws to make things predictable and less uncertain. According to the same study by Huettinger (2008), Lithuanians score moderately for uncertainty avoidance (65). It shows that in work-place employees still needs and prefers to have explicit rules such as job descriptions and clear tasks distribution, which is likely to be related to communistic way of thinking. According to Roffe (1995), Lithuanians are highly skeptical in changes and risk taking, which is imposed by former communist system where everything was given: certainty in planning for the supply and demand of goods and services, unresponsive decision making with managers given relatively little autonomy and little multitasking for employees. Nevertheless, as managers become more aware of outside business practices, these cultural habits are beginning to change. As mentioned Manning and Poljeva (1999, p. 41) “nowadays it is more a generation gap of the “young entrepreneurs” as risk takers versus “old line thinkers” who may be risk averse, than a distinct national character trait.” To continue with Norwegian comparison of uncertainty avoidance dimension, it scores also moderate (50) in Hofstede’s scale. We can imply that also Norwegians are tend to structure well daily business routines and have explicit rules in their work place, even though it might be presented in more informal way leaving high trust to subordinates more than high control, which was explained in power distance dimension.
  
3. ***Individualism and collectivism***: it describes the relationship between the individual and the collectivity that is reflected in the way people live together. This dimension is concerned whether cultures identify with broader societal interests rather than individuals goals and accomplishments. In Hofstede’s cultural dimension scale Lithuania score 60, as a moderate individualistic country. Despite the classless society under Soviet period, Lithuanians have remained individualistic not only in

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their national identity but also in their dealings with each other (Vadi and Buono 1997). It can be assumed that Lithuanians individualistic way of thinking had increased after independency since increase in national wealth, such as modern technologies, urban life, better educational system, is positively related to an increase in individualism (Hofstede 2001). Speaking about Norway, it scores a little bit higher (70). It is a very interesting case of this cultural dimension. According to a leading Norwegian anthropologist Hylland Eriksen (1993), Norway is a typical “egalitarian individualistic” country in a sense that even if Norwegians are individualists, this individualism is different from the typical US individualism. To continue, “contrary to North Americans, Norwegians have a firm belief in the society they are part of and are also willing to contribute to the common welfare” (Cardona and Morley 2013, p. 67). Even though societal collectivism is strong, in-group collectivism is weaker, personal needs and attitudes are important determinants of social behavior as well as rationality is highly emphasized (Cardona and Morley 2013).

4. ***Masculinity and femininity***: measures the extent to which an organization or society minimizes gender role differences and promotes gender equality. In masculine cultures, the differences between gender roles are more dramatic and less smooth than in feminine cultures where men and women have the same values emphasizing modesty and caring (Hofstede 2001). Moreover, a high score in Masculinity dimension indicates that the society will be driven by competition, achievement and success. According to Hofstede (2001), “the fundamental issue here is what motivates people, wanting to be the bests (masculine) or liking what you do (feminine)”. In Hofstede’s cultural dimensions’ scale Lithuania scores quite low in masculinity (19). This evaluation might lead to some discussions since Lithuania came from former Soviet Union block which ideology used to have big impact on gender roles in society. As was claimed by Alas and Rees (2005), social gender evaluation index should not transform so rapidly. Nevertheless, Huettinger (2008) explains such judgment as a different estimation of gender within diverse spheres in society. According to him, social-life culture and work-life culture can

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have substantially different femininity/masculinity perceptions. In his study, Huettinger used research questions only related with values and perceptions at the work-place, not personal one. To compare Norway's masculinity index (8), it appears to be the second most feminine society. Hofstede (2001) explains that Norwegians tend to keep societal solidarity in life, thus trying to be better than others is neither socially nor materially rewarded. In addition to this, the author continues that in a work-life interaction through dialog is very much valued and decision making is achieved through involvement. As distinct from Norwegians, Lithuanians are more reserved in the working environment. According to Manning and Poljeva (1999, p. 41), "open displays of affection in a business setting are the exception rather than a rule". Authors continue that "positive reinforcement is not commonly practiced as well as open dialog and sharing information are not a tradition and can lead to communication gaps" (p. 41).

5. ***Long-term vs. short-term orientation:*** it describes the time horizon of society. Long-term oriented societies reflect more importance to the future. They holds pragmatic values oriented towards reward, such as commitment, loyalty, saving. In short-term oriented societies, value that is promoted relates to respect for traditions, fulfilling social standards and rules. It is important to point out that this fifth dimension was added to Hofstede's study five years later from initial research, in 1985, in order to distinguish the difference in thinking between Eastern and Western countries. According to the author, long-/short-term orientation based on the teaching of Confucius – persistence and thrift to personal stability and respect for traditions. Even though Hofstede had evaluated the countries individually under this dimension, the author distinguish three clusters: East Asian countries scored highest, Western countries on the low side, and some Third World countries lowest. Lithuanian score in this dimension 30, Norwegians – 44.

The Hofstede's Model contributes with the higher awareness of different cultures, in our case it helps to analyze and compare Lithuanian and Norwegian cultural similarities and differences. Accordingly, social culture directly influences

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organizational practices and the way company is managed, thus it helps for two parties of diverse cultures to find the way to cooperate and build respectful cross-cultural relations.

## Agency Theory

The discussion of the communication between headquarters and general manager of a foreign subsidiary could be followed by the agency theory. Jensen and Meckling (1976, 310) define “agency relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision and making authority to the agent”. Also, “agency theory is directed at ubiquitous agency relationship, in which one party (the principal) delegates work to another (the agent), who performs that work” (Eisenhardt 1989, 58).

According to Jensen and Meckling (1976, 311), “it [agency relationship] exists in all organizations and in all cooperative efforts – at every level of management in firms”. However, Eisenhardt (1989) argue that agency theory is most applicable when problems of contracting are difficult, for instance owners and managers. Furthermore, Nohria and Ghoshal (1994) described how the relationship between headquarters and general manager of a foreign subsidiary is in accordance with agency theory:

As the principal, the headquarters cannot effectively make all the decisions in the MNC [multinational corporation] since it does not possess and must, therefore, depend on the unique knowledge of subsidiaries. At the same time, the headquarters cannot relinquish all decision-rights to the subsidiaries since the local interests of subsidiaries may not always be aligned with those of the headquarters or the MNC as a whole (p. 492).

Thus, in the case of a general manager in a foreign subsidiary and the headquarters, the latter takes the role of the principal, while general manager can be considered as the agent.

According to the agency theory, there are two agency problems. The first problem occurs due to the conflict between the goals of the principal and the agent while

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the second problem is defined by difficulties and costs that occur because it is not easy for the principal to verify the behavior of the agent (Eisenhardt 1989).

Generally, the principal-agent problem occurs because of the difficulties that are caused by information asymmetry when the principal hires the agent. Roth and O'Donnell (1996, 680) argue that "in the global industry context, three factors are critical in influencing goal incongruence and information asymmetries thereby determining the potential agency problem within the headquarters-foreign subsidiary relationship". These factors are cultural distance, lateral centralization, and commitment or psychological alignment at the individual level. The agency problem is greater when "a foreign subsidiary has: high cultural distance from the headquarters, (2) a lateral centralization form, and (3) low commitment of the senior subsidiary manager to the parent organization" (Roth and O'Donnell 1996, 684).

Most attention is given to cultural distance that is defined as "the degree to which there are differences in the cultural characteristics common to the headquarters market and the market of the foreign subsidiary" (Roth and O'Donnell 1996, 680). It is thought that the higher cultural distance, the more difficult to get and expensive becomes information about the agent's performance. According to Gomez-Mejia and Balkin (1992), this problem occurs due to foreign subsidiary manager's greater knowledge in terms of local environment and strategic aspect regarding performance of the tasks. In general, information asymmetry which arises from cultural distance increases the agency problem because it is difficult for headquarters to interpret information.

Also, the agency problem in the headquarters-foreign subsidiary relationship increases because of foreign subsidiary's strategic and operational roles (Roth and O'Donnell 1996). The concern is lateral centralization which means that "a foreign subsidiary has worldwide responsibility for a complete set of value-adding activities associated with a specific product or product line" (Roth and O'Donnell 1996, 681).

The third factor that increases agency problem is relative to the assumption that the principal-agent relationship is a social one. Organizational commitment is



defined as individual's identification and his willingness to achieve organizational goals (Mowday, Porter and Steers 1982). As it is showed in Table 1, there might be partial goal conflict between the principal and the agent. In addition Eisenhardt (1989) explains that when there is no goal conflict it has no influence on the agent behavior as the agent will behave according to the interests of the principal. In agency theory information is considered as a commodity (see Table 1).

According to Eisenhardt (1989, 64), this specific treatment of information in agency theory "gives an important role to formal information systems such as budgeting, MBO, and boards of directors, and informal ones such as managerial supervision, which is unique to organizational research". In order to control agent opportunism, organizations should invest in information systems (Eisenhardt 1989).

**Table 1.** Assumptions and Problems of Agency Theory

Human assumptions	Self-interest
	Bounded rationality
	Risk aversion
Organizational assumptions	Partial goal conflict among participants
	Efficiency as the effectiveness criterion
	Information asymmetry between principal and agent
Information Assumption	Information as a commodity
Contracting problems	Moral hazard and adverse selection
	Risk sharing

*Source:* Eisenhardt, M, K. (1989)

As it is mentioned, a board of directors is one of formal information systems which are used for monitoring general manager behavior. According to Eisenhardt (1989), this information system relies on the information provided by boards meaning that when general manager behavior is better known, compensation is likely to be based on general manager's knowledge rather than firm performance. Eisenhardt (1989, 65) also argues that when "boards provide richer information, top executives are more likely to engage in behaviors that are consistent with stockholders' interests".

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In agency theory parties face the contacting problems which are moral hazard and adverse selection. Moral hazard is explained by the lack of upon-agreed efforts on the part of the agent when contract is executed, and this means that the agent is shirking. On the other hand, adverse selection occurs before signing the contract. This problem refers to “the misrepresentation of ability by the agent” (Eisenhardt 1989, 61), meaning that the agent claims of having particular skills or abilities, but the principal cannot verify these skills or abilities neither when the agent is hired nor when he or she is working. Both problems (moral hazard and adverse selection) refer to unobservable agent’s behavior. In order to discover these problems, the principal should make investment in information systems (Eisenhardt 1989).

Also, in agency theory the risk is an important problem that occurs due to the fact that outcomes depend not only on behaviors, but also on other factors such as government policies, economic environment, intensity of competition, technology change, etc. (Eisenhardt 1989). In general, firms are assumed to have uncertain future and accordingly face the risk. In agency theory the problem of risk sharing refers to the differences of principal and agent’s goals and attitudes towards the risk.

To sum up, table 1 shows that besides assumptions agency relationship has some particular problems such as moral hazard, adverse selection, and risk sharing. These and other problems are likely to occur in any headquarters and general manager in foreign subsidiary relationship as Smith in 1776 noted: “The directors of such [joint-stock] companies, however, being the managers rather of other people’s money than of their own, it cannot well be expected, that they should watch over it with the same anxious vigilance with which the partners in a private co-partner frequently watch over their own“ (Jensen and Meckling 1976, 305).

Moreover, Jensen and Meckling (1976, 311) argue that „since the relationship between the stockholders and the managers of a corporation fits the definition of a pure agency relationship, it should come as no surprise to discover that the issues associated with the „separation of ownership and control” in the modern diffuse ownership corporation are intimately associated with the general problem of agency“. According to the authors, “if both parties to the relationship are utility

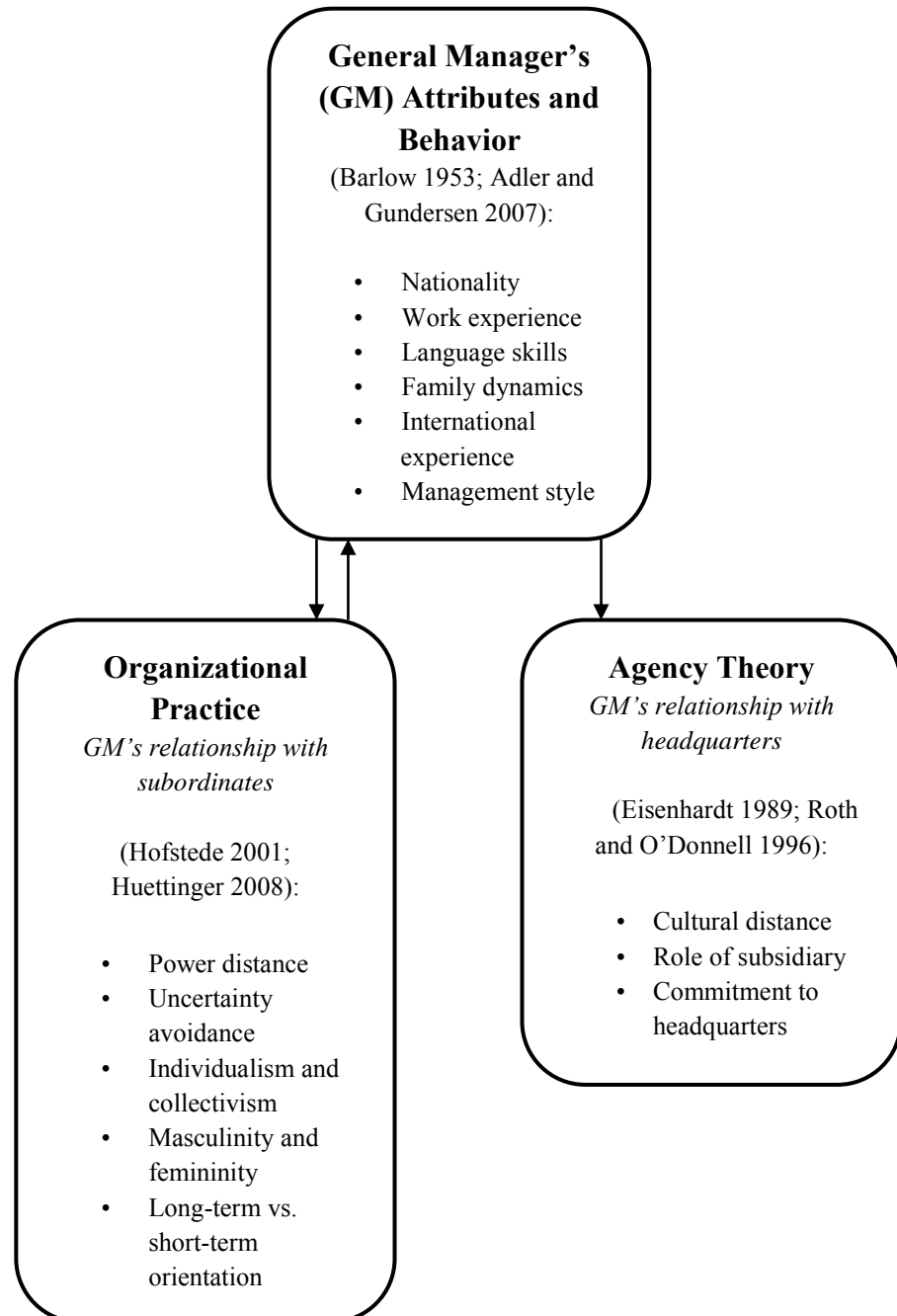
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maximizers, there is good reason to believe that the agent will not always act in the best interests of the principal” (Jensen and Meckling 1976, 310). Therefore, the principal is not able to ensure that the agent will behave according to the principal’s interests without having any costs. Jensen and Meckling (1976, 310) argue that “in most agency relationships the principal and the agent will incur positive monitoring and bonding costs (non-pecuniary as well as pecuniary), and in addition there will be some divergence between the agent’s decisions and those decisions which would maximize the welfare of the principal“.

To conclude, the relationship between the headquarters and a general manager in a foreign subsidiary can be analysed as the relationship between the principal and the agent in the agency theory. This theory refers to unobservable behaviour by the agent, and explains particular problems that occur consequently. Agency theory deals with the issue that the principal in general cannot verify whether the agent has behaved appropriately, while it is not likely that the agent always behaves according to the interests of the principal. In the global industry context, there are three factors which determine potential agency problem – cultural distance, lateral centralization, and commitment or psychological alignment at the individual level.

## Summary of the Literature Review

The summary of the literature review is presented in Figure 4.



**Figure 4.** Research model

According to the authors (Barlow 1953; Adler and Gundersen 2007), there are particular leader attributes and behaviors by which general manager of a foreign subsidiary can be characterized. As it was mentioned with the regard to GLOBE

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model (see Appendix 1), leader's attributes and behaviors, and organizational practice influence one another. Meanwhile, organizational practice can be properly explained by Hofstede's (2001) dimensions, which were later applied for Lithuania case by Huettinger (2008).

The literature review also shows that the relationship between the headquarters and the manager of a foreign subsidiary can be considered as principal and agent's relationship (Nohria and Ghoshal 1994). Consequently, goal conflict and information asymmetry (Eisenhardt 1989) can occur between the headquarters and the general manager of the foreign subsidiary. When subsidiary is abroad, the potential of agency problem is determined by three critical factors: the level of cultural distance from the headquarters, role of subsidiary, and commitment of the general manager of the foreign subsidiary to headquarters (Roth and O'Donnell 1996).

Also, the model (see Figure 4) will be used as a basis for the research guiding questions.

## Research Methodology

To begin with, research strategy refers to two main alternatives such as inductive theory-building and deductive theory-testing. According to Eisenhardt and Graebner (2007), “inductive and deductive logics are mirrors of one another“ (p. 25) meaning that the first produces new theory from data based on cases, while the second tests theory using data. There are various opinions about relationship between research strategy and a type of research. For instance, Yin (2010) stated that inductive strategy matches better with qualitative research. Further, Eisenhardt and Graebner (2007) emphasized that inductive research could be done by combining both qualitative research and quantitative research. To support this, Bryman and Bell (2011) argued that association of inductive strategy with qualitative research is not straightforward because “not only does much qualitative research not generate theory, but also theory is often used at the very least as a background to qualitative investigations” (p. 13). Since the association is not clear, Bryman and Bell (2011) suggested that inductive and deductive strategies could be considered as tendencies rather than as a straightforward distinction.

In this Master thesis, in order to identify the importance of general manager’s cultural awareness in Norwegian-owned companies in Lithuania, we prefer to do qualitative research as it aims “to capture the meaning of real-world events from the perspective of study’s participants” (Yin 2010, 11). To add more, qualitative research provides with better understanding of “different meanings that people place on their experiences” (Cooper and Schindler 2011, 160). Thus, qualitative research is used to gain insights into people's attitudes, behaviours, value systems, concerns, motivations, aspirations, culture or lifestyles. Therefore, qualitative research would provide us with a broad understanding of importance of general manager’s cultural awareness in Norwegian-owned companies in Lithuania.

Also, since we are planning to examine how general managers modify their behaviour due to cultural awareness in terms of communication with the subordinates and the headquarters, it is relevant for us that qualitative research

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covers contextual and environmental conditions within which decisions are made and events take place (Yin 2010). Moreover, qualitative research can be used to support business decisions and strategy formation, and this refers to managerial implications of our research results.

In addition to this, we believe that the cases, which we are planning to examine, will meet three conditions for qualitative research that were introduced by Yin (2010). Firstly, we see the *potential multiplicity of interpretations* of the concepts and research results we will discuss. Secondly, we assume that every case that we are planning to study is likely to be *unique* as companies might vary in terms of corporate culture, HR policy, industry, size, etc. Finally, we experience *methodological variations available* as there is no rigid methodology for such kind of research.

