From Local to Global Cultural Challenge of SMEs: An Exploratory Study

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Abstract

SMEs take a key role in our business environment and serve as main employer in today's global economic. Ongoing debates exist about SMEs' success rate in an international context and its capabilities and resources to resist economic and financial pressures in an international arena. Governmental institutions realized the necessity to improve financial aid programs for SMEs to support internationalization activities. With growing international networks and increasing cultural diversity, the impact of cultural stressors on international firm performance increases. An exploratory study investigates the impact of cultural differences on international business processes of SMEs. One highlight of the case study's findings is SME structures are beneficial for managing cultural differences. Furthermore, the absence of human resource departments can be compensated when managing the impact of culture on internationalization.

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Glossary

APEC Asia-Pacific Economic Cooperation

CEO Chief Executive Officer

CSO Chief Sales Officer

CI Continuous Improvement

OEM Original Equipment Manufacturer

EU European Union

FDI Foreign Direct Investment

M&A Mergers and Acquisitions

MNE Multinational Enterprise

OECD Organization for Economic Co-operation and Development (OECD)

PMO Project Management Office

R&D Research and Development

SME Small and Medium-Sized Enterprise

UK United Kingdom

US United States

WOS Wholly Owned Subsidiary

1   Introduction

Based on an exploratory study of a German medium-sized enterprise, the thesis explores how a German SME manages cultural differences when following an internationalization strategy.

Culture is difficult to define and prior literature presents various approaches and models that help understanding culture and its dimensions in both national and organizational contexts. National cultures determine value systems people incorporate in an early stage of their lives. Organizational cultures influence behaviors and values one adopts at work or in groups to cope with social expectations. Cultural influences are omnipresent especially when considering international contexts. Increasing international networks through subsidiaries, joint ventures, and relationships to customers or suppliers in foreign countries causes business challenges in terms of increasing sets of cultural influences. The question is how internationalization affects business success. Dynamic marketplaces force enterprises to adapt and react quickly. It turned out that managing business processes by projects enables firms to response quickly to a changing business environment. In addition to that, the fact that processes along the product life cycle take place in various locations implies that cultural differences might influence success and failure of business processes. Firms may design their product in one culture, manufacture it in another, and sell the product to many other culturally different customers. Therefore, global project teams enable firms to adapt quickly to external changes and needs. MNEs are experienced global players and critical voices question whether SMEs are equipped with a sufficient set of capabilities and resources for business activities in an international arena. The following sections provide a problem analysis, the aim of the thesis, and the structure of the thesis.

1.1   Problem Analysis

Internationalization strategies open doors and offer valuable opportunities for SMEs and are no longer a phenomenon among MNEs. Seeing SMEs as passive victims in a game that is played by MNEs is an obsolete theory (Ruzzier, Hisrich, & Antoncic, 2006). SMEs are active players and many of them are capable and equipped with resources to serve global industries (Winch & Bianchi, 2006). However, there are critical voices supporting larger firms are more likely to benefit from internationalization opportunities due to essential resources and former experience.

Smaller firms face managerial and financial constraints both resulting from a lack of experience (Sandberg, 2015).

Competition on a global level forces firms to expand their operational areas from a geographical point of view. As part of today's globalization, going global is not a new concept for multinationals. This explains that M&A deals are a popular and widely discussed research field. Different streams within this literature field find evidence for various sources of success and failure drivers. Legal barriers, economical or financial aspects drive internationalization strategies. However, an increasing number of researchers debate about the impact of cultural differences between acquiring firms and their targets. The corporate world of multinational enterprises suffers from failed mergers due to cultural clashes. The famous story of two separately successful giants, the German Daimler-Benz and the US-based Chrysler, demonstrates the negative effects diverse cultures have when not properly managed and integrated. Chrysler's open culture plus its diverse and creative approach did not match with Daimler-Benz's traditional, top-down management style. Executives of both parties were not able to identify the incompatibility of their diverse cultures and its lack of cultural fit. Their intension to share technology, market growth, and resources did not materialize and failed in the end. (Appelbaum, Roberts, & Shiparo, 2009)

Considering several famous success and failure stories of merging multinationals shows the cultural issue is a fascinating and fruitful research topic. However, SMEs do not have the same lobby of researchers that investigate the challenges SMEs face in terms of culture when going global. Prior literature rather follows a comprehensive approach and does not look at the culture aspect isolated from other success and failure drivers such as economic and financial aspects. Cultural differences can create powerful forces that negatively influence daily business and consequently can cause costly failures. However, identified and managed cultural differences create synergies in a 1+1=3 manner and help SMEs to increase their success rate in an international arena.

1.2   Aim of the Thesis

SMEs cannot avoid a clash of cultures when engaging in internationalization. There are differences in both corporate and national cultures, even though the degree to which those have an impact varies. However, it is a matter of awareness and sensibility to identify different behaviors, practices, and norms within individual organizations and societies. Furthermore, it is a matter of how managing directors ultimately address and manage these differences. Critical voices argue that SMEs lack experience and resources and therefore do not benefit from internationalization strategies. But what if the opposite is the case: Do SMEs tend to have a higher overall success rate compared to MNEs – especially because they operate in smaller entities with shorter communication ways? The aim of the thesis is to explore the impact of cultural differences on success and failure of SMEs internationalization strategies.

RQ: How do SMEs manage the impact of cultural differences on global business processes?

Observing a German medium-sized enterprise and conducting interviews this study seeks answers to an interesting and important matter. Does culture have an effect on business success? Furthermore, considering that engaging in internationalization is risky, which obstacles do managing directors break down to successfully build an internationalization strategy of SMEs? The number of studies that consider the culture issue within SMEs is insufficient. Therefore, I venture to consider the literature stream regarding M&A activities of MNEs. In this way, I want to examine whether there are similarities in the occurrence of cultural challenges in MNEs and the case company.

1.3   Thesis Structure

Chapter 2 provides the theoretical background and discusses main concepts regarding culture. It defines business processes, SMEs and internationalization in the context of small and medium-sized enterprises (SMEs). Chapter 3 contains a review of relevant literature that discusses SMEs internationalization, the impact of culture on M&A processes, and the impact of cultural differences on business processes. The third section of chapter 3 particularly focusses on the impact of culture on three components (project management, communication and negotiation, and leadership) that determine the success and failure of business processes. Chapter 4 presents the methodology used to explore the impact of cultural differences on business processes in an