The research design of a qualitative study differs from quantitative one which starts with an understanding to be tested, where usually the hypothesis plainly dictates the form, quantity and the size of required data (Richards 2005). Since qualitative research is usually not preemptive, avoiding a priori conclusions, research design is determined in an ongoing process where it is obtained from the research question, from the chosen method, from the selected topic and goals (Richards 2005). In this Master thesis we aim to identify and analyze the phenomena how delegated general manager's cultural awareness is important in Norwegian-based companies operating in Lithuania. Therefore, it suggests that the qualitative research design is phenomenology, which investigates the essence of human experiences about a concrete phenomenon that in our case is getting a deeper understanding of the importance of general manager's cultural awareness in Norwegian-owned companies. According to Patton (2002), the phenomenology focus on how we put together the phenomena we experience in such a way as to make sense of the world, and accordingly develop a worldview. As Eisenhardt and Graebner (2007) stated in their study, research can incorporate everyday phenomena such as work practices, as well as intermittent and strategic phenomena such as business strategic decision making. For this reason, phenomenological methodology whose concern is to "shed light upon the meanings of human experience" (Ehrich2005, p.8) is used effectively to explore a range of business practices within management.

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In order to support our research strategy, proper data gathering method will be discussed. Information gathering will be arranged by semi-structured interviews which play an important role in phenomenological research studies in order to gain person's experience, attitude, and behaviour towards analysing phenomena. Latter characteristic of the semi-structured interview is favourable in our case since we aim to get insights into the interviewee point of view, what he or she considers as relevant and important, and to get it from rich and detailed answers. Another advantage of the method is high degree of flexibility and freedom of respond. As Bryman (2008) stated, any schedule or guide can be changed by asking new questions that follow up interviewees' replies and adjusting the emphasis in the research as a result of significant issues that appears during interview. It is also supported by Cooper and Schindler (2011), claiming that interview method is useful for covering selected topics by using already prepared interview guide with a few specific questions and then following the thoughts expressed by the interviewee. Consequently, all these aspects gives an opportunity "to extract more and a greater variety of data" (Cooper and Schindler 2011, 169).

The interviews will be arranged according to the model (see figure 4). Interview guiding questions will be conducted following each part of the model:

***Leader attributes and behavior.*** In this part we are willing to discuss general manager's work experience, language skills, family adaptability (if expatriate), international experience, and management style. In order to examine cultural awareness of the general manager of a foreign subsidiary, we would consider previous work experience in the parent company as it could show that he or she had been aware of the organizational practice before taking the position in the case company (Barlow 1953). Also, we would consider any international experience such as internship, work experience, education, etc. because we assume that international experience increases general manager's cultural awareness which is the key issue in our research.

***Organizational practice.*** After exploring general manager's attributes and behavior, we would continue by describing organizational practice of Norwegian-owned company in Lithuania. In order to do this, we would focus on Hofstede's cultural dimensions. To be more precise about each dimension, we would review



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Hofstede's survey questions and adopt some to our guiding questions. Also, we would try to discuss how attributes and behaviors of both general manager and its subordinates fit into organizational practice. Furthermore, we would make efforts to identify whether general manager's cultural awareness influences his or her behavior with employees in order to manage the company effectively.

***Agency problem.*** Finally, we would consider agency problem. We would encourage the discussion of each critical factor which increases agency problem in a global context such as cultural distance from the headquarters, subsidiary role, and commitment to headquarters (Roth and O'Donnell 1996). In addition to this, we would examine what actions are taken to limit agency problem. For instance, it could be language courses (in the case of Lithuanian general manager), headquarters' visits, trainings, etc. Also, we would try to identify how general manager's cultural awareness could limit communication problems with headquarters and agency problem, as well.

Interview guiding questions are attached to Appendix 2.

Also, a subsequent part in data gathering process is sampling. The qualitative nature of our research leads to select non-probability sampling as a valid approach since it gives a great variety of ways to choose interviewees representing cases being analysed (Cooper and Schindler 2011). The primary non-probability sampling technique to choose is purposive sampling, which "focuses on selecting information-rich units whose study will illuminate the questions under study" (Patton 2002, 230). It is important that interviewees would be selected not randomly, but more in a strategic way, in order to give the most valuable contribution to our research. In our case, we will interview general managers of Norwegian-owned companies who were delegated to work in Lithuania.

In conclusion, this Master thesis will be based on a qualitative research by semi-structured interviews with primary guiding questions.

## Data Gathering Process

Before starting the research we decided to make primary interviews with top HR managers of Norwegian companies in order to become familiar with overall business practices how a general manager of a foreign subsidiary is selected. We believed that if our theoretical framework was supported by the ones who are among the decision-makers, such as top HR managers, we were on the right track to do the research.

Therefore, we founded a couple of HR professionals who were willing to share their insights by answering a few questions via phone:

- Anette Segercrantz, HR director for the Nordic countries at Storebrand/SPP
- Per Weidemann, Executive vice-president and member of AB DNB Bankas Management board in charge of HR-related issues

Both Anette Segercrantz and Per Weidemann mentioned the main aspects we had discussed in our theoretical part such as the importance of general manager's competences and previous work experience, two-way link between general manager and organizational culture, and the issues of communication between a foreign subsidiary manager and the headquarters. It shows that we achieved our aim to support the selected theory by practical approach. Since both Anette Segercrantz and Per Weidemann emphasized the same or at least similar things, we did not continue with more pilot interviews.

While doing qualitative research, many interview questions require in-depth answers and sometimes examples. Therefore, it was crucial for us to find research participants who are open to share their experience. In addition, we followed a couple of rules we set up for the selection of the case companies and interviewees:

1. We aimed to have a diversity of case companies in terms of its core business and industry. We assumed that the importance of a general

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manager's cultural awareness in Norwegian-owned companies in Lithuania may vary due to the industries the companies operate in.

2. For research interviewees, we aimed to keep the proportion of a number of Norwegian and Lithuanian general managers of Norwegian-owned companies in Lithuania.

As a result, seven semi-structured interviews were conducted with general managers of different Norwegian-owned companies in Lithuania: Adax and Norac, Devold, Jotron, Kaunas Communication Centre, Lindorff, Mirror Accounting, and Storebrand Baltic.

The interviewees were:

- Tor Jonsson (Norwegian), general manager of Devold (number of employees – 250). The company produces wool clothing and had shifted all manufacturing in Lithuania. Tor Jonsson had previously worked as production manager in Devold in Norway. He became the general manager of Devold in Lithuania in 2002.
- Jonas Klybas (Lithuanian), general manager of two Norwegian companies Adax (130) and Norac (360). Adax is a producer of electric heating appliances, having manufacturing both in Lithuania and back to Norway. Norac is manufacturer and supplier of marine interior systems which production is based in Lithuania. Jonas Klybas had previously held a CEO position in a big electronic wire and cable manufacturer named Lietkabelis. He became the general manager of Adax and Norac in 2007.
- Almantė Medžiaušienė (Lithuanian), general manager of Jotron (80), the manufacturer of communication systems of vessels and energy offshore/onshore constructions. Almantė Medžiaušienė had been working in electronic industry and as general manager for 19 years.
- Lukas Jankauskas (Lithuanian), general manager of Kaunas Communication Centre (100), which provides telemarketing and customer support-related services in Lithuania, Poland, Norway, and Sweden. In addition, the company provides outsourced services such as IT, accounting and quality assurance for UniCall group which acquired Kaunas Communication Centre in 2006. Lukas Jankauskas

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started his career at Kaunas Communication Centre as a sales manager in 2004, and became the general manager in 2006.

- Sigutė Seemann (Lithuanian), general manager of Lindorff Lietuva (37), the company providing debt-related administrative services. She has a vast intercultural experience having held senior management positions in international banks (French, Finnish and German) in Lithuania. In addition, she has been studying in Denmark and Switzerland. Sigutė Seemann had joined Lindorff Lietuva in 2006.
- Kolbjørn Midttun (Norwegian), general manager of Mirror Accounting (67). The company provides finance and accounting services in Norwegian and Swedish markets. Kolbjørn Midttun has broad experience as a general manager in various industries such as engineering, manufacturing, and trade. Besides working as the general manager of Mirror Accounting for almost four years, Kolbjørn Midttun is the chairman of the board in Invest Lithuania and the member of the board in Emerging Europe Commercial Properties AS and Baltic Sea Properties AS.
- Siw Elisabeth Seland (Norwegian), general manager of Storebrand Baltic (270). The company is a service center for the Storebrand Group, supporting the main company's activities such as life insurance products and savings strategy. Storebrand Baltic also provides IT, accounting and credit check services for the group. Siw Elisabeth Seland has plenty of years of experience in sales and marketing with different products and various industries gained through her first jobs in India, 15 years in American Express, and work for Swedish company Ikano. Siw Elisabeth Seland worked as a manager mostly in sales and marketing in Storebrand for seven years while having taken the current position for already two years.

It should be noted that one of the interviews with the general manager of Jotron was made via email including follow-up specification of some answers, while the rest was conducted during personal meetings in Lithuania and lasted approximately one hour.

## **Introduction to the Research Findings: Overall Business Practice on the General Manager of the Foreign Subsidiary**

The importance of general manager's cultural awareness in a foreign subsidiary and the links among attributes and behaviours of a general manager, organizational culture, and the relationship with headquarters could be analysed from various perspectives such as reflection from general managers, subordinates or HR-decision makers. Although this Master thesis is focused on the perspective of the general managers in Norwegian-owned companies in Lithuania, it is interesting to discuss the research problem with HR professionals who have expertise in terms of the attributes and behaviour of the general manager of a foreign subsidiary. As it is mentioned above, this also helps ensure that the theoretical framework is right.

Both Anette Segercrantz and Per Weidemann noted that international experience is not the most important while general manager is being selected for a foreign subsidiary. According to HR professionals, international experience shows mobility which is valuable. On the other hand, in the case of DNB, employees usually go abroad due to transfer within DNB group. In some cases they move abroad for the first time in their lives. Per Weidemann specified that knowing language and cultural differences is more important selecting expatriates. It should be noted that language skills and the ability to recognize and appropriately response to cultural differences enhance cultural awareness.

However, there are other selection criteria in the assignment of the general manager in a foreign subsidiary. In the case of Storebrand, the following aspects are considered: competencies in change management, interests in customers, experience in other different sectors and industries.

In general, thorough business understanding is the key. For example, DNB general managers have worked within different positions in the bank for a long time. They have leadership experience in various positions which demonstrates

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ability to work with people. Last but not least, to become general managers, they had to show good results in previous positions.

In Lithuania, the general managers of DNB and Storebrand are Norwegians who were chosen to transfer knowledge and leadership principles, build corporate culture, and launch products. In addition, an integration of DNB in Lithuania into the group due to joint-venture in 2006 played a significant role. Per Weidemann specified that Norwegian candidate to general manager's position had wider network and was more familiar with Norwegian corporate culture than Lithuanian one.

Nevertheless, both HR professionals mentioned that Norwegian origin general managers were needed in the beginning. After local employees accept and adapt to Norwegian corporate culture, less Norwegian top managers will be needed. The positions might as well be filled by the local employees. Explaining Norwegian corporate culture, Per Weidemann emphasized that there are cultural differences even within Norway and Norwegian companies. Therefore, there might be no clear concept of Norwegian corporate culture as such.

With regard to the main differences between Lithuanians and Norwegians as employees, Per Weidemann stated that Lithuanians prefer hierarchy more than Norwegians. Lithuanians tend to consider manager as the boss; therefore Norwegians have to be more direct when dealing with Lithuanian. Also Lithuanian employees are considered to be hard-working and when it comes to learning they are open-minded.

Although two cultures have differences, in the case of DNB, the focus is DNB corporate culture. According to Per Weidemann, DNB is Norwegian-based company and even though there are adjustments to local differences, Norwegian management style dominates. Usually before going abroad DNB assignees have two-day trainings on cultural differences. However, in the case of Lithuania, the trainings were not provided as DNB in Lithuania had some previous experience with Norwegians (historical facts, joint-venture in 2006).

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To sum up, according to interviewed HR professionals, international experience is not the most important in the selection of the general manager for a foreign subsidiary. International experience is considered as an advantage rather than requirement. Moreover, since cultural differences exist not only within nations, but also within the companies, the focus is on building corporate culture. However, it is still not clear how general manager's cultural awareness is important in day-to-day business when there is a need to communicate with subordinates and the headquarters. These issues from general manager's perspective are discussed in the next parts of this Master thesis.

## **Attributes and Behaviors of the General Managers of Norwegian-owned Companies in Lithuania**

To present the findings of this research (see Appendix 3-9), we will start with the general manager's attributes and behaviors such as nationality, work experience, language skills, family dynamics, international experience, and management style. Although the general managers of Norwegian-owned companies in Lithuania represent a great variety of those attributes and behaviors, some patterns were founded during the interviews.

The majority of the general managers of Norwegian-owned Companies in Lithuania have many years of work experience within different areas and industries, especially the ones, who manage financial service-orientated companies such as Mirror Accounting and Storebrand Baltic. Looking back at her broad experience Siw Elisabeth Seland, the general manager of Storebrand Baltic, explained:

*I have always been interested in working for international companies and corporations. I provide extensive experience from building result oriented teams, and have the ability to appreciate different cultures, identifying the positive elements in different cultures, and also being able to maximize the interaction between gender and age in the teams. I am also very happy for my previous experience in marketing and sales, since I believe it is essential to focus on customer satisfaction throughout the organization.*

Considering what causes cultural differences in the work place. Siw Elisabeth Seland also reflected on differences within the educational systems. To add more, Kolbjørn Midttun, the general manager of Mirror Accounting, noted that:

*Young professionals are similar in Lithuania and Oslo. Early we talked about nationals, now we link to family, education, and corporate life. This is what influence people.*



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In addition to his broad experience in engineering, manufacturing, and trade, Kolbjørn Midttun has been working in Lithuania for twenty years. As he explained, through his career he also worked a lot with Russians that increased his understanding about Eastern Europe culture.

One more Norwegian general manager Tor Jonsson has been working in Lithuania for Devold since 2002. He had previously held the position as production manager for Devold in Norway, which was the main reason to assign him as general manager in Lithuania. As he explains:

*This is a production company, and I know very well most of the operations, so it is easy for me to follow. Nevertheless, the most difficult thing is, of course, language and different culture.*

To continue, the general manager of Jotron Almantė Medžiaušienė shared having nineteen years of experience working not only in electronic industry, but as a general manager as well. Moreover, these previous companies were Norwegian-based which absolutely helped her to become aware of Norwegian culture and build common trust and understanding with the headquarters.

In comparison to the other general managers we interviewed, Lukas Jankauskas is the only one who has done his career in one Norwegian-owned company in Lithuania. Being the youngest participant in our research, Lukas Jankauskas has nine years of work experience in Kaunas Communication Centre:

*In principle, I moved all the career steps in this company, and I think that the experience I gained during the first years of working here in various positions has a direct influence on what I'm doing right now, as I have understanding about all lower processes in this company.*

To consider language skills, the Lithuanian general managers we interviewed are barely able to communicate in Norwegian. The exception is Lukas Jankauskas who is fluent in Norwegian since the investors had an interest to teach Lithuanian employees Norwegian language from the first phase to make Lithuanians able to work with Norwegian companies. Meanwhile, Jonas Klybas and Sigutė Seemann

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openly stated they do not speak Norwegian since in daily communication with the headquarters English language is sufficient. As Sigutė Seemann added:

*Our company [Lindorff] is extremely international; it is Finnish-based, has headquarters in Norway, and eleven branches throughout the Europe. This is the reason why common language here is English since communication on a daily basis goes not only with headquarters, but with general managers of all units. Norwegian language is not relevant in our case.*

Among Norwegian general managers Kolbjørn Midttun seems to have the best knowledge of Lithuanian language. His twenty-year in Lithuania and Lithuanian wife have enhanced Kolbjørn Midttun's understanding about Lithuanian culture and local language. It should be noted that in Mirror Accounting and Storebrand Baltic corporate languages are Norwegian and Swedish. In both companies Lithuanian employees are taught Norwegian or Swedish language for the first six months after they become employed. For the six month the employees are given salary, but they only study language. The results of final exam influence further individual development in the company in terms of salary and work position

According to Siw Elisabeth Seland, it is better for both Lithuanians and Norwegians, who work there, that she communicates in Norwegian to comply with the corporate strategy. In the beginning Siw Elisabeth Seland wanted to learn basic working Lithuanian, and she has already achieved the necessary vocabulary. However, due to the corporate language requirements, she does not need to know the Lithuanian language to manage the company.

In addition to this, Norwegian Tor Jonsson expressed having high interest in learning Lithuanian language; he had started to take courses, even though it is "incredibly complex", as he expressed.

With regard to family dynamics, Siw Elisabeth Seland is an exclusive case as she is the only one among our interviewees who is staying apart from her family. Siw Elisabeth Seland explained:

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*When reviewing the manager position, I believed that it was so interesting that I accepted it without any pretenses regarding my family. My plan was to stay here [in Lithuania] for half a year, and then review the possibility of bringing my family to Vilnius. However, due to a re-construction of the company, and the requirement for operative licenses, I had to be in Norway on a regular basis. Hence, we concluded that the most practical was that the family continued living in Norway.*

Additionally, Siw Elisabeth Seland emphasized her work flexibility between the two countries, even further improved by her husband's ability and willingness to take care of four children parallel to his work as a Finance Manager. In terms of personal adaptation, Siw Elisabeth Seland stated:

*I find it easy and effective to stay in Vilnius. It is simple to move around, and in general people are very open.*

In many cases being flexible and having mobility, general managers of Norwegian-owned companies have international experience. To discuss the impact of his student jobs in US and UK on his daily work, Lukas Jankauskas said:

*There is an impact which is not directly related to my current job and its specifics, but the question of the attitude and experience is relevant enough. Even when I started to work here as a sales manager, I already had knowledge about communication with foreign people, their attitudes towards work and responsibility. I do say it makes an impact, and it is positive.*

To specify how communication with foreigners is different from the one with Lithuanians, Lukas Jankauskas noted that the differences are not much visible. However, he explained:

*Foreign people are more open-minded. We Lithuanians, especially before 8-9 years when everything started [Norwegians invested in Kaunas Communication Centre], were different - withdrew into ourselves, upset most of the time, conservative when it comes to communication.*

On the other hands, Kolbjørn Midttun claimed that:

*Nordics and Lithuanians are the most similar nationals in the way we handle business in general. People think local in both countries because these countries are small.*

Siw Elisabeth Seland also maintained that Norwegians tend to think about business from a very local prospective. Furthermore, Siw Elisabeth Seland mentioned that her start at Storebrand was challenging as she was used to travel much more in her previous jobs, and, hence, the international perspective became less evident in the organization and among colleagues.

Many general managers such as Lukas Jankauskas, Siw Elisabeth Seland and Kolbjørn Midttun emphasized on that international experience provides with general rules how different culture works. Accordingly, Siw Elisabeth Seland explained her management style as being a mix of her international experience. Siw Elisabeth Seland also added how it is important to be willing to listen to local colleagues to most effectively implement business strategies:

*Here [in Lithuania] I understand that it is important to be very precise. I think I have become more focused on being precise and correct in especially the communication in this position than in previous work. I do not ask too many questions before making a decision, but I now see the need to involve and secure a common understanding within the management group to make sure that the implementation process is most effective. There is certainly a cultural aspect that needs to be addressed in these processes, and many times it has a positive contribution.*

Additionally, Kolbjørn Midttun maintained that big companies create their own corporate culture with regard to company's international experience. The focus on corporate culture rather than differences between nations was also discussed by the HR professional from DNB.

On the other hands, Kolbjørn Midttun also mentioned that Scandinavian leadership model helps him in daily business. According to Kolbjørn Midttun, the

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main features of Scandinavian leadership model is being open, honest, and focus on value creation for both company and employees.

Meanwhile, Lukas Jankauskas noted that in many Lithuanian companies ordinary employees are not respected enough as it is believed that the main job is done by managers. In this case, Lukas Jankauskas shared his insights on Norwegian management style:

*Employees are the key asset of the company. They are the ones who do the hard work. Employees need right directions and right tools to do their jobs, but in principle the main work is done by employees.*

Jonas Klybas also contributed with his experience how his management style has changed during working years with Norwegians:

*I could admit I have adopted Norwegian management style – less formality in a daily procedures, more open and trust-based communication with employees. In my opinion, people also tend to care more about organization when you show trust and belief on them.*

To summarize, the general managers of Norwegian-owned companies in Lithuania have broad experience. Some of them such as Kolbjørn Midttun and Siw Elisabeth Seland worked with different nationalities and various industries while Tor Jonsson, Almantė Medžiaušienė, Sigutė Seemann and Jonas Klybas have developed their competences in a particular industry for many years. In comparison to other interviewees, Lithuanian Almantė Medžiaušienė has most experience with working in Norwegian companies as she has done all her career in Norwegian-owned companies in Lithuania. In addition to this, the youngest interviewee Lukas Jankauskas has been working for only one company so far.

It should be also noted that none of the interviewees experience huge language barriers. Among Norwegian general managers Tor Jonsson seems to have greatest interest and need for knowing Lithuanian language while Kolbjørn Midttun and Siw Elisabeth Seland do not have such need due to Norwegian being the corporate language. Lithuanian Lukas Jankauskas has an advantage in terms of knowing

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Norwegian language. As he later explained, it helps a lot to build trust with the headquarters. On the other hands, the rest of Lithuanian general managers emphasized that the headquarters trust them because of high professional competencies; therefore, the issue of language is not the key. Finally, all interviewees noted that international experience provides basic rules how different culture works, and such kind of knowledge helps them to behave according to cultural differences.

## **Perception on the Organizational Practices of Norwegian-owned companies in Lithuania**

For companies operating internationally it is important to be delicate to a various cultural backgrounds and to adjust the behavior when dealing with local people. On the contrary, when international companies are successfully managed, differences can help to achieve innovative business practice through learning within organization. For this reason, it is important to analyze cultural differences which impact organizational culture and the way employees work. In the case of Norwegian-owned companies in Lithuania, general manager's cultural awareness might help to overcome some challenges which can occur while working with Lithuanian employees.

### ***Power Distance***

To begin with power distance dimension we aimed to explore to what extent the power and hierarchy is dispersed among members within organization in terms of general manager's role running the meetings, making decisions and the way to communicate with subordinates. All interviewees shared slightly similar practice and their democratic way of managing the company, as Jonas Klybas expressed: "only the democracy and openness help to reach consensus within the company". Consequently, the general managers particularly emphasized on employees' active involvement with their suggestions and ideas during the meetings. Lukas Jankauskas explained why it is important:

*If an idea comes from people who have to make it work, they will prefer to do it more as they know they came up to that idea by themselves.*

Also, Siw Elisabeth Seland voiced that it is very important for everyone in the company to get involved. As she noticed her management team is able to make fast decisions even if opinions from others are very important:

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*Everyone needs to be prepared and bring in their opinions. Sometimes when it is quite clear, we can take the decision now, and sometimes we need some more time to think about it and see maybe there is something we miss here and we need more information, so we do that. And then we take the decision. When the decision is taken, we don't discuss it anymore unless you bring up some new important things.*

Despite the fact that the majority of the interviewees stated low power distance and weekly meetings with their employees as the characteristics in their companies, some cultural differences show up in daily routines. For instance, Tor Jonsson openly stated the difference between Norwegians and Lithuanians in terms of involvement:

*I try to encourage all subordinates to share the ideas and reach the common decision; nevertheless they are not doing this often. I feel that people here [in Lithuania] take less responsibility for the company than it is in Norway. This could be the impact from former Soviet Union when individual initiatives and opinion were not acceptable. In Norway it is more about sharing ideas, but here I feel it is very difficult to get feedback from subordinates.*

Lithuanian employees' willingness to take responsibility was also discussed by other Norwegian general manager Kolbjørn Midttun:

*Due to Norwegian management style, we encourage empowerment and employees taking responsibility. However, the practice is different. Even if many people say they could take more responsibility, I have experienced they don't really want it.*

The expectation of employees' responsibility and involvement was also supported by Sigutė Seemann:

*My doors are always open for employees to consult and discuss with me; however I expect that coming with the problem the person would be prepared the possible solutions as well.*



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According to Kolbjørn Midttun, as there are still people who are ready to be liable, the problem is not very big. The same could be said about employee's contribution. Both Kolbjørn Midttun and Lukas Jankauskas also noticed how they encourage subordinates to involve, as Lukas Jankauskas explained:

*Some people are very good at sharing ideas and some, by nature, need precise guidelines. To these people we suggest our solution and then ask what they think about it, if they can agree. We still try to hear their opinions, but in a bit different way.*

Moreover, Lukas Jankauskas added why it is important not only listen to employees' ideas, but also to take it into account:

*Even though you come to your team and discuss, but at the end you still make the decision yourself without considering all arguments which were told, next time nobody will talk to you. Maybe they will try to say their arguments one more time, but for the third time they will see no reason to do so. Therefore, it is very important to listen to employees' opinion during decision making.*

In comparison to others, Lithuanian Jonas Klybas holds significantly different point of view in terms of arranging and running meetings.

*Personally I am not keen on arranging meetings, especially regular ones. Usually we call meetings with production managers only when important issues arise. Firstly, my role in the meeting is to state the problem and look for solution to solve it. I listen to all possible alternatives and then choose the most appropriate one. However, I always aim to reach common agreement, and if there is at least one person who disagrees then we continue to analyze it deeper.*

When it comes to decision making process, all general managers agreed that it is a combination of making it individually and collectively. They stated that it depends on the importance of the decision itself, and which group of employees will be influenced when the decision is made.

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In general, the majority of general managers hold the same opinion that they prefer to consult their ordinary employees only if it is needed, as Kolbjørn Midttun said: “We prefer to discuss things at a team level first”. It does not refer to intention keep higher power distance, rather shows openness towards empowerment and delegated responsibility in decision making. To support this, Lukas Jankauskas explained:

*Not everyone is brave enough to come to talk to me, but the ones who have been working here for a long, they come. On the other hands, if the decision needs approval from a team leader or other manager, we invite him, as well.*

Nonetheless, Tor Jonsson shared that in some cases fully delegation could turn into negative side:

*I do not get so much daily consults as I would like to have. There have been few times some serious issues that I was not told about; and the explanation was that they did not want to bother me. It is a pity I would say.*

In general, consensus policy of Norwegian-owned companies might create an image of the general manager as a weak leader, at least from Lithuanian employees' perspective as many of them are used to more precision and organizational hierarchy. Lukas Jankauskas gave a comment on that:

*In fact, there is a slippery threshold between being a weak leader and a manager who listens to employees' opinions. If you only listen to the opinion of staff, and when someone tells something you will say: “ok, we will do it”, it is natural you will not look like a strong manager. On the other hand, there is no such an interest to look like a strong manager and to make everyone think you are the Big Boss because if you are the Big Boss, everyone will be afraid of you.*

Overall, all general managers of Norwegian-owned companies in Lithuania expressed that they favorable follow the open door policy, which allows even the lowest level of workers to come freely to the office and express their issues or suggestions.

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***Collectivism vs. Individualism***

The next cultural dimension we tried to investigate through the interview questions is individualism vs. collectivism which is concerned whether culture identify with broader societal interests rather than individuals goals and accomplishment. In this part we examined whether team work is common in organization, whether it is used individual or collective motivation initiatives, as well as provision of professional and social activities, such as training or social gathering.

Basically, all interviewees expressed their perception on team work as very essential in their companies. As Almantė Medžiaušienė noted, team work is “extremely important as all tasks are conducted cooperatively”. To add more, Lukas Jankauskas shared the insights about the company he works for:

*The main principle is employees of the company to work as a team. There is no Mr. Manager or Mr. Deputy Manager. There is a team. I call my colleagues as colleagues as we work together and we have a common goal.*

On the other hand, Siw Elisabeth Seland founded team work rather challenging in Storebrand Baltic:

*When I came here, I don't think they were very good at team work. People in general are not team-oriented. My experience is that even though one person knew how to use a special tool, maybe very good at Excel that you can work in a more efficient way, that person would not easily share that knowledge. You have to really ask to share it instead of doing it naturally. I think that is based on mentality. I would say, at least from my experience, that people in finance are very independent and very individual-oriented instead team-oriented. So, we have worked very hard to train people work in team and understand what team is.*

Moreover, Sigutė Seemann added that she attempts to keep close communication between employees both in formal and informal way. According her, it helps to build better understanding and team work spirit which leads to more effective

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problem solving in a daily tasks. However, Sigutė Seemann shares her remarkable experience regarding Lithuanians individualistic approach:

*When we moved to the new office, we decided to decline separate and closed employee's working place; on the contrary, new office was more as a common working area with glass transparent walls around. At the beginning employees were highly reluctant to it and felt uncomfortable as someone was observing their work. Nevertheless, now they admit that such openly designed workplace helps to foster trust and improve collaboration.*

The other companies we visited, such as Kaunas Communication Centre, Storebrand Baltic and Mirror Accounting also has common working areas. For example, in the case of Kaunas Communication Centre, the general manager is only employee who has his own room. His room is incorporated in the common working area with glass transparent walls and a glass door which is kept open during working hours. Meanwhile, Kolbjørn Midttun does not have his own work place in the company, and he always chooses a place he would like to work at that moment.

Regarding motivation systems, in majority of the companies there is a combination of financial and emotional incentives. Lukas Jankauskas, Kolbjørn Midttun and Siw Elisabeth Seland more emphasized financial benefits even if their companies also provide plenty of emotional initiatives, while Almantė Medžiaušienė and Sigutė Seemann in particular have voiced their opinions in favor of good working atmosphere, since it helps to generate new ideas, employees feel free to share the thoughts for improvements as all relevant suggestions are implemented. To add more, Kolbjørn Midttun noted that his company pays for ideas for improvement which are implemented. According to Siw Elisabeth Seland employee involvement in business processes improvement works as a motivator: "because you [employee] are included, we are really depending on you and it is very important what you are saying".

Moreover, a further method of motivation was expressed social gathering between employees. It is significant to stress that all general managers said they nearly every time join their subordinates, supporting rather collectivistic way of

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interaction with employees. All companies have annual celebrations and take part in various activities such as indoor and outdoor sports, and seasonal landscaping. Moving forward, all general managers agreed that the provision of various training for employees is essential in the company. As Jonas Klybas openly states: “without training, employees will not be able to reach their potential”. In addition to this, Kolbjørn Midttun noted his focus on learning culture in the company:

*I don't believe in best practice, as I believe in better practice. I think there is always a way to make things better. Even very slight improvement can make changes. Therefore, it is important to focus on learning culture. As a result, besides trainings, we encourage learning from each other.*

In general, case companies provide moderately diverse types of trainings, which can be explained of each company's specifics. For instance, Devold provides the employees with English courses while Storebrand Baltic and Mirror accounting provide with Norwegian or Swedish courses, Lindorff pays more attention on leadership and effective sales training, in Kaunas Communication Centre and Jotron employees have yearly training programs according their specializations.

### ***Uncertainty Avoidance***

The next dimension analyzed in this research – uncertainty avoidance. In order to examine the extent of uncertainty avoidance, we would analyze how rule oriented the company is, if all daily procedures have explicit rules and tasks descriptions. Also, we would research to what degree the subordinates can oppose the rules.

The interviewees described to some extent similar practice in terms of rules and job description for employees. In every company all employees have job description and daily rules, which they are obliged to follow. Tor Jonsson admits this practice being very much unlike from Norway:

*In Lithuania workers prefer to have explicit rules and pay a lot attention to job descriptions, maybe in this way they feel more secure. Norwegians at this point are more open, it is common that they have their daily tasks but they can also make things in a different way, not blindly applying the rules.*

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While talking about Lithuanian employees, Kolbjørn Midttun also mentioned that “they are used to orders”.

All general managers admitted that job descriptions and set up regulations help both employees and the company to follow corporate guidelines and sustain competent, standard-based and ethical performance. However, in some cases general managers provide the flexibility in terms of daily procedures, as Siw Elisabeth Seland explained:

*If you feel that you need a break, you will get that break, and if you feel that the work load is too heavy, we will try to find a way to solve this in another way so it is possible to live with it.*

On the other hand, some of general managers openly state that there is no room for employees to make their own choice on a daily basis, as Almantė Medžiaušienė voiced: “since we need to implement ISO standards, all employees are required to follow the rules obediently”.

It is likely that Kolbjørn Midttun was only one general manager we interviewed who said he did not feel stress at work. Some others, for instance, Lukas Jankauskas, noted that they experience situations which really cause stress at least once in a week. Moreover, a couple of general managers told they feel great stress most of the time, as Siw Elisabeth Seland explained:

*I have been building up this business and this is some kind of lifestyle, and the pressure on me has been extremely high, to build up the company in another country and reporting to head Office. Storebrand is not an international company. It has been training people to really understand what international business is. Of course, there are people in Storebrand with international experience, especially in top management team.*

### ***Femininity vs. Masculinity***

Moving forward, the final dimension analyzed in this research is masculinity and femininity approach. We tried to explore whether researched companies aim to

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keep social solidarity in life, promote social responsibility and help for employees to complement work and family balance.

All of the interviewees stated that their companies take high attention on social responsibility and initiate it not merely personally, but seek to involve employees, as well. For instance, in all company's employees contribute of keeping social solidarity: visiting and supporting orphans, help to recreate nature by planting trees and collecting rubbish from litter surroundings in initiative called DAROM. Meanwhile, in Kaunas Communication Centre, besides social events, there is also a focus on daily activities such as garbage sorting.

Jonas Klybas shared with varied practice in the companies Norac and Adax. There is implemented the social project called Social Dialogue, where trade unions and employees through the special trainings seek for consensus and implementation of joint measures to ensure the adaptability of workers. Like other general managers, Jonas Klybas also added that his companies continuously donate for charity and sponsor events, and get very favor support from the headquarters.

The company Devold and its general manager Norwegian Tor Jonsson also contributes to social solidarity sponsoring local sport events, one school's children basketball team. In addition, Devold is certified through social responsibility standards by risk management company Det Norske Veritas.

In comparison to other case companies, Storebrand Baltic is the only one company which has a separate unit of ten people working on corporate social responsibility. The unit organizes various sport and social activities as much as encourages participation in public events with regard to charity and environment issues.

It is worth noting that all general managers started to implement social practices by their own initiatives, it was not imposed by the headquarters. Also, all general managers approved of taking attention to keep work and family balance. In this case, company's specifics play a role, as Kolbjørn Midttun explained:

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*As a company which provides accounting services, we do have periodical peak times. Therefore, when it comes to work and family life, firstly we try to avoid too much overtime.*

Most of the companies implement flexible work shifts so employees having children can choose the most appropriate time to them. Also, Kolbjørn Midttun noted that in his company home-office policy is implemented. According to Kolbjørn Midttun, although this opportunity is popular among employees as many of them work from home occasionally, there are also many people who prefer to come to the office and work surrounded by their colleagues.

To sum up, the interviewees' insights about organizational practice varied slightly due to company specification and general manager's nationality. To continue, they all agreed that Norwegians and Lithuanians significantly differ at several aspects of social culture which supports the theoretical framework of Hofstede's cultural dimension of the thesis.

Firstly, regarding power distance dimension, both Norwegian and Lithuanians had expressed keeping fairly low power distance with subordinates. This was approved by high delegation and empowerment to subordinates, encouraged involvement to decision making process and open door policy within the company. Nevertheless, it is worth to notice that exceptionally Norwegian general managers had experience the lack of responsibility from subordinates and avoidance to make their own decision.

Following another cultural dimension – collectivism vs. individualism – the all general managers noticed team work being essential in their companies. Nevertheless, the majority of them had experienced the challenge to foster team work and employee's collaboration since they all agreed Lithuanians being very individualistic. To continue, Norwegian general managers had expressed they miss employee's sharing ideas not only to top management, but to each other as well. Nevertheless, all general managers agreed that they use many tools to strengthen team work, such as social gathering, group tasks and also openly designed work places.



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In addition, regarding uncertainty avoidance dimension, it was expressed by all general managers that Lithuanians are very rule-oriented people. The Norwegian Tor Jonsson noted that he implemented job description for his subordinates only because it was highly requested by the employees. Other general managers also held the opinion that rules are set up to help employees follow corporate guidelines. Even though all general managers agreed that in some cases employees can obey rules, however, Norwegians were more in favor of giving flexibility to employees make their own decisions.

Finally, the femininity vs. masculinity dimensions showed that all general managers are very much appealing to provide work and family life balance. Mostly flexible working hours are implemented in all companies. Moreover, all general managers are extremely social responsible in terms of charity, sponsoring concerts and other activities. It is worth to mention that implementing social responsible actions was all their own initiative and not imposed by the headquarters.

## **Agency Problem from the Perspective of the General Managers of Norwegian-owned Companies in Lithuania**

Communication between the general managers of Norwegian-owned companies in Lithuania and the headquarters in Norway may become difficult due to many reasons such as cultural distance, role of subsidiary or low commitment from a general manager. With regard to cultural distance, employing Norwegian general manager in Lithuania does not automatically avoid misunderstandings between the headquarters and a subsidiary. On the contrary, Lithuanian general managers may build trust and common understanding even if they do not communicate in Norwegian language.

To begin with, Siw Elisabeth Seland, Kolbjørn Midttuncan and Tor Jonsson see cultural distance between themselves and the headquarters. According to the Norwegian general managers we interviewed, Norwegian managers have a lack of international experience, as it was explained by Siw Elisabeth Seland:

*Many Norwegian leaders opt out of international management positions, which can be very demanding and time consuming. Flexibility, freedom and better work life balance might be reasons for that. In addition, the general wage level is high in Norway, and the added value of taking on more responsible will give marginal effect.*

Tor Jonsson shared very similar experience and elaborated more:

*In Norway, if you read a newspaper you could get a picture that we [Norwegians] are good in everything, but when you visit other countries you see that in many things they are more advanced and better in different fields than Norwegians.*

For instance, the internationalization of Storebrand in Lithuania is considered very positively by Siw Elisabeth Seland saying this:

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*Storebrand Baltic is a great contributor to the corporation since it is introducing another work culture. When you see the mix of Lithuanian and Norwegian culture it has several positive contributions to the corporate culture.*

What is interesting to remark, only the Norwegian general managers mentioned that they have experienced misunderstandings and disagreements with headquarters basically because of the headquarters being too much Norwegian-orientated. Norwegian general managers noted that their headquarters think about Norway first and are not always willing to understand the daily work in Lithuanian subsidiary. For instance, Tor Jonsson voiced his experience:

*Misunderstandings happen all the time. Since there is no more production back to Norway, sometimes it's difficult for them [headquarters] to understand our daily work.*

To add more, Siw Elisabeth Seland shared very similar experience:

*Usually there is no problem at all, but sometimes it is difficult to understand for some head office managers what Storebrand Baltic is all about.*

In addition to this, Kolbjørn Midttun touched on the question of control by adding that for the Norwegian headquarters it is difficult to control foreign subsidiary since the understanding of local business market is moderate.

Meanwhile, all general managers noticed that they have regular and close relation with headquarters – frequent visits and daily communication via phone or e-mail. On the other hands, the Lithuanians general managers seemed to have more visits from the headquarters than the Norwegian general managers in Lithuania. For instance, Sigutė Seemann noted that Norwegian CEO of Lindorff visits Lithuanian branch every 4 months, besides they arrange regular video conferences including general managers of all units. Almantė Medžiaušienė added that she meets with the headquarters at least once per month. However, she added that generally she is the one going to Norway.

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The remarkable case may be Lukas Jankauskas who has meetings with his Norwegian and Swedish managers from the headquarters in Lithuania at least once a month or often once in a week. He also goes to visit the headquarters four times per year. To explain, Lukas Jankauskas noted that other group units execute continuous projects which are highly related to IT, accounting and back office services that are provided by Kaunas Communication Group. Also, since there are all persons responsible for separate business operations, meetings due to ongoing projects and development opportunities are mainly held in Kaunas Communication Centre.

Taking into consideration what helps for Lithuanian general managers to build common understanding with the headquarters, Almantė Medžiaušienė stated that it is “trust, honest, hard work and also being open about the problems”. Jonas Klybas elaborated that “the most important thing is being sincere and honest about what you do, and then you receive the same treatment from the others”. Lukas Jankauskas was confident as well, but due to a bit different reason:

*It is Norwegian language. When we meet and can talk in their language, they feel more trust. The communication becomes very easy. Also, we make jokes together. I often initiate some small talks about recent issues in Norway, so we have informal discussions, too.*

Regarding the impact of his cultural awareness, Kolbjørn Midttun gave an example which refers to his knowledge about specifics of Norwegian and Lithuanian cultures:

*I avoid “noises”. Since I understand Norwegian minds, I know how to report. Some things are needed to be told in an adjusted way because Norwegians can understand it differently than Lithuanians do and this can cause unnecessary panic. The same works with Lithuanian employees.*

Nevertheless, neither Kolbjørn Midttun nor other general managers of Norwegian-owned companies in Lithuania could tell that they had been provided with courses or trainings in cultural differences between Lithuanians and Norwegians. On the

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other hands, Siw Elisabeth Seland discusses cultural aspects with expats from Norway and Sweden before they come to work in Storebrand Baltic.

The majority of Norwegian-owned companies we visited, such as Storebrand Baltic, Kaunas Communication Centre, Jotron, Adax and Devold besides its core activities, have become the subsidiaries for business processes outsourcing. Most common outsourcing happens to be IT and accounting services.

The case of Storebrand Baltic shows how the company is increasing its importance within the corporation. Storebrand Baltic has doubled in terms of a number of employees during the last year. According to Siw Elisabeth Seland, previously Storebrand Baltic had implemented only a few of the operations, today they intend to transfer whole processes due to great efficiency of local staff.

Jonas Klybas also shared similar experience about the important role of the Norwegian subsidiary in Lithuania:

*Our subsidiary [Norac] plays a very significant role for the whole company. It is not merely the production what is based here; all product designs are made by Lithuanian engineers as well. Moreover, from here all logistic channels are settled up for the whole Europe. I could say that we are appreciated for being hard-workers, highly educated and attempting achieve the best results.*

Basically, all general managers of Norwegian-owned companies in Lithuania noted they are not much influenced by the headquarters in terms of reaching the goals. Certainly, the financial or production goals are settled by the headquarters, but all managers have flexibility to manage the accomplishment. However, some mentioned the same as Kolbjørn Midttun: “Authority could be higher”.

In comparison between Norwegian expats and Lithuanian general managers, Kolbjørn Midttun had very similar opinion with the one shared by HR professionals:

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*Norwegian general manager is expensive. Norwegian manager is suitable for establishing business and creating corporate culture. Later on Lithuanians can be hired.*

In conclusion, a lack of international experience of the Norwegian managers at the headquarters and Norwegian-orientated business approach were mentioned as the main reasons for disagreements between the Norwegian general managers of Norwegian-owned companies in Lithuania and the headquarters in Norway. Meanwhile, Lithuanian general managers of Norwegian-owned companies in Lithuania told that they do experience some misunderstandings between them and headquarters, but these misunderstandings are not very significant, and are not related to cultural distance, as well. Furthermore, Lithuanian general managers are more often visited by the headquarters than Norwegian general managers. The latter also complained about a lack of interest by the headquarters in the needs of the subsidiary in Lithuania. Nevertheless, Norwegian-owned companies in Lithuania seem to play an important role in the supply chain of Norwegian companies due to production transfer to Lithuania (e. g. Devold, Norac) and business processes outsourcing (e. g. Kaunas Communication Centre, Storebrand Baltic, Mirror Accounting, Jotron, Adax, and Devold).

## Discussion

To begin the discussion of our research findings we will analyze **attributes and behaviors** of the general managers of Norwegian-owned companies in Lithuania. The findings have partly supported our theoretical framework. Firstly, the general manager of a foreign subsidiary can be selected because of his or her experience in the parent company or his or her background in the country in which foreign subsidiary operates (Barlow 1953). In our case companies, Norwegian general managers Tor Jonsson and Siw Elisabeth Seland were the ones who had previous experience in the parent companies in Norway. Our other interviewees such as Jonas Klybas, Almantė Medžiaušienė, Sigutė Seemann (Lithuanians) and Kolbjørn Midttun (Norwegian) had worked in Lithuania for many years before they became general managers of Norwegian-owned companies in Lithuania. Furthermore, Barlow (1953) noted that to combine experience in the parent company and local knowledge, foreign investors should hire young nationals and develop them into future executives. The case of Lithuanian Lukas Jankauskas, the general manager of Kaunas Communication Centre, is a good example of Barlow's (1953) suggested method.

Even though Barlow (1953) put much emphasis on the importance of a general manager's foreign language skills, our findings show little relevance of this attribute. Neither expats nor nationals believed that they experience language barriers. The exception might be Tor Jonsson who is the only Norwegian (and only foreigner, too) working for Devold in Lithuania: "the most difficult thing is, of course, language and different culture". Therefore, Tor Jonsson has the greatest interest in learning the Lithuanian language.

In the case of other Norwegian general managers such as Kolbjørn Midttun and Siw Elisabeth Seland, Lithuanian staff is adapted to the corporate language of headquarters. Meanwhile, Lithuanian general managers, excluding Lukas Jankauskas, are barely able to use Norwegian, but they see no obstacles in communicating with headquarters in English.

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Family dynamics issues were discussed only with Norwegian interviewees. Even though it is considered as common reason why expatriates decide to come back to their parent company (Barlow 1953), all of interviewees denied this being a problem. For instance, Kolbjørn Midttun has been living with his Lithuanian wife in Lithuania for twenty years while Tor Jonsson is divorced. Nevertheless, Tor Jonsson goes very often to Norway to visit his daughter. Siw Elisabeth Seland was the only one of our interviewees staying in Lithuania apart from her family based in Norway. However, she emphasized that she had taken the general manager position with enthusiasm and felt strong support of her family from the very beginning.

All interviewees maintained the opinion that their international experience provided basic rules about various cultures, which is helpful when there is a need to work with different nationalities. On the other hand, general managers of Norwegian-owned companies in Lithuania also admitted to applying Norwegian management style in their daily routines. However, Siw Elisabeth Seland, who seems to have the most international experience, explained her management style as follows: “it is a mix of everything”.

The findings about **organizational practice** in Norwegian-owned companies in Lithuania in some cases supported cultural differences and similarities of Lithuanian and Norwegian organizational culture. All general managers stated low power distance and rather informal communication with their subordinates. It is distinct from the findings of the Huettinger (2008) study, which found that Lithuanian general managers keep high power distance, and explicit hierarchy is common in organizations. All interviewees explained they keep an open-door policy and are willing to help and consult subordinates in daily routines. However, they explained that sometimes there is very low involvement from their employees' side, thus supporting a statement by Mole (2003) that Lithuanians are averse towards contribution and sharing responsibility. Tor Jonsson, Kolbjørn Midttun and Lukas Jankauskas have maintained the same opinion that Lithuanians take less responsibility for the company and are not always willing to show individual initiative, although they are encouraged. This statement approves the study of Manning and Poljeva (1999), stating that Lithuanians are more reserved



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in the working environment and sharing information through open dialogue is not a tradition.

Overall, this research confirmed that in Lithuanian organizations there is a higher degree of uncertainty avoidance than in Norwegian ones. All general managers explained that their employees have written job descriptions and a clear task distribution, which is in support of Huettinger's (2008) assertion that Lithuanians still need and prefer having explicit rules. Particularly, Tor Jonsson has voiced that this practice is very different from in Norway, where he was used to less regulation and more informal daily routines. It is important to highlight that all Norwegian general managers said that in many cases they provide flexibility for employees in terms of daily procedures. On the contrary, Lithuanian general managers admitted that usually there is no room for flexibility in daily work. This could be explained by company specifics since the Lithuanian general managers, who emphasized a low level of flexibility, work for manufacturing companies in which employees have to follow quality standards and corporate guidelines, as was mentioned by Almantė Medžiaušienė.

According to cultural studies (Vadi and Buono 1997), Lithuanians are individualistic not only in their national identity but also in their dealings with each other, and our research partly supports this proposition. Even though, all general managers particularly emphasized the importance of team work within the company, some general managers, such as Siw Elisabeth Seland and Sigutė Seemann, shared their opinions that in general Lithuanians are not team-oriented and do not share their knowledge easily. This could be the reason why all general managers try to promote social gathering between employees, and favorably join them as well, in order to build good relations outside the work place. In order to improve collaboration, the majority of the general managers create partly open working place, with transparent walls and big common areas. General managers explained that they want to be a part of all daily routines and be treated as colleagues rather than managers. This approach is particularly used by Kolbjørn Midttun who does not have his personal work place in the company.

The research affirmed that Lithuanians keep a feminine organizational culture, which was also indicated in Huettinger's (2008) study. All general managers,

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despite their nationality, put high attention on social responsibility activities within company, also involving employees. Moreover, in nearly all companies, general managers admitted they try to keep a work and family life balance, mainly by organizing flexible working hours.

To continue, our case companies which are managed by Norwegian general managers in Lithuania (Devold, Mirror Accounting and Storebrand Baltic) can be considered rather domestic companies as they operate in Norway and Sweden, while having only one foreign subsidiary in Lithuania. This was also emphasized by the general managers of these companies during our interviews. All of them noted that the companies they work for are very much Norwegian-oriented and have a lack of international experience. Meanwhile, the Norwegian general managers of Norwegian-owned companies in Lithuania have vast international experience from their previous jobs.

According to this, all Norwegian general managers stated that they experience conflicts in terms of cultural distance between themselves and headquarters. However, cultural distance might not be the key issue. To identify what was the real reason for conflicts between the Norwegian general managers and the headquarters, it is useful to discuss the **agency problem**.

In our research we focused on features that increase the agency problem in global context – cultural distance, role of the subsidiary, and commitment to headquarters (Roth and O'Donnell 1996). Actually, cultural distance does not seem to be the reason why general managers could experience conflicts with headquarters as all general managers did not see cultural differences that affect their work. Kolbjørn Midttun even noted that “Nordics and Lithuanians are the most similar nationals in the way we handle business in general”. Therefore, it is more likely that the key reason is a lack of headquarters' interest in the needs of the subsidiary which was noted by all Norwegian general managers we interviewed. This may be called goal conflict (Eisenhardt 1989): headquarters' interests/goals do not match subsidiary goals, and this has little to do with cultural distance.

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The role of the subsidiary seems to be the main case for discussions and accordingly disagreements between the general managers of Norwegian-owned companies and the headquarters. For instance, Storebrand Baltic and Mirror Accounting intend to increase autonomy by transferring whole processes due to the great efficiency of local staff. In general, the statement that Norwegians invest in Lithuania due to high competencies and low labor costs of blue color workers (Amdam, Lunnan, and Ramanauskas 2007) was proved by the expansion of our case companies in Lithuania (Storebrand Baltic, Mirror Accounting, Kaunas Communication Centre).

Also, our research shows the tendency of business processes (basically IT and accounting) to be outsourced to subsidiaries in Lithuania such as the cases of Kaunas Communication Centre, Storebrand Baltic, Jotron, Adax, and Devold. Finally, Devold and Norac demonstrated full responsibility of manufacturing the company products. A slightly different case is Lindorff company, since the Lithuanian unit brings comparatively small market share regarding units in bigger countries such as Germany or Spain. However, as Sigutė Semann noted, all units have equal rights and appreciation from the headquarters. To specify, the Norwegian-owned companies in Lithuania play a big role among company units, and this can increase agency problem between the headquarters and the subsidiaries in Lithuania (Roth and O'Donnell 1996).

In comparison to Norwegian general managers, Lithuanians have more meetings with the headquarters and the top management comes more often to subsidiaries in Lithuania. Although frequent visits from the headquarters may refer to a high level of control and a lack of trust for national general manager (Gomez-Mejia and Balkin 1992; Welch and Welch 1991), our research findings show that frequent visits are more related to Lithuanian general managers' involvement in decision making rather than control and trust issues. For instance, Lukas Jankauskas explained that the meetings are necessary because of the specifics of the company. Meanwhile, Almantė Medžiaušienė is a quality director of the Jotron group and is highly involved in decision-making, while Jonas Klybas also expressed that during the meetings the focus is on strategic issues. These examples again refer to the importance of the Lithuanian subsidiary's role.

During our interviews, Siw Elisabeth Seland expressed her great commitment and entrepreneurial attitude as she put a lot of emphasis on building Storebrand Baltic by herself, her huge responsibility, and daily stress. Also, Jonas Klybas and Lukas Jankauskas demonstrated their psychological alignment to the headquarters at the individual level since they noted they are satisfied with personal communication with the headquarters. According to Roth and O'Donnell (1996), these factors show high commitment to headquarters and accordingly decrease the potential of agency problems. However, we cannot conclude that only these general managers are highly committed to the headquarters as we do not have enough information regarding the level of commitment stated in general managers' job contracts.

In general, the research findings demonstrate most of the interviewees to be culturally aware; they are able to understand cultural differences between Norway and Lithuania and modify their behavior in order to run the company effectively and meet the expectations of headquarters. Even though general managers also discussed differences between national cultures, they emphasized more on cultural issues within the company. With regard to our literature review, an ability to understand the international sophistications specifically with reference to organizational behavior was argued as being the key for general managers to survive in a global context (Adler and Gundersen 2007).

Accordingly, some general managers expressed more specifically about how they have adjusted their behavior according to cultural differences after starting work for Norwegian-owned companies in Lithuania. For instance, Norwegian Siw Elisabeth Seland has become more precise in decision making while working with Lithuanian staff. Meanwhile, Lithuanian Jonas Klybas has adopted the Norwegian management style by becoming less formal in daily procedures and relying more on open communication with employees. In addition, Norwegian Tor Jonsson became used to putting job descriptions into a written format, as well as writing down assignments and task distribution, since he feels Lithuanian employees feel more secure with having explicit rules. Finally, Kolbjørn Midttun's awareness of Lithuanian and Norwegian cultures helps him to "avoid noise" in both ways: while reporting to the headquarters in Norway and communicating with the subordinates in Lithuania.

## Conclusions

In this paper we tried to explore the importance of general managers' cultural awareness in their relationships with subordinates and headquarters in Norwegian-owned companies in Lithuania. In order to do this, we referred to the links between attributes and behaviors of general managers of Norwegian-owned companies in Lithuania, organizational culture of case companies and general managers' relationships with headquarters (see figure 4). During the interviews we aimed to identify whether a general manager's cultural awareness influences his or her behavior with subordinates in Lithuania and headquarters in Norway.

Our findings show that the majority of interviewees prior their current general manager position had vast work-related and leadership experience, which is considered a main criteria for general manager positions, as indicated by HR professionals. In addition, all general managers indicated that they had international experience, even though in many cases it was not directly related to their current work. However, the interviewees noted that their international experience was a background to build common understanding about how different cultures function, and that there is a necessity to modify their behavior according to cultural expectations from others.

Accordingly, some general managers expressed more specifically in which cases they have modified their behavior while working for Norwegian-owned companies in Lithuania. In order to adapt Norwegian management style to Lithuanian subsidiaries, the general managers had to focus more on employees' contributions and fostering team work, taking into account the right level of empowerment and delegation, since there are still employees who are not ready to take responsibility. In general, the interviewees maintained that their cultural awareness helps recognize in which cases the employees can overcome the steady point-of-view and in which cases it is better to adapt to the local culture in order to avoid a reluctant response from subordinates.

In terms of corporate language issues, our findings show little relevance of this attribute. Neither expats nor local general managers could tell that they experience

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language barriers. In the majority of the analyzed companies the corporate language is Lithuanian; only the top managers need to speak English in order to communicate with headquarters, while knowing Norwegian is not a requirement. In addition to this, the cases of Storebrand Baltic and Mirror Accounting show that employees being taught Norwegian and Swedish to provide customer service to Norwegian and Swedish markets overcome any language barrier with the Norwegian general manager.

Regarding agency problems, the key finding is that, in particular, Norwegian general managers of Norwegian-owned companies in Lithuania experience disagreements between themselves and headquarters. The main reason was discussed as being a Norwegian-oriented attitude from headquarters, which also leads to low interest in subsidiary needs.

Meanwhile, Lithuanian general managers expressed that they do experience some misunderstandings between themselves and headquarters, but these misunderstandings are not very significant, and are also not related to cultural distance. Moreover, in some sense the general managers maintained that it is important to be culturally aware in order to “avoid noise” while reporting to headquarters, as Kolbjørn Midttun noted.

It was emphasized by all interviewees that frequent meetings with headquarters are important in order to exchange information that helps to overcome misunderstandings. Finally, our research shows that analyzed Norwegian-owned companies in Lithuania seem to play a very significant role for each company’s group because of two main reasons. Firstly, due to the high efficiency of local staff, some companies have transferred whole operations to Lithuania while others are already in this process. Secondly, there is a popular business practice (especially in IT and accounting) to outsource to subsidiaries in Lithuania.

In conclusion, our research findings show that the general managers of Norwegian-owned companies in Lithuania are culturally aware. By analyzing their communication with subordinates (in terms of organization practices) and headquarters (in terms of agency theory), we found that despite Lithuanian or Norwegian nationality, in many cases the general managers modify their behavior

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in order to meet culture-related expectations from subordinates and headquarters. It shows the importance of a general manager's cultural awareness in Norwegian-owned companies in Lithuania.

## **Managerial Implications**

We believe that this research brings some applicable findings due to all interviewees openly sharing their experiences; the research problem was also discussed with HR professionals who have expertise in the selection of general managers for foreign subsidiaries.

Even though there is no clear answer as to whether to delegate a local or send an expatriate general manager to run the subsidiary of a Norwegian-owned company in Lithuania, the research provides some implications. Firstly, the HR professionals and some general managers from professional service companies mentioned that Norwegian general manager should be sent to Lithuania to build business, transfer leadership principles and create corporate culture. However, when local staff becomes familiar with Norwegian business model, the Norwegian general manager can be replaced by the one of his Lithuanian managers. Regarding our case companies, this approach was used in professional service companies rather than manufacturers.

According to HR professionals, the most important attributes of a candidate for general manager are leadership experience, appropriate language skills and good results in previous positions, while international experience is considered unnecessary. However, all interviewees maintained the opinion that their international experience helped them to become culturally aware: to understand differences of Lithuanian and Norwegian culture and adapt their behavior where necessary. It shows that even though a general manager is not required to have international experience, he or she should be able to recognise and appropriately respond to cultural differences, which also enhances cultural awareness.

All interviewees agreed that there are more similarities than differences between Lithuanian and Norwegian cultures. However, some differences should be taken into account in order to avoid a negative effect on employees and misunderstandings with headquarters. For instance, Lithuanians are still very much reserved in terms of participating and sharing ideas, so they should be



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somewhat encouraged. As was expressed by Lukas Jankauskas, “some employees need precise guidelines [...]. We still try to hear their opinions, but in a different way”. In addition, Lithuanians are very much rule-oriented, thus they prefer to have explicit job descriptions in order to feel safe. Moreover, the majority of general managers agreed that Lithuanians share a more individualistic approach; for this reason team work in the company should be initiated and fostered by the general manager.

In some sense, the interviewees also shared the opinion not to overexert empowering, since in many cases Lithuanians are still not ready to take responsibility for the company. This could be related to Soviet way of thinking, where individual initiatives were not acceptable. Nevertheless, Norwegian general managers in particular shared the experience that it is very important to trust subordinates since it leads to expectations that those to whom trust is given will make efforts to perform effectively.

Considering relationships with headquarters, it is worth mentioning that all general managers noted having not only daily communication, but very frequent visits from headquarters as well. However, it is considered a big advantage since it helps build common understanding and trust, which also minimizes control issues from headquarters' side.

Overall, the managers should be very much aware of those cultural differences of Norwegians and Lithuanians which can lead to misunderstandings and the reduction of joint efforts.

## Limitations

First of all, we should consider limitations that are highly related to the nature of qualitative research which was used in this Master's thesis. The main concern is the potentially subjective point of view of the interviewees. Also, it might have been that in some cases our interviewees provided incorrect information with the intention of presenting themselves and their companies only in a positive way. Consequently, there is a risk that the interviewees did not share information about real organizational practices and communication issues with headquarters.

Also, it may be that some general managers are more culturally aware than they expressed during our interviews. This limitation is related to the definition of cultural awareness. To specify, it may be easier to feel rather than explain how a person modifies his or her behavior according to individual prediction of the effects of culture on values and behaviour by others. It could be that the person is so used to some actions which show cultural awareness that he or she does not notice it on a daily basis. For instance, a Lithuanian general manager does not give importance to his informal salutation "Hi" when writing an email to HQ in Norway, and the formal one which he uses when contacting business partners in Lithuania. Therefore, this indicator of cultural awareness might have not been mentioned by some general managers.

Finally, even if we identified some patterns, we experienced that every case company was unique. Therefore, we face the potential to over-generalize our findings for all Norwegian-owned companies in Lithuania. Additionally, our efforts to take a look at the perspective of HR decision makers have some limitations, too. As we contacted HR professionals from financial sector, their insights might not explain the same phenomena, for example, in the manufacturing industry.

## Further Research Questions

In order to explore our results and overcome some limitations, we would suggest further research questions. First of all, the importance of a general manager's cultural awareness in a foreign subsidiary can be analyzed from various perspectives such as general managers, HR decision makers, HQ, subordinates or even general managers of other subsidiaries. In this Master's thesis we focused on the perspective of the general managers. To come back to our research model (see Figure 4), we would suggest to conduct further research from the perspective of HQ and of subordinates.

On the other hand, we also have talked to a couple of HR professionals who provided us with information about criteria by which a person could be delegated as a general manager to a foreign subsidiary. We have experienced that HR professionals have a lot to say about attributes, behaviors and cultural challenges of general managers. Therefore, we suppose that the question of how cultural awareness is important when a general manager is being selected for a foreign subsidiary could be an initiative for further research.

Also, further research could aim to relate general managers' cultural awareness to their effectiveness of managing foreign subsidiaries. For instance, during our interviews with HR professionals and the general managers, we learned that beside financial results, general managers are evaluated according to many other indicators such as Balanced Score Card (BSC), customer satisfaction, employee job satisfaction, feedback from other subsidiaries, personal goals and company reputation in a market. We think that focus on those indicators in the relation to general managers' cultural awareness gives a direction for further research.

Finally, we do believe that further research could explore our results with a survey, which would be able to reach a large number of research participants. It is important since we know that there are more than two hundred Norwegian-owned companies in Lithuania (see Figure 2). Consequently, it is likely that survey results could provide information about the importance of general managers'

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cultural awareness in the majority of Norwegian-owned companies in Lithuania. Moreover, we see big potential for quantitative research by making hypotheses according to our research model.

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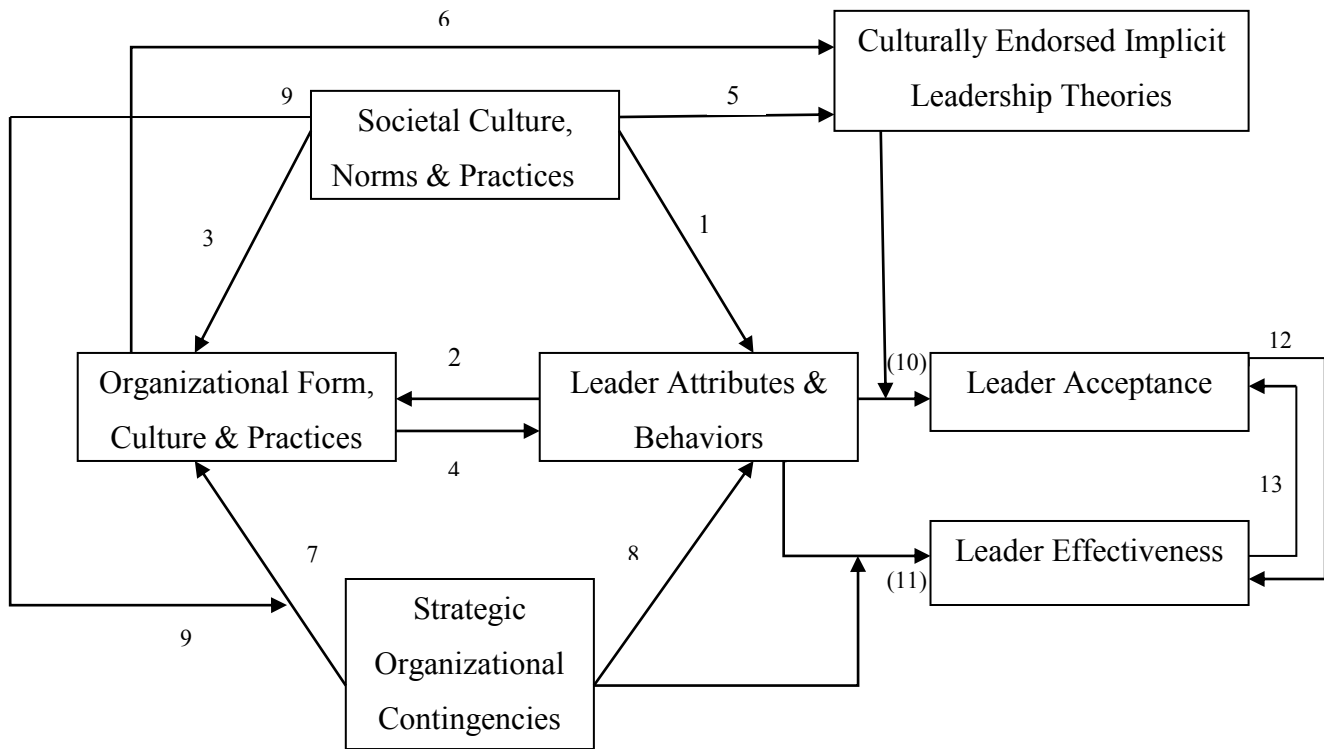
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### Appendix 1: GLOBE Theoretical Model



Source: House et al 2002

## Appendix 2: Interview Guide

*Some questions can be answered by only one word, and it is fine. To examine the research problem, there are also some questions that require in-depth answers and sometimes examples. Those questions are going to be given by asking: how, could you comment, could you explain, could you give an example, could you specify, etc.*

### **Interview questions referring to General manager's attributes and behavior**

- a) Nationality: Lithuanian or Norwegian.
- b) What was your work experience before taking this position? Could you tell how your previous work experience influences your daily work in this company?
- c) For expatriate: Do you have a family? What about your spouse adaptation? Does she/he know local language? What was the impact of you becoming a general manager of this company on your family life?
- d) Do you know Lithuanian/Norwegian language? Are you going to learn? Who is financially responsible for your language course?
- e) What is your international experience? How your international experience influences your daily work in this company? Does it help? In which cases? Could you give an example?

### **Interview questions referring to *power distance*:**

- a) How often do you have meetings with your subordinates? Who participate in these meetings (all company's employees or merely top managers)?
- b) What is your role in a meeting? How do you give instructions (level of freedom given)? Do you share your ideas? Do you intend to listen to other opinions?
- c) How do you make decisions? How often do you decide entirely yourself? How often others can contribute to decision making? Who are usually those employees – senior managers or others?

- d) Is your door open for everyone in the company? How do you communicate with your subordinates? Do you consult your subordinates often in daily routines? What is the practice in your company when the subordinates have a request or need consultancy from top management: do they have to contact firstly senior managers or they can directly contact you?

**Interview questions referring to *uncertainty avoidance*:**

- a) Do all daily procedures have rules? Do employees have job descriptions?
- b) In general, do you require subordinates to follow instructions obediently? Is there a level of flexibility in terms of opposing rules? In which situations?
- c) Do you feel often stressful or tense at work?

**Interview questions referring to *collectivism vs. individualism*:**

- a) How important is team work in this company? How often tasks are conducted cooperatively?
- b) What kind of motivation initiatives is used? Do you provide your subordinates with training?
- c) Do you promote social gathering between employees? Do you join them? (e.g. participating in social events).

**Interview questions referring to *masculinity vs. femininity*:**

- a) How is it important for your company to be socially responsible?
- b) How is it important to keep work and life balance of your employees in the company?

**Interview questions referring to *Agency problem*:**

- a) Do you see cultural distance between you and headquarters? Does it make any impact on your communication? Have you experienced any misunderstandings? What do you think helps you to build common understanding and trust between you and headquarters?

- b) How often do you meet with headquarters? Do you go to visit them or they come to Lithuania? When you was appointed as general manager, did you receive any trainings? What type of trainings? Regarding the trainings you receive for leaders, do you follow Norwegian management style or you adopt according to local practice?
- c) What is the role of this subsidiary for the whole company? Do you produce final or semi-finished products? Is there any other subsidiary producing the same products for the same markets (the same supply chain)?
- d) How flexible you can be in the process of reaching settled targets? Have you experienced any disagreement between you and headquarters in terms of targets, goals, decision, values, etc.?

### Appendix 3: Data of Tor Jonsson (Devold)

Question	Findings
<b>GM attributes and behavior</b>	
Nationality	Norwegian
What was your work experience before taking this position?	Tor Jonsson started to work in Devold Norway as a production manager in 1996. He was responsible for finding attractive country for business outsourcing, which was Lithuania. He became the General Manager of Devold Lithuania in 2003.
Could you tell how your previous work experience influences your daily work in this company?	Previous work in textile industry and Devold Norway had helped him to know all operations well and now it is easy to follow while running the subsidiary in Lithuania.
For expatriate: Do you have a family? What about your spouse adaptation? Does she/he know local language? What was the impact of you becoming a general manager of this company on your family life?	Divorced, family adaptation is not relevant.
Do you know Lithuanian/Norwegian language? Are you going to learn? Who is financially responsible for your language course?	Tor Jonsson has a high interest in learning Lithuanian language. He started to take Lithuanian courses, which are sponsored by the company. However, the Lithuanian language seems to be “incredibly complex”, as he noted.
What is your international experience? How your international experience influences your daily work in this company? Does it help? In which cases?	He was studying and working in Sweden for a while. As he explained, it helped to get wider view of things, also realized that there are many countries that are good in some special field, and Norwegians could take advantage of it.

<b>Organizational Culture</b>	
How often do you have meetings with your subordinates? Who participate in these meetings (all company's employees or merely top managers)?	As Tor Jonsson expressed they have regular meetings once a week for an hour. These meetings are for administration-department level.
What is your role in a meeting? How do you give instructions (level of freedom given)? Do you share your ideas? Do you intend to listen to other opinions?	He noted that the meetings they have is based on the discussion. Tor Jonsson, as general manager, states the problem, and everyone is encouraged to discuss about it and share the ideas. However, he thinks that Lithuanians are reserved and closed in terms of contribution.
How do you make decisions? How often do you decide entirely yourself? How often others can contribute to decision making? Who are usually those employees – senior managers or others?	According to Tor Jonsson, how decisions are made basically depend on their importance. If it is very important in terms of purchasing or contracting, he makes it individually. However, the employees in many cases are delegated to make the decisions. Nevertheless, Tor Jonson openly shared that Lithuanians are not keen on taking responsibility.
Is your door open for everyone in the company? How do you communicate with your subordinates? Do you consult your subordinates often in daily routines? What is the practice in your company when the subordinates have a request or need consultancy from top management: do they have to contact firstly senior managers or they can directly contact you?	Tor Jonsson follows open door policy, thus each employee is free to come and consult with him directly. He noted that he would like to have even more daily visits from his subordinates, because there have been some issues that he was not told about the problem simply because employees did not want to disturb him. He said that in Lithuanian subsidiary the communication is more formal than he used to back in Norway.
Do all daily procedures have rules? Do employees have job descriptions?	In Devold all employees have explicit rules and written job descriptions. In general, it was made in

	favor for employees since Tor Jonsson feels that Lithuanians feel more secure having written regulations.
In general, do you require subordinates to follow instructions obediently? Is there a level of flexibility in terms of opposing rules? In which situations?	The general manager explained that in some cases employees, especially production managers, can organize their work in their way, how they feel more effective. Until the final result is the same, employees are free to have flexibility.
Do you feel often stressful or tense at work?	Yes, sometimes. However, Tor Jonsson expressed that it is also very important to have time off and not think about work 24 hours per day.
How important is team work in this company? How often tasks are conducted cooperatively?	Since all departments are working in team every day, it is very important good collaboration.
What kind of motivation initiatives is used? Do you provide your subordinates with training?	Basically it is financial initiatives – bonus system and pace rate, meaning the more employees are efficient, the more they can increase their salary. In Devold employees are provide with English courses.
Do you promote social gathering between employees? Do you join them? (e. g. participating in social events).	In Devold there are big annuals social events. Also it is organized frequent social gathering in smaller groups. Tor Jonsson noted he tries to join his subordinates as much as possible.
How is it important for your company to be socially responsible?	The company Devold and its general manager Norwegian Tor Jonsson contributes to social solidarity sponsoring local sport events, one school's children basketball team. In addition, Devold is certified through social responsibility standards by risk management company Det Norske Veritas.
How is it important to keep work and	Tor Jonsson said that in general the company

life balance of your employees in the company?	provides different working hours thus parents can choose the most appropriate ones.
<b>Agency Problem</b>	
Do you see cultural distance between you and headquarters? Does it make any impact on your communication? Have you experienced any misunderstandings? What do you think helps you to build common understanding and trust between you and headquarters?	Tor Jonsson openly shared that he sees distance between him and headquarters. He would not say it is cultural distance; basically it is due to lack of interest and understanding about subsidiary's needs since there is no more production back to Norway. Daily communication and discussions help to overcome these issues.
How often do you meet with headquarters? Do you go to visit them or they come to Lithuania? When you was appointed as general manager, did you receive any trainings? What type of trainings? Regarding the trainings you receive for leaders, do you follow Norwegian management style or you adopt according to local practice?	Tor Jonsson meets with headquarters once a month; usually it is him who goes to Norway. The frequent visits are due to the reason that he is part of company's management team, so he also attends board meetings and quality and product development meetings. Since he was working before in Devold Norway, Tor Jonsson did not get any training as he knew all operations and company specific.
What is the role of this subsidiary for the whole company? Do you produce final or semi-finished products? Are there any other subsidiaries producing the same products for the same markets (the same supply chain)?	All production and logistic is transferred to Lithuanian subsidiary, thus the role of the subsidiary is very significant. In addition, it is the only one subsidiary for Devold. In Devold Lithuania the finals products are produced.
How flexible you can be in the process <u>of reaching</u> settled targets? Have you experienced any disagreement between you and	In general Tor Jonsson has all freedom in terms of running the company as far as he does it effectively and reach settled targets. Yes, in some sense disagreements happen in terms of



headquarters in terms of targets, goals, decision, values, etc.?	production issues.
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### Appendix 4: Data of Jonas Klybas (Adax and Norac)

Question	Findings
<b>GM attributes and behavior</b>	
Nationality	Lithuanian
What was your work experience before taking this position?	Jonas Klybas had previously held a CEO position in the big electronic wire and cable manufacturer named Lietkabelis. He became the general manager of Adax and Norac in 2007.
Could you tell how your previous work experience influences your daily work in this company?	As Jonas Klybas stated, it firstly helped to gain experience in electronic industry, and to enhance leadership skills being as a CEO. All this helps now running Adax and Norac.
For expatriate: Do you have a family? What about your spouse adaptation? Does she/he know local language? What was the impact of you becoming a general manager of this company on your family life?	
Do you know Lithuanian/Norwegian language? Are you going to learn? Who is financially responsible for your language course?	As Jonas Klybas shared he does not know Norwegian language. The English language is used for communication with headquarters.
What is your international experience? How your international experience influences your daily work in this company? Does it help? In which cases?	Jonas Klybas had spent one year in Paris, France, working as an engineer. In addition, in his previous work he was in charge of sales with British. Even though all this experience was very different, it first helped to gain better understanding that all cultures are different and it is necessary to know these differences.

<b>Organizational Culture</b>	
How often do you have meetings with your subordinates? Who participate in these meetings (all company's employees or merely top managers)?	Usually Jonas Klybas call meetings with production managers only when the important issues arise. Then these production managers have meetings with their subordinates lately. He arranges meetings with all company employees mainly during social events.
What is your role in a meeting? How do you give instructions (level of freedom given)? Do you share your ideas? Do you intend to listen to other opinions?	Jonas Klybas noted that firstly his role in the meeting is to state the problem and look for solution to solve it. He listens for all possible alternatives and then chooses the most appropriate one. However, there is always an aim to reach the common agreement, and if there is at least one person who disagrees then they continue to analyze it deeper.
How do you make decisions? How often do you decide entirely yourself? How often others can contribute to decision making? Who are usually those employees – senior managers or others?	In most of the cases the decisions are made in consensus base with production managers. They are the specialists of their field and he tends to listen and rely on their opinion and ideas.
Is your door open for everyone in the company? How do you communicate with your subordinates? Do you consult your subordinates often in daily routines? What is the practice in your company when the subordinates have a request or need consultancy from top management: do they have to contact firstly senior managers or they can directly contact you?	Jonas Klybas openly shared that he uses more informal communication with subordinates, as he expressed, "it is more Norwegian style with less formality". He completely follows open door policy, thus each employee even from the production level, can come and express his problems directly and freely.
Do all daily procedures have rules?	In Adax and Norac all employees have written job

Do employees have job descriptions?	descriptions.
In general, do you require subordinates to follow instructions obediently? Is there a level of flexibility in terms of opposing rules? In which situations?	The production managers have full flexibility in terms of arranging their work. The only thing what is required from general manager, to follow up with orders.
Do you feel often stressful or tense at work?	Jonas Klybas openly shared that he used to feel stress at work, but recently he does not anymore.
How important is team work in this company? How often tasks are conducted cooperatively?	Jonas Klybas said that in some sense employees are made to work in teams since all production requires collaboration from each other.
What kind of motivation initiatives is used? Do you provide your subordinates with training?	In both companies there are two types of motivation: financial one with bonus payment and emotional one in terms of good and fully equipped working environment.
Do you promote social gathering between employees? Do you join them?	In both companies there are big annual social events with concerts, activities for children. Jonas Klybas joined them with pleasure.
How is it important for your company to be socially responsible?	Jonas Klybas shared they have varied practice in the companies Norac and Adax. There is implemented social project called Social Dialogue, where trade unions and employees through the special trainings seek for consensus and implementation of joint measures to ensure the adaptability of workers. He also added that his companies continuously donate for charity and sponsor events, and get very favor support from the headquarters.
How is it important to keep work and life balance of your employees in the company?	In the companies there are flexible working hours so the parents could adapt to it.
<b>Agency Problem</b>	

<p>Do you see cultural distance between you and headquarters? Does it make any impact on your communication? Have you experienced any misunderstandings? What do you think helps you to build common understanding and trust between you and headquarters?</p>	<p>Jonas Klybas openly stated that he does not see any cultural distance. All opposite, the communication and mutual understanding is very good. He expressed that top management people are “very intelligent and easy going”, for this reason it is easy to build common trust since also Jonas Klybas every time communicates openly and with sincere.</p>
<p>How often do you meet with headquarters? Do you go to visit them or they come to Lithuania? When you was appointed as general manager, did you receive any trainings? What type of trainings? Regarding the trainings you receive for leaders, do you follow Norwegian management style or you adopt according to local practice?</p>	<p>Usually the headquarters come to visit Lithuanian subsidiary once or twice per year in order to discuss financial and production forecast, as well as strategic issues and new product development.</p> <p>Jonas Klybas said that he did not get any special training; it was only informational meetings in order to get familiar with the company, to discuss future development and management issues.</p>
<p>What is the role of this subsidiary for the whole company? Do you produce final or semi-finished products? Are there any other subsidiaries producing the same products for the same markets (the same supply chain)?</p>	<p>Both Norac and Adax produce fully-finished products. There is one more production plant based in China; however China’s subsidiary manufactures products only for its local market.</p> <p>The role of Lithuanian subsidiary is very important since also logistic chain for the whole Europe is organized by Lithuanians.</p>
<p>How flexible you can be in the process <u>of reaching</u> settled targets? Have you experienced any disagreement between you and headquarters in terms of targets, goals, decision, values, etc.?</p>	<p>Jonas Klybas noted that he is the one who set up budget for both companies. From headquarters he gets the production forecast, but he is fully flexible in terms of organizing the implementation of production.</p>

### Appendix 5: Data of Almantė Medžiaušienė (Jotron)

Question	Findings
<b>GM attributes and behavior</b>	
Nationality	Lithuanian
What was your work experience before taking this position?	Almantė Medžiaušienė had been working in electronic industry and as the general manger for 19 years before she started work in Jotron.
Could you tell how your previous work experience influences your daily work in this company?	The general manager expressed that her work experience helps a lot since she is working in the very similar company.
For expatriate: Do you have a family? What about your spouse adaptation? Does she/he know local language? What was the impact of you becoming a general manager of this company on your family life?	
Do you know Lithuanian/Norwegian language? Are you going to learn? Who is financially responsible for your language course?	Almantė Medžiaušienė noted that she speaks Norwegian, and the Norwegian language course was taken by her own initiative and finance.
What is your international experience? How your international experience influences your daily work in this company? Does it help? In which cases?	She was working 19 years with Norwegian companies, where she was dealing with many international customers and suppliers. It helped her to get better understanding on Norwegian culture in general.
<b>Organizational Culture</b>	

How often do you have meetings with your subordinates? Who participate in these meetings (all company's employees or merely top managers)?	Usually the general manager has meeting with department managers once a month. With all employees meetings are organized in every 4 month, or when important issue arises. These meetings are informational kind.
What is your role in a meeting? How do you give instructions (level of freedom given)? Do you share your ideas? Do you intend to listen to other opinions?	Almantė Medžiaušienė expressed that her role in the meetings is leading them, presenting the news and KPIs (key performance indicators) for all employees. Moreover, she shares her ideas and expect the same contribution from subordinates.
How do you make decisions? How often do you decide entirely yourself? How often others can contribute to decision making? Who are usually those employees – senior managers or others?	Decision process starts with discussion all relevant suggestions from employees, then having the meeting with senior management and taking the decision by consensus.
Is your door open for everyone in the company? How do you communicate with your subordinates? Do you consult your subordinates often in daily routines? What is the practice in your company when the subordinates have a request or need consultancy from top management: do they have to contact firstly senior managers or they can directly contact you?	Almantė Medžiaušienė follows open door policy in Jotron. If there is a need, every employee can come to her in order to consult. With subordinates she also communicates constantly during management meetings and management review.
Do all daily procedures have rules? Do employees have job descriptions?	All employees have job descriptions and have to follow fully implemented ISO 9001 and 14001 standards.
In general, do you require	Basically there is no level of flexibility in terms of

subordinates to follow instructions obediently? Is there a level of flexibility in terms of opposing rules? In which situations?	opposing rules; all instructions are made by employees according to their daily work situation and they need to follow it.
Do you feel often stressful or tense at work?	As Almantė Medžiaušienė expressed: „yes, it is too much to do“.
How important is team work in this company? How often tasks are conducted cooperatively?	Almantė Medžiaušienė openly stated that team work is extremely important in Jotron as always all tasks are conducted cooperatively.
What kind of motivation initiatives is used? Do you provide your subordinates with training?	It is good working atmosphere, free sharing of thoughts and suggestions for improvements as all relevant suggestions are implemented. The employees of the Jotron take according yearly training programs.
Do you promote social gathering between employees? Do you join them?	Social gathering is promoting by general manager and she joins her colleagues every time in social events.
How is it important for your company to be socially responsible?	The company Jotron takes much care about being socially responsible; they constantly donate to one orphanage.
How is it important to keep work and life balance of your employees in the company?	Almantė Medžiaušienė noted that it is always possible to keep work and life balance. Even though there is no flexible working hours in the company, parents can be allowed to leave earlier or take a day off if there is a necessity.
<b>Agency Problem</b>	
Do you see cultural distance between you and headquarters? Does it make any impact on your communication? Have you experienced any misunderstandings? What do you	Almantė Medžiaušienė openly shared that she does not feel any cultural distance between her and headquarters. Every time the communication goes very smoothly. To maintain such relation helps trust, honest, hard work and being open about the



think helps you to build common understanding and trust between you and headquarters?	problems.
How often do you meet with headquarters? Do you go to visit them or they come to Lithuania? When you was appointed as general manager, did you receive any trainings? What type of trainings? Regarding the trainings you receive for leaders, do you follow Norwegian management style or you adopt according to local practice?	<p>The meetings with headquarters are held at least once a month. Usually it is Almantė Medžiaušienė who goes to headquarters in Norway.</p> <p>Such frequent meetings are explained by the fact that Almantė Medžiaušienė is also a quality director of the Jotron group and is highly involved in decision-making process of the whole company group.</p> <p>The general manager noted that she got a special training, named “Ord til handling. Trening for topledere“, which is still going on.</p>
What is the role of this subsidiary for the whole company? Do you produce final or semi-finished products? Are there any other subsidiaries producing the same products for the same markets (the same supply chain)?	This subsidiary in Lithuania is a manufacturer of company’s product, where final-products are produced.
How flexible you can be in the process <u>of reaching</u> settled targets? Have you experienced any disagreement between you and headquarters in terms of targets, goals, decision, values, etc.?	Almantė Medžiaušienė expressed, that there is no room for flexibility when the targets are set up.

## Appendix 6: Data of Lukas Jankauskas (Kaunas Communication Centre)

Question	Findings
<b>GM attributes and behavior</b>	
Nationality	Lithuanian
What was your work experience before taking this position?	In 2004 Lukas Jankauskas started to work as a sales manager in Kaunas Communication Centre. After a half of year he became a team lead while after one more half of year he was promoted to deputy director. He has been working as the general manager of Kaunas Communication Centre since 2006.
Could you tell how your previous work experience influences your daily work in this company?	As Lukas Jankauskas explained, he became familiar with all lower processes in the company.
For expatriate: Do you have a family? What about your spouse adaptation? Does she/he knows local language? What was the impact of you becoming a general manager of this company on your family life?	
Do you know Lithuanian/Norwegian language? Are you going to learn? Who is financially responsible for your language course?	Fluent in Norwegian. When Lukas Jankauskas started to work for Kaunas Communication Centre, the company provided three-month intensive language courses for new employees in order to prepare them to provide customer service in Norwegian and Swedish markets.
What is your international experience? How your international experience influences your daily work in this company? Does it help? In which cases?	Student jobs in UK and the USA. International experience was helpful since it provided knowledge about communication with foreign people, their attitudes towards work and responsibility which were different from Lithuanians who were less open-

	minded at that time.
<b>Organizational Culture</b>	
How often do you have meetings with your subordinates? Who participate in these meetings (all company's employees or merely top managers)?	Once in a week with management team and once in a month with all employees.
What is your role in a meeting? How do you give instructions (level of freedom given)? Do you share your ideas? Do you intend to listen to other opinions?	Little instructions. Lukas Jankauskas put a lot of emphasis on consensus decision making in a team. As the general manager, he encourages employees' involvement during the discussion.
How do you make decisions? How often do you decide entirely yourself? How often others can contribute to decision making? Who are usually those employees – senior managers or others?	Decisions are made both collectively and individually. Who contribute to the decision making, depends on the level of the decision. Participant group is the one which may be influence most by the decision. For instance, if the issue is related to organizational issues, the discussion will be organized together with all employees.
Is your door open for everyone in the company? How do you communicate with your subordinates? Do you consult your subordinates often in daily routines? What is the practice in your company when the subordinates have a request or need consultancy from top management: do they have to contact firstly senior managers or they can directly contact you?	Open door policy is applicable in the company even if there is some hierarchy – team lead, department manager, and the general manager. Everyone is welcome to come to the general manager's office, but not everyone is brave enough. When somebody comes, but there is a need for other manager or team leader's approval, the general manager invites this third party to discuss the solution.
Do all daily procedures have rules? Do employees have job descriptions?	Yes, most employees have their job descriptions. The company is working for everyone having job description.
In general, do you require subordinates to follow instructions	Instructions are related to the company specifics. Employees have to follow requirements from both

obediently? Is there a level of flexibility in terms of opposing rules? In which situations?	the company (ethical norms, dress code, etc.) and its clients.
Do you feel often stressful or tense at work?	Yes, in some situations which usually happen two to three times in a week.
How important is team work in this company? How often tasks are conducted cooperatively?	Team work is most important for decision making. There are many tasks which are conducted individually.
What kind of motivation initiatives is used? Do you provide your subordinates with training?	Bonus and social gathering events. The company focuses on internal trainings which encourage knowledge sharing within organization.
Do you promote social gathering between employees? Do you join them?	Yes, annual events (e. g. Christmas party). The general manager always joins.
How is it important for your company to be socially responsible?	The incentives from employees are encouraged. Besides social events, there is also a focus on daily activities such as garbage sorting.
How is it important to keep work and life balance of your employees in the company?	It is important, and for this reason the company allows flexibility in work schedule.
<b>Agency Problem</b>	
Do you see cultural distance between you and headquarters? Does it make any impact on your communication? Have you experienced any misunderstandings? What do you think helps you to build common understanding and trust between you and headquarters?	Some disagreements happen, but it is not related to cultural distance. The disagreements are solved by discussion. According to Lukas Jankauskas, his ability to communicate fluently in Norwegian language helps most in building common understanding and trust between him and headquarters.
How often do you meet with headquarters? Do you go to visit them or they come to Lithuania? When you	The meetings with Swedish and Norwegian managers from headquarters are held in Lithuania usually once in a week. Lukas Jankauskas visits

<p>was appointed as general manager, did you receive any trainings? What type of trainings? Regarding the trainings you receive for leaders, do you follow Norwegian management style or you adopt according to local practice?</p>	<p>headquarters four times per year.</p> <p>Lukas Jankauskas received language courses and some training on leadership. He believes that the company follows rather Norwegian-management style.</p>
<p>What is the role of this subsidiary for the whole company? Do you produce final or semi-finished products? Are there any other subsidiaries producing the same products for the same markets (the same supply chain)?</p>	<p>The company provides telemarketing and customer support-related services in Lithuania, Poland, Norway, and Sweden. These markets are usually shared with other group companies. Also, the company provides outsourced services such as IT, accounting and quality assurance for UniCall group.</p>
<p>How flexible you can be in the process <u>of reaching</u> settled targets? Have you experienced any disagreement between you and headquarters in terms of targets, goals, decision, values, etc.?</p>	<p>The level of flexibility exists, but the issues related to re-organization of business processes have to be approved by headquarters.</p> <p>Remarkable disagreements have not happened.</p>

### Appendix 7: Data of Sigutė Seemann (Lindorff)

Question	Findings
<b>GM attributes and behavior</b>	
Nationality	Lithuanian
What was your work experience before taking this position?	Sigutė Seemann has a vast experience having held senior management positions in international banks (French, Finnish and German) in Lithuania. Sigutė Seemann had joined Lindorff Lietuva in 2006.
Could you tell how your previous work experience influences your daily work in this company?	In general it helped to enhance leadership attributes.
For expatriate: Do you have a family? What about your spouse adaptation? Does she/he know local language? What was the impact of you becoming a general manager of this company on your family life?	
Do you know Lithuanian/Norwegian language? Are you going to learn? Who is financially responsible for your language course?	Sigutė Seemann said she does not speak Norwegian. Since Lindorff has 11 more units in all the Europe, the corporate language is English and to learn Norwegian is not necessary.
What is your international experience? How your international experience influences your daily work in this company? Does it help? In which cases?	Besides of working many years in the international banks, Sigutė Seeman also has been studying in Denmark and Switzerland. It helped to gain higher awareness about different cultures.
<b>Organizational Culture</b>	
How often do you have meetings with your subordinates? Who participate in these meetings (all company's	In Lindorff employees have regular short weekly meetings. However, as Sigutė Seemann noted, the company is relatively small so the communication in

employees or merely top managers)?	order to exchange information is going every day without planned meetings. In addition, if the company runs a new project, there are more unplanned meetings at that time.
What is your role in a meeting? How do you give instructions (level of freedom given)? Do you share your ideas? Do you intend to listen to other opinions?	Sigutė Seemann leads the meetings, but it is based on sharing ideas and all employees are expected to involve.
How do you make decisions? How often do you decide entirely yourself? How often others can contribute to decision making? Who are usually those employees – senior managers or others?	In decision making there is no one way. It depends on the decision itself, the more important it is, more often it is made individually by Sigutė Seemann. In daily routines, employees are delegated to take decisions under their responsibility level.
Is your door open for everyone in the company? How do you communicate with your subordinates? Do you consult your subordinates often in daily routines? What is the practice in your company when the subordinates have a request or need consultancy from top management: do they have to contact firstly senior managers or they can directly contact you?	Sigutė Seemann expressed that her door is always open for employees to consult. However she expects that coming with the problem the person would be prepared the possible solutions as well. Regarding the communication, it is a balance between formal and informal.
Do all daily procedures have rules? Do employees have job descriptions?	All employees have job descriptions and need to follow daily rules.
In general, do you require subordinates to follow instructions obediently? Is there a level of	In general all employees are required to follow instructions. As Sigutė Seemann said, sometimes it can be situations where the person needs to take the

flexibility in terms of opposing rules? In which situations?	decision right now.
Do you feel often stressful or tense at work?	Sometimes.
How important is team work in this company? How often tasks are conducted cooperatively?	Team work in Lindorff is very important. Since the company is relatively small (37 employees), everyone needs to cooperate, support each others work and solve arising problems together.
What kind of motivation initiatives is used? Do you provide your subordinates with training?	The motivation initiatives are financial ones and emotional referring to good working environment. There are various types of trainings in Lindorff. According different employees position there are leadership, sales and technical trainings.
Do you promote social gathering between employees? Do you join them?	Social gathering is highly promoted in Lindorff not only inside the company, but also outside working place. The company has big annual social events in winter and summer time, also organizing sport attractions.
How is it important for your company to be socially responsible?	It is considered as very important in Lindorff. All company's employees contribute of keeping social solidarity: visiting and supporting orphans, help to recreate nature by planting trees and collecting rubbish from litter surroundings in initiative called DAROM.
How is it important to keep work and life balance of your employees in the company?	Sigutė Seemann shared she has a very favorable position in terms of keeping family and work balance. Working parents can take flexible working hours.
<b>Agency Problem</b>	
Do you see cultural distance between you and headquarters? Does it make	Sigutė Seemann said that she does not see any cultural distance. As the main reason she stated out



<p>any impact on your communication? Have you experienced any misunderstandings? What do you think helps you to build common understanding and trust between you and headquarters?</p>	<p>that for 15 years her direct chiefs are foreigners, and she can keep very good communication. In order to build common understanding it helps personal attributes and favorable approach.</p>
<p>How often do you meet with headquarters? Do you go to visit them or they come to Lithuania? When you was appointed as general manager, did you receive any trainings? What type of trainings? Regarding the trainings you receive for leaders, do you follow Norwegian management style or you adopt according to local practice?</p>	<p>Sigutė Seemann has video conference with CEO and general managers of all Lindorff units In every 4 month. In addition, CEO of Lindorff comes to visit Lithuanian subsidiary at least once per year. Regarding the training, Sigutė Seemann noted that there was no special training when she started working as general manager. However, there were informational visits to headquarters, which are organized and now.</p>
<p>What is the role of this subsidiary for the whole company? Do you produce final or semi-finished products? Are there any other subsidiaries producing the same products for the same markets (the same supply chain)?</p>	<p>Lithuanian unit is one of 11 Lindorff units throughout the Europe. Lithuanian unit brings comparatively small market share regarding the units in bigger countries such as Germany or Spain. However, as Sigutė Semann noted, all units have equal rights and appreciation from headquarters.</p>
<p>How flexible you can be in the process of reaching settled targets? Have you experienced any disagreement between you and headquarters in terms of targets, goals, decision, values, etc.?</p>	<p>Sigutė Seemann voiced she did not experience any disagreement between headquarters. The financial targets are set up by headquarters, but she can choose her way to reach them as long as it goes along company's policy.</p>

### Appendix 8: Data of Kolbjørn Midttun (Mirror Accounting)

Question	Findings
<b>GM attributes and behavior</b>	
Nationality	Norwegian
What was your work experience before taking this position?	Twenty-years of experience as the general manager in engineering, manufacturing, and trade industries.
Could you tell how your previous work experience influences your daily work in this company?	It provides broad business understanding. Also, Kolbjørn Midttun emphasized his observation that young professionals are similar in Vilnius and Oslo. This helps him to work with local staff in Lithuania.
For expatriate: Do you have a family? What about your spouse adaptation? Does she/he know local language? What was the impact of you becoming a general manager of this company on your family life?	Married to Lithuanian woman.
Do you know Lithuanian/Norwegian language? Are you going to learn? Who is financially responsible for your language course?	Ability to communicate and negotiate in Lithuanian. Kolbjørn Midttun has own responsibility of learning Lithuanian language.
What is your international experience? How your international experience influences your daily work in this company? Does it help? In which cases?	During his career Kolbjørn Midttun has worked a lot with Russians. He assumes that it helped to become familiar with Eastern Europe culture and Lithuania, as well.
<b>Organizational Culture</b>	
How often do you have meetings with your subordinates? Who participate in these meetings (all company's employees or merely top managers)?	Weekly meetings with team leaders. Every-day leadership meetings are facilitated by the fact that managers do not have private rooms while Kolbjørn Midttun does not have his own working place.

	Meetings with all employees are organized when needed.
What is your role in a meeting? How do you give instructions (level of freedom given)? Do you share your ideas? Do you intend to listen to other opinions?	Meetings are informative and everyone is expected to contribute during discussion. The challenge is to onboard everyone in the process; there is always a minority that does not engage fully at the workplace.
How do you make decisions? How often do you decide entirely yourself? How often others can contribute to decision making? Who are usually those employees – senior managers or others?	Decision making process is solution-orientated. The decisions how to work better are made together with employees since it is everyone's responsibility.
Is your door open for everyone in the company? How do you communicate with your subordinates? Do you consult your subordinates often in daily routines? What is the practice in your company when the subordinates have a request or need consultancy from top management: do they have to contact firstly senior managers or they can directly contact you?	Kolbjørn Midttun prefers his employees to discuss issues at the team level first. On the other hands, he is present in the common working area most of the time; therefore it is easy to contact him directly.
Do all daily procedures have rules? Do employees have job descriptions?	Most procedures have rules. Employees have job descriptions.
In general, do you require subordinates to follow instructions obediently? Is there a level of flexibility in terms of opposing rules? In which situations?	In general, accounting is rule-based work. Therefore, the level of flexibility is relatively low.
Do you feel often stressful or tense at work?	No stress.

How important is team work in this company? How often tasks are conducted cooperatively?	It is very important. In Mirror Accounting team work is based on the idea to create learning culture which stimulates knowledge sharing among employees. According to Kolbjørn Midttun, it helps increase efficiency.
What kind of motivation initiatives is used? Do you provide your subordinates with training?	There are two types of motivation initiatives: 1) Financial initiatives; 2) Focus on building corporate culture in which employees are happy and proud of working for this company.
Do you promote social gathering between employees? Do you join them? (e. g. participating in social events).	Regular social gatherings are promoted. Two big events pr year and several small ones (pizza-, movie-, quiz-evenings) The general manager joins.
How is it important for your company to be socially responsible?	Mirror Accounting is quite active in socially responsible activities. The company supports children's homes, children and youth choir "Ažuoliukas", and other organizations.
How is it important to keep work and life balance of your employees in the company? (e.g. Norwegian companies have adopted work-family policies, programs, and benefits).	In order to keep work and life balance, Mirror Accounting pays attention on avoiding too much overtime which is likely due to company specifics (periodic reporting). In addition to this, home-office policy is applicable and many people work from home occasionally.
<b>Agency Problem</b>	
Do you see cultural distance between you and headquarters? Does it make any impact on your communication? Have you experienced any misunderstandings? What do you think helps you to build common understanding and trust between you and headquarters?	A recurring issue, with headquarters (based on 20 years of experience) is that many Norwegians have little international experience which leads to a lack of interests in the subsidiary's special needs.  Disagreements with headquarters are solved by defining goals and increasing autonomy of the subsidiary.

<p>How often do you meet with headquarters? Do you go to visit them or they come to Lithuania? When you was appointed as general manager, did you receive any trainings? What type of trainings? Regarding the trainings you receive for leaders, do you follow Norwegian management style or you adopt according to local practice?</p>	<p>Norwegian visits are usually in connection with board meetings or special projects (competence transfer). For operational purposes, the most common is to visit headquarters.</p> <p>With regard to trainings, the general manager has not received any training in cultural differences between Lithuanians and Norwegians. His cultural understanding has been developed during many years of working in Lithuania. Also, Kolbjørn Midttun admitted that Scandinavian leadership model helps him on a daily basis.</p>
<p>What is the role of this subsidiary for the whole company? Do you produce final or semi-finished products? Are there any other subsidiaries producing the same products for the same markets (the same supply chain)?</p>	<p>Mirror Accounting provides accounting services for companies in Norway and Sweden. In addition to this, the company also does business processes outsourcing for the group. Kolbjørn Midttun noted that the potential for outsourcing has not been fully exploited yet.</p>
<p>How flexible you can be in the process <u>of reaching</u> settled targets? Have you experienced any disagreement between you and headquarters in terms of targets, goals, decision, values, etc.?</p>	<p>Kolbjørn Midttun explained that flexibility of reaching the targets depends on the ownership of the company. In the case of Mirror Accounting in Lithuania, the general manager admitted to having a certain level of freedom, but “autonomy could be higher”.</p>

### Appendix 9: Data of Siw Elisabeth Seland (Storebrand Baltic)

Question	Findings
<b>GM attributes and behavior</b>	
Nationality	Norwegian
What was your work experience before taking this position?	Siw Elisabeth Seland has plenty of years of experience in sales and marketing gained through her first two jobs in India, fifteen years in American Express, and her work for Ikano. The general manager of Storebrand Baltic started her career in Storebrand as a manager mostly in sales and marketing.
Could you tell how your previous work experience influences your daily work in this company?	According to Siw Elisabeth Seland, her vast experience in marketing and sales is helpful since she believes that “it is essential to focus on customer satisfaction throughout the organization”.
For expatriate: Do you have a family? What about your spouse adaptation? Does she/he know local language? What was the impact of you becoming a general manager of this company on your family life?	Married, with four children. The family is based in Norway. Siw Elisabeth Seland emphasized her work flexibility between Norway and Lithuania, even further improved by her husband’s ability and willingness to take care of four children parallel to his work as a Finance Manager. With regard to personal adaptability, Siw Elisabeth Seland finds it easy to stay in Vilnius, the capital of Lithuania.
Do you know Lithuanian/Norwegian language? Are you going to learn? Who is financially responsible for your language course?	In the beginning there was an idea to learn Lithuanian language. Siw Elisabeth Seland has already achieved the necessary vocabulary. However, she does not need to know the Lithuanian language to manage Storebrand Baltic since the corporate languages are Norwegian and Swedish.
What is your international experience? How your international	International experience provides basic rules how different culture works. Siw Elisabeth Seland has

experience influences your daily work in this company? Does it help? In which cases?	noticed that with Lithuanian employees she has to be very precise. Accordingly, the general manager has modified the way how she makes decisions.
<b>Organizational Culture</b>	
How often do you have meetings with your subordinates? Who participate in these meetings (all company's employees or merely top managers)?	Management team meets every week. Meetings with all employees are organized every quarter.
What is your role in a meeting? How do you give instructions (level of freedom given)? Do you share your ideas? Do you intend to listen to other opinions?	The general manager expects everyone to "be prepared and bring in their opinions". Siw Elisabeth Seland emphasized that it is very important to listen to other opinions.
How do you make decisions? How often do you decide entirely yourself? How often others can contribute to decision making? Who are usually those employees – senior managers or others?	In general, the decisions are made together with the management team. Siw Elisabeth Seland also noted that her team is able to make fast decisions.
Is your door open for everyone in the company? How do you communicate with your subordinates? Do you consult your subordinates often in daily routines? What is the practice in your company when the subordinates have a request or need consultancy from top management: do they have to contact firstly senior managers or they can directly contact you?	Although open door policy is applicable in the company, Siw Elisabeth Seland prefers to discuss issues at the team level first. Siw Elisabeth Seland explained that she respects her managers and give them empowerment to deal with employee issues that can be naturally solved by these managers. Meanwhile, she consults her management team on a daily basis.
Do all daily procedures have rules? Do employees have job descriptions?	There are rules. Employees have job descriptions.
In general, do you require subordinates to follow instructions	There is a certain level of flexibility. For instance, employees can take breaks any time they need when

obediently? Is there a level of flexibility in terms of opposing rules? In which situations?	they are at work. Also, it is possible to arrange the work load if it is too heavy.
Do you feel often stressful or tense at work?	The general manager feels pressure due to huge responsibility of building up the company in another country and reporting to headquarters which basically has a lack of international experience.
How important is team work in this company? How often tasks are conducted cooperatively?	Team work is very important. However, Siw Elisabeth Seland noted that her impression was that in general people are not team-oriented.
What kind of motivation initiatives is used? Do you provide your subordinates with training?	There are both financial and emotional (mainly social gatherings) motivation initiatives. In addition to this, Siw Elisabeth Seland believes that a given possibility for employees to contribute by sharing ideas for improvement increases motivation, too.
Do you promote social gathering between employees? Do you join them?	Yes, annual events and many social activities are promoted. The general manager joins most of the time.
How is it important for your company to be socially responsible?	It is very important. Storebrand Baltic has a separate department of ten people who are working on CSR (Corporate Social Responsibility).
How is it important to keep work and life balance of your employees in the company?	The company allows flexible working hours in order to help employees to keep work and life balance.
<b>Agency Problem</b>	
Do you see cultural distance between you and headquarters? Does it make any impact on your communication? Have you experienced any misunderstandings? What do you think helps you to build common understanding and trust between you and headquarters?	Siw Elisabeth Seland maintained that disagreements usually happen due to a lack of international experience and Norwegian-orientated business approach of headquarters. She also noted that sometimes it is not easy for some managers at headquarters to understand “what Storebrand Baltic is all about”. The issues are usually solved by in-depth discussions.



<p>How often do you meet with headquarters? Do you go to visit them or they come to Lithuania? When you was appointed as general manager, did you receive any trainings? What type of trainings? Regarding the trainings you receive for leaders, do you follow Norwegian management style or you adopt according to local practice?</p>	<p>Basically, Siw Elisabeth Seland travels to Norway to meet with headquarters.</p> <p>The general managers did not receive any training in terms of cultural differences between Norwegians and Lithuanians. However, she discusses cultural aspects with expats from Norway and Sweden before they come to work in Storebrand Baltic.</p>
<p>What is the role of this subsidiary for the whole company? Do you produce final or semi-finished products? Are there any other subsidiaries producing the same products for the same markets (the same supply chain)?</p>	<p>Storebrand Baltic supports the activities of the Storebrand group in Norwegian and Swedish markets. The company also provides IT (the only provider), accounting and credit check services for the group.</p>
<p>How flexible you can be in the process <u>of reaching</u> settled targets? Have you experienced any disagreement between you and headquarters in terms of targets, goals, decision, values, etc.?</p>	<p>The general manager has both freedom and guidelines in terms of reaching settled targets. Since Storebrand Baltic is not “a process owner”, even if sometimes it is responsible for almost 90 present of the process, all adjustments for improvement have to be coordinated with headquarters.</p> <p>Disagreements happen sometimes. The key issues are usually related to process transfer.</p>

# Preliminary Thesis Report

## The Importance of General Manager's Cultural Awareness in Norwegian-owned Companies in Lithuania

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## Summary

This preliminary thesis report on the importance of general's manager's cultural awareness in Norwegian-owned companies in Lithuania covers following main points.

Introduction part of the paper presents the nature and relevance of the chosen topic, the aim and desired outcomes from the research.

In the first theoretical part, the agency theory is overviewed which can be applied in analyzing the relationship between headquarters and a general manager in a foreign subsidiary. This theory refers to unobservable behavior by the agent, and explains particular problems that occur consequently. In addition, the main issues of cross-cultural communication are explored. It states out that individuals communicate and hold different attitude about appropriate and inappropriate behavior. For this reason, it is essential to understand the host country clearly in order to find the way for cooperation and avoid misunderstandings and ineffective company's performance. The cross-culture communication is explored more using main findings of two studies – Hofstede's cultural dimensions and GLOBE project.

Secondly, Norwegian business operations in Lithuania are overviewed, presenting the tendencies of FDI's flow in Lithuania as well as presenting main Norwegian-owned companies and their business areas. In addition, the main reasons why Lithuania is an attractive market for making investments are stated out.

In the final third part the research methodology is analyzed, presenting the data gathering tools, possible interviewees and guiding questions.

## Introduction

General manager of a foreign subsidiary plays an important role as an intermediate between headquarters and the subsidiary abroad. This person is responsible for transferring home-company's values, culture and managerial approaches to a foreign subsidiary. Besides this, general manager might face challenges in terms of different cultural environment. Cultural differences are named to be one of the reasons why international business fail or run into problems (Accenture, 2008). In addition to this, Hofstede (2001) stated out, that "Culture is more often a source of conflict than of synergy". (Hofstede, 2001). Consequently, "selecting the right people is, and always has been, a crucial issue for MNC [multinational companies] performance"(Welch and Welch 1991, 13).

As Duer (1968) argued:

Virtually any type of international problem, in the final analysis, is either created by people or must be solved by people. Hence, having the right people in the right place at the right time emerges as the key to a company's international growth (p.43).

With the regard that Norwegian investment in Lithuania has accounted for a significant amount during the last years, it subsequently imposes the need of effective subsidiary performance in foreign country. As mentioned above, the crucial role in a foreign subsidiary is taken by the general manager. This issue raises the question under which circumstances the general manager of foreign subsidiary is delegated. Whether the local manager should be selected due to greater cultural awareness? For instance, some research showed that local manager presence is likely to be high in acquisitions as "continued employment of local managers rather than their replacement with expatriates will be preferred in order to tap into local knowledge" (Harzing 2002, 215).

On the other hand, the cultural aspect might have less importance than the issue of control and coordination, which is likely to be managed better by expatriate from parent company. Accordingly, some studies showed that "headquarters may wish to assign a parent country national to fill a subsidiary position for reasons of control and coordination"(Welch and Welch 1991, 12).

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However, these important circumstances still need further research as there is no clear model of selecting general manager for a foreign subsidiary. In addition, there might be other relevant factors that have not been analyzed, especially in case of Norwegian-owned companies in Lithuania. For this reason we see the potential of our research.

Furthermore, even though there have been made several studies on Norwegian internalization to Lithuania (e. g. Ghauri and Holstius 1996, Amdam 2009), trust issue that might refer to cultural differences between these two countries has not been discussed widely. However, it is important since much research converged that “trust is of paramount importance to drive economic agents toward mutually satisfactory, fair, and ethically compliant behaviors“ (Castaldo, Premazzi and Zerbini 2010, 657). We assume that trust depends on a level of uncertainty which occurs for companies operating in different cultures. Thus, companies while selecting general manager for foreign subsidiaries consider if they could trust local manager as much as the one from a home-country.

Therefore, the aim of this Master thesis is to identify how delegated general manager’s cultural awareness is important in Norwegian-owned companies in Lithuania. Accordingly, a research will be made in order to examine the circumstances under which Norwegian-owned companies in Lithuania employ Norwegian or Lithuanian general managers.

The findings of the research are supposed to give some advisory solutions to Norwegian investors in Lithuania and accordingly contribute to managerial strategies of Norwegian-owned companies in Lithuania. Finally, we expect to provide some advice at what extent the cultural awareness should be taken into account while selecting general manager in a foreign subsidiary.

## **FDI and Norwegian-owned Companies in Lithuania**

The tendencies of FDI flows illustrate economic potential. Recently there has been a decreasing trend of FDI worldwide. According to Financial Times, FDI decreased by 22 percent during the first ten months of 2012. On the other hand, in 2012 foreign companies in Lithuania announced to have 21 percent more investment projects than in 2011. Consequently, according to this index, Lithuania is in the 5<sup>th</sup> place in the world, the 3<sup>rd</sup> place in Europe and the leader among the Baltic States.

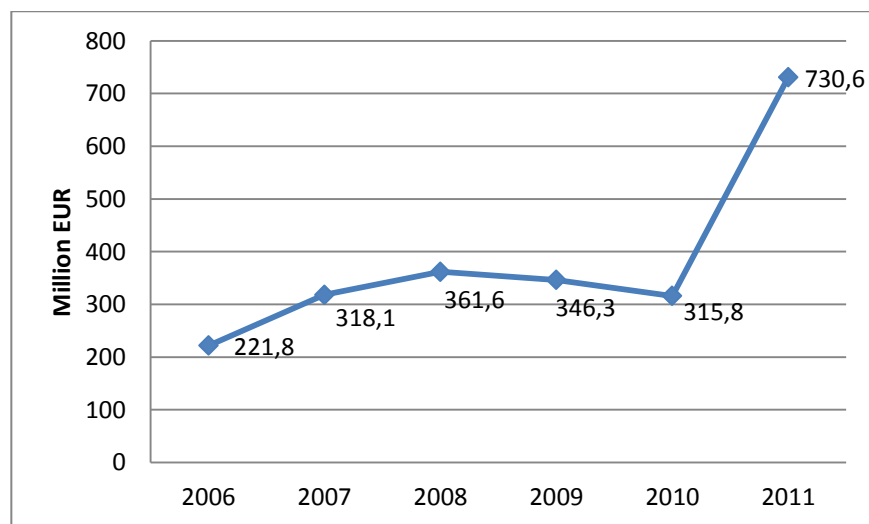
Furthermore, this positive FDI flows tendency in Lithuania is not new. For instance, while in 2001 FDI inflows fell by 41 percent globally, and another 21 percent in 2002, in Lithuania it increased with 18 percent in 2001, and another 64 percent in 2002 (Amdam, Lunnan and Ramanauskas 2007).

Prospects for foreign investment in Lithuania were studied by Venkataramany and Miller(2010). The research showed that financial and regulatory systems would become stronger and position Lithuania for future growth and accordingly foreign investment. In addition to this, the factors such as wage growth, inflation and labor scarcity would “enhance the attractiveness of entry into the Lithuanian market via FDI over the long term” (Venkataramany and Miller 2010, 33).

Additionally, Lithuania is considered to be an attractive foreign investment destination due to high number of graduates, western culture, and consistently high quality of spoken English, availability of other languages, and quick learners and very loyal employees (Invest Lithuania 2012). In addition to this, the government imposes initiatives to attract foreign investments by concession policy. This government policy has succeeded as such companies as Barclay’s, IBM, Western Union, IKEA, DFDS Seaways and many others invested heavily in Lithuania. Moreover, British company Callcredit Information Group chose Lithuania as the first foreign market to begin internationalization.

To consider Norwegian FDI in Lithuania, it is worth mentioning that Norwegian firms began to internationalize from the mid-1980, and until that time there were only few Norwegian companies that could be considered as multinationals (Amdam and Hagberg 2001). After Soviet Union collapse, the economic relationships between Norway and Lithuania became more intensive, and it is thought that “Norway and Lithuania is of a special kind, since the two countries belong to a greater Nordic-Baltic region with strong cultural, political, and not at least economic relationship for centuries” (Amdam, Lunnan and Ramanauskas 2007, 22).

Statistics shows that Norwegian FDI in Lithuania increased steadily from 2006 to 2008 (see Figure 2), while decreases of FDI in 2009 and in 2010 could be considered as the circumstances of the recession. However, in 2011 Norwegian FDI increased twice comparing to 2010. This significant change shows high Norwegian investors’ interests on Lithuania as a foreign investment destination. Moreover, in 2011 accumulated Norwegian FDI accounted for 5,4 percent of total accumulated FDI in Lithuania, and Norway was the 6<sup>th</sup> country among the main foreign investors in Lithuania (Lithuanian Department of Statistics 2012).

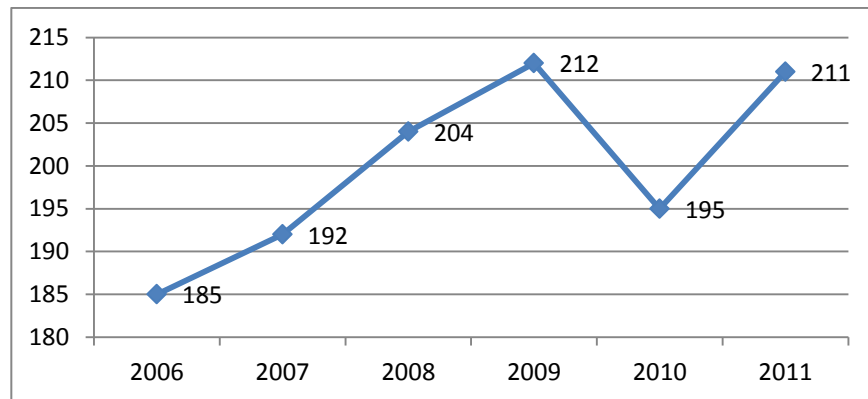


**Figure 2.** Norwegian FDI in Lithuania, in million EUR.

*Source* – Lithuanian Department of Statistics



Consequently, the number of Norwegian-owned companies in Lithuania was changing towards the pattern of Norwegian FDI in Lithuania, although there was only one significant decrease in 2010 (see Figure 3).



**Figure 3.** Norwegian-owned companies in Lithuania<sup>1</sup>

*Source* – Lithuanian Department of Statistics

Norwegian-owned multinational companies such as “Statoil and RIMI were among the largest foreign investors in Lithuania in 2006” (Amdam, Lunnan and Ramanauskas 2007, 22). From that year the number of Norwegian-owned companies in Lithuania was increasing until 2010. Nevertheless, in 2011 the number of Norwegian-owned companies in Lithuania almost reached the range of 2009 (see Figure 3). Recently Norwegian-owned companies in Lithuania are DnB, ATEA, Mirror, Devold, Kitron, Storebrand and others.

The research showed that since 1990 most of the companies has moved production to the Baltic States due to low wages that defines low costs as the key element to attract foreign investment. However, recently there is “an increasing tendency of developing relationships based on the idea of exchanging knowledge and taking advantages of local competence that can be developed to a corporation’s advantage“ (Amdam, Lunnan and Ramanauskas 2007, 27).

In addition to this, exchanging knowledge is highly relative to cross-cultural networks as several studies on investments in the Baltic States indicated that deep

<sup>1</sup>Foreign-controlled enterprise is an enterprise resident in Lithuania and directly or indirectly controlled by non-resident institutional unit (natural or legal person), that has 50 % or more shares carrying voting rights (Lithuanian Department of Statistics).

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personal networks are a prerequisite in order to succeed in this region (e. e. Törnroos and Nieminen 1999, Salmi 1999).

In conclusion, Lithuania has a strong position in terms of attracting FDI, and Norwegian FDI as well, since Norway is among six main investors in Lithuania. Also, recently Lithuania has been attractive foreign investment destination due to high number of graduates, western culture, consistently high quality of spoken English, availability of other languages, quick learners and very loyal employees, and preferential government policies.

## **Agency Theory**

To begin the discussion of the relationship between headquarters and general manager in a foreign subsidiary, it is useful to refer to the agency theory. Jensen and Meckling (1976, 5) defined “agency relationship as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent”. Later “agency theory is directed at ubiquitous agency relationship, in which one party (the principal) delegates work to another (the agent), who performs that work (Eisenhardt 1989, 58).

According to Jensen and Meckling (1976, 6), “it (agency relationship) exists in all organizations and in all cooperative efforts—at every level of management in firms”. However, Eisenhard (1989) argued that agency theory is most applicable when problems of contracting are difficult, for instance owners and managers. Furthermore, Nohria and Ghoshal (1994) described how the relationship between headquarters and general manager of foreign subsidiary is in accordance with the agency theory:

As the principal, the headquarters cannot effectively make all the decisions in the MNC [multinational corporation] since it does not possess and must, therefore, depend on the unique knowledge of subsidiaries. At the same time, the headquarters cannot relinquish all decision-rights to the subsidiaries since the local interests of subsidiaries may not always be aligned with those of the headquarters or the MNC as a whole (p. 492).

Thus, in case of a general manager in a foreign subsidiary and headquarters, the latter imposes the role of the principal, while general manager can be considered as the agent.

According to the agency theory, there are two agency problems. The first problem occurs due to the conflict between the goals of the principal and the agent while the second problem is defined by difficulties and costs with regard that it is not easy for the principal to verify the behavior of the agent (Eisenhard1989).

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Generally, the principal-agent problem occurs because of the difficulties that are caused by information asymmetry when the principal hires the agent. Roth and O'Donnell (1996, 680) argued that "in the global industry context, three factors are critical in influencing goal incongruence and information asymmetries thereby determining the potential agency problem within the headquarters-foreign subsidiary relationship". These factors are cultural distance, lateral centralization, and commitment or psychological alignment at the individual level. The agency problem is greater when "a foreign subsidiary has: high cultural distance from headquarters, (2) a lateral centralization form, and (3) low commitment of the senior subsidiary manager to the parent organization"(Roth and O'Donnell 1996, 684).

Most attention is given to cultural distance that is defined as "the degree to which there are differences in the cultural characteristics common to the headquarters market and the market of the foreign subsidiary" (Roth and O'Donnell 1996, 680). It is thought that the higher cultural distance, the more difficult to get and expensive becomes information about the agent's performance. According to Gomez-Mejia and Balkin (1992), this problem occurs due to greater foreign subsidiary manager's knowledge in terms of local environment and strategic aspect regarding performance of the tasks. In general, information asymmetry which arises from cultural distance increases the agency problem.

Also, the agency problem in the headquarters-foreign subsidiary relationship increases because of foreign subsidiary's strategic and operational roles (Roth and O'Donnell 1996). The concern is lateral centralization which means that "a foreign subsidiary has worldwide responsibility for a complete set of value-adding activities associated with a specific product or product line" (Roth and O'Donnell 1996, 681).

The third factor that increases agency problem is relative to the assumption that the principal-agent relationship is a social one. Therefore, organizational commitment is defined as an individual's identification and his willingness to achieve organizational goals (Mowday, Porter and Steers 1982). As it is showed in Table 1, there might be partial goal conflict between the principal and the agent. In addition, Eisenhardt (1989) explained that when there is no goal conflict

monitoring of the agent behavior has no influence on the agent behavior as the agent will behave according to the interests of the principal.

In agency theory information is considered as a commodity (see Table 1). According to Eisenhard (1989, 64), this specific treatment of information in agency theory “gives an important role to formal information systems such as budgeting, MBO, and boards of directors, and informal ones, such as managerial supervision, which is unique to organizational research”. In order to control agent opportunism, organizations should invest in information systems (Eisenhard 1989).

Table 1. Assumptions and Problems of Agency Theory

Human assumptions	Self-interest
	Bounded rationality
	Risk aversion
Organizational assumptions	Partial goal conflict among participants
	Efficiency as the effectiveness criterion
	Information asymmetry between principal and agent
Information Assumption	Information as a purchasable commodity
Contracting problems	Moral hazard and adverse selection
	Risk sharing

*Source:* Eisenhardt, M, K. (1989). Agency theory: An assessment and review. *Academy of Management Review*, 14(1), 57.

As it is mentioned, a board of directors is one of formal information systems which are used for monitoring general manager behavior. This information system relies on the information provided by boards meaning that when general manager behavior is better known, compensation is likely to be based on general manager's knowledge rather than firm performance. Eisenhard (1989, 65) also argued that when “boards provide richer information, top executives are more likely to engage in behaviors that are consistent with stockholders' interests”.

In agency theory parties face to contracting problems which are moral hazard and adverse selection. Moral hazard is explained by the lack of upon-agreed efforts on the part of the agent when contract is executed, and this means that the agent is shirking. On the other hand, adverse selection occurs before signing the contract.

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This problem refers to “the misrepresentation of ability by the agent” (Eisenhard 1989, 61), that is the agent claims to have particular skills or abilities, but the principal cannot verify these skills or abilities neither when the agent is hired nor when he or she is working. Both problems (moral hazard and adverse selection) refer to unobservable agent’s behavior. In order to discover these problems, the principal should make investment in information systems (Eisenhard 1989).

Also, in agency theory risk is an important problem that occurs due to the fact that outcomes depend not only on behaviors, but also other factors such as government policies, economic environment, competition intensity, technology change, etc. (Eisenhard 1989). In general, firms are assumed to have uncertain future and accordingly face the risk. In agency theory, the problem of risk sharing refers to the differences of principal and agent’s goals and attitudes towards the risk. Consequently, the problem occurs due to preference of different actions due to different preferences of risk.

To sum up, table 1 shows that besides assumptions agency relationship has some particular problems such as moral hazard, adverse selection, and risk sharing. These and other problems are likely to occur in any headquarters and general manager in foreign subsidiary relationship as Smith (1776) noted: “The directors of such [joint-stock] companies, however, being the managers rather of other people’s money than of their own, it cannot well be expected, that they should watch over it with the same anxious vigilance with which the partners in a private co-partner frequently watch over their own“.

Jensen and Meckling (1976, 6) also argued that „since the relationship between the stockholders and the managers of a corporation fits the definition of a pure agency relationship, it should come as no surprise to discover that the issues associated with the „separation of ownership and control” in the modern diffuse ownership corporation are intimately associated with the general problem of agency“. According to the authors, “if both parties to the relationship are utility maximizers, there is good reason to believe that the agent will not always act in the best interests of the principal” (Jensen and Meckling 1976, 5).

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Therefore, the principal or the agent cannot ensure that the agent will behave due to the principal's interests without having any costs. Jensen and Meckling (1976, 5) argued that "in most agency relationships the principal and the agent will incur positive monitoring and bonding costs (non-pecuniary as well as pecuniary), and in addition there will be some divergence between the agent's decisions and those decisions which would maximize the welfare of the principal".

In case of knowledge transfer by expatriate, Ghang, Hong and Peng (2012, 928) explained that "the successful performance of any task depends on the ability, motivation, and opportunity to perform the task". This also refers to the agency theory discussed above.

To conclude, the relationship between headquarters and a general manager in a foreign subsidiary can be analyzed by applying the agency theory. This theory refers to unobservable behavior by the agent, and explains particular problems that occur consequently. Although it is not likely that the agent always behaves according to the interests of the principal, agency theory deals with the issue that the principal in general cannot verify whether the agent has behaved appropriately. Accordingly, the principal will experience monitoring and bonding costs and the residual loss as well. Finally, in order to limit agency problems, the principal should focus on information systems.

### **Cross-cultural Communication**

Increased globalization has created the greater opportunities for business to expand internationally in terms of gaining specific knowledge and other important resources. At the same time, globalization has created many challenges, such as the need to manage effectively multinational organizations where people come from a much diversified cultures, involving different language, value, attitude, etc. (Zakaria 2000). For companies operating internationally it is important to be delicate to a various cultural backgrounds and to adjust the behavior when dealing with local people.

Since the culture is a dynamic and complex process, it is hard to find one exact definition of it. It provides individuals with a set of values, beliefs, norms, rules

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and traditions which are unique and common to a certain group of people (Gudykunst, Ting-Toomey 1988). For this reason, individuals communicate and understand the same subjects differently, hold different attitude about appropriate and inappropriate behavior. According to Hofstede (1991), cross-cultural studies are concerned with differences in language, economy, religion, policies, social institutions, class, values, status, attitudes, customs and education, which subsequently influences organizational culture and different managerial styles and values. Continuing, organizational culture is a combination of the national culture and the backgrounds of individuals gathering together in the organizational unit (Abyad 2011).

Ignoring or misunderstanding differences in organizational cultures may lead to miscommunications and the reduction of joint efforts (Veiga et al 2000). On the contrary, when cultural diverse companies are successfully managed, differences can help to achieve innovative business practices through learning within the organization which is an important and sustainable source of competitive advantage (Hoecklin, 1996). Accordingly, the cooperation of cultures, ideas, and different attitudes more than ever is seen as a crucial success factor for companies to be competitive in marketplace. Workplace diversity through learning process can bring greater creativity and innovation which subsequently enhances organizational performance (Abyad 2011).

### **Cultural Dimensions by Hofstede**

For companies operating across cultures it is essential to understand the host country clearly in order to find the way for cooperation thus avoiding ineffective performance and frustration. For this reason, cross-culture studies have addressed the question of how to analyze and characterize different cultures.

One of the largest surveys ever done was conducted by Hofstede (1980, 2001). His model distinguishes cultures according to five dimensions:

1. *Power distance*: the extent of power inequality among members of an organizational society. Small power distance refers to relatively equal relations among people, more consultative and democratic, while large power distance refers to extremely unequal relations;

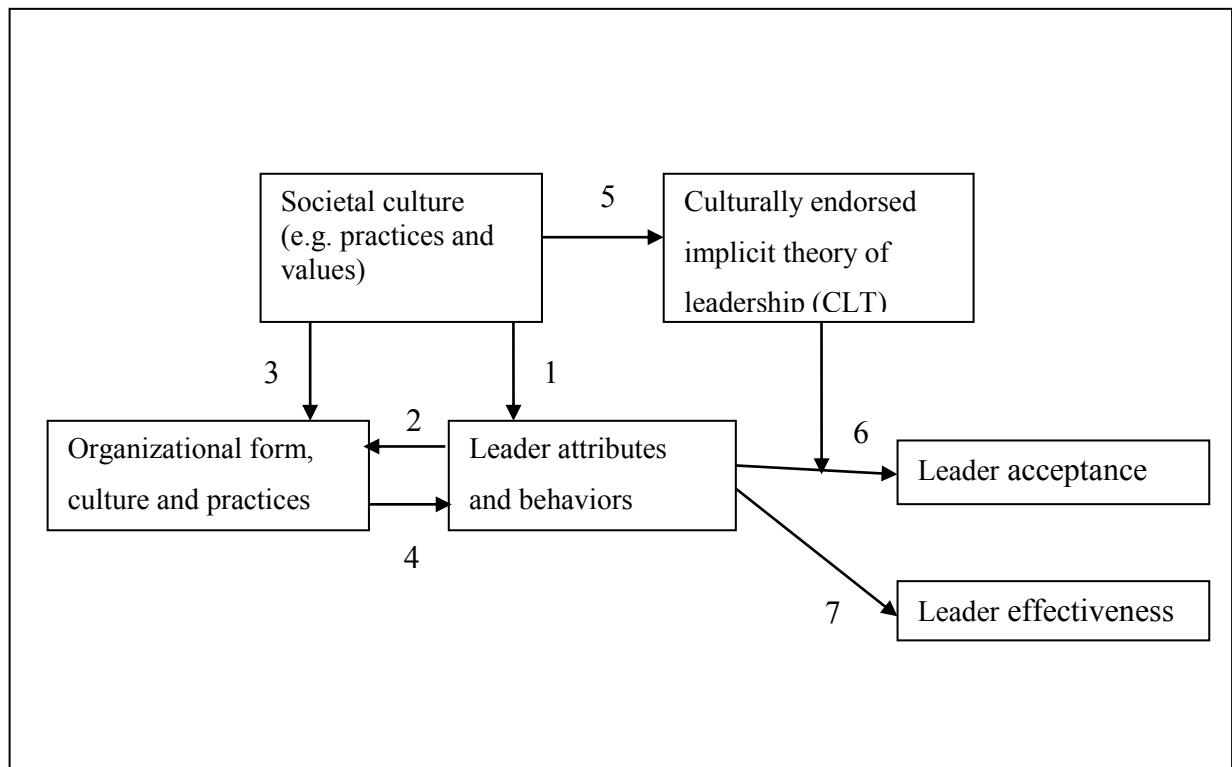


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2. *Uncertainty avoidance*: the extent to which members of an organizational society feel threatened by and try to avoid future uncertainty or ambiguous situations. Uncertainty avoidance is concerned with the way cultures use rules, structures, and laws to make things predictable and less uncertain.
  3. *Individualism and collectivism*: it describes the relationship between the individual and the collectivity that is reflected in the way people live together. This dimension is concerned whether cultures identify with broader societal interests rather than individuals goals and accomplishments.
  4. *Masculinity and femininity*: measures the extent to which an organization or society minimizes gender role differences and promotes gender equality. In masculine cultures, the differences between gender roles are more dramatic and less smooth than in feminine cultures where men and women have the same values emphasizing modesty and caring.
  5. *Long-term vs. short-term orientation*: it describes the time horizon of society. Long-term oriented societies reflect more importance to the future. They holds pragmatic values oriented towards reward, such as commitment, loyalty, saving. In short-term oriented societies, value that is promoted relates to respect for traditions, fulfilling social standards and rules.

The Hofstede's Model helps to gain higher awareness of cultural differences, which helps for two parties of diverse cultures, find the way to cooperate and build respectful cross-cultural relations.

### **The GLOBE Study**

In the cross-culture studies, the project GLOBE (Global Leadership and Organizational Behavior Effectiveness), conducted by House et al (2002), seeks to study the impact of cultural values and practices on organizational performance and leadership attributes. The study has demonstrated that the expectations of leaders, the status and influence on leaders vary considerably as a result of cultural forces and a society where these leaders perform. The GLOBE study extended cultural dimensions of Hofstede's, described previously, and offered stronger relationship between culture and leadership.



**Figure 1:** GLOBE theoretical linkages

Source: adapted from House et al. 2002

The theoretical proposition of GLOBE model refers that attributes which distinguish a given culture from other cultures are predictive of the practices of organizations and leader features and behaviors that are most frequently recognized and acceptable in that culture (House et al 2002). The GLOBE theoretical model (see Figure 1) proposes the following propositions and linkages:

1. *Societal culture values and practices affect the leader's features and their behavior patterns.* Founders influence the behavior of leaders by using selective management style, role modeling and socialization (House et al 2002).
2. *Leadership has an impact on organizational form, culture and practices.* Founders of organizations establish the initial culture of the company (Schneider et al 1995), and subsequent leaders continue to affect that culture afterwards.
3. *Societal cultural values and practices also affect organizational culture and practices.* Societal culture has a direct influence on

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organizational culture as the people working in company are the members of the given culture, and share specific values, beliefs and other cultural attributes (House et al 2002).

4. *Organizational culture and practices also affect what leaders do.* By time, founders and following leaders respond to the organizational culture and adopt their behavior and leader styles (Schein, 1992).
5. *Societal culture has an affect on the process by which people come to share implicit theories of leadership.* Individuals have implicit beliefs and assumptions concerning the basic nature of leadership, e.g. what distinguishes effective leader from ineffective (Lord and Maher 1991). These implicit beliefs might be influenced by societal culture, thus creating CLT (culturally endorsed implicit theory of leadership).
6. *Leader acceptance and effectiveness is a function of the interaction between CLT's and leader attributes and behaviors.* Thus, leader attributes and behavior that are congruent with CLT's will be more accepted than those not being congruent with CLT's. When leader's attributes and behavior match with the culturally implicit understanding of leadership, the link between leader attributes and leader acceptance and effectiveness is likely to be stronger.

To conclude, the GLOBE study has a very high importance in discussing the impact of societal and organizational cultures on leadership styles, managerial practices and the policies implemented by organization. It shows that organizational culture and leaders' attributes are very much affected by the culture it operates in. The GLOBE study extended Hofstede's dimension model and offers stronger relationship between culture and leadership.

## **Research Methodology**

In order to examine the circumstances under which Norwegian-owned companies in Lithuania delegate Norwegian or Lithuanian general manager, we prefer to do qualitative research as it provides with the better understanding of “different meanings that people place on their experiences” (Cooper and Schindler 2011, 160). Accordingly qualitative research is used to gain insights into people's attitudes, behaviours, value systems, concerns, motivations, aspirations, culture or lifestyles. Also this type of research can be applied to support business decisions and strategy formation that meet with the aim of this thesis. According to this, qualitative strategy is selected as the strategy of our research.

Information gathering will be arranged by semi-structured interviews. This method is useful for covering selected topics by using already prepared interview guide with a few specific questions and then following the thoughts expressed by the interviewee (Cooper and Schindler 2011). Thus, semi-structured interview provides with a great deal of freedom of respond (Bryman and Bell 2007). Consequently, all these aspects gives an opportunity “to extract more and a greater variety of data” (Cooper and Schindler 2011, 169).

To continue, non-probability sampling in a strategic way will be selected as a valid approach since it gives a great variety of ways to choose interviewees (Cooper and Schindler 2011). In our case, we will try to interview representatives of Norwegian-owned companies who delegated Norwegian or Lithuanian nationality general managers in Lithuania. We assume that there might be limited access to the desired interview parties, and some of our interviewees might be only located through referral networks. For these reasons snowballing will be our preferential sampling technique.

Finally, we will focus on the following guiding questions, such as what are the circumstances of selecting general manager for Norwegian-owned companies in Lithuania, and how important is cultural awareness of general manager in Norwegian-owned companies in Lithuania. In addition to this, great emphasis will

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be put on whether cultural distance is so significant between Norwegian and Lithuanian managers that the trust issue would arise in case of delegating general manager for Norwegian-owned companies in Lithuania.

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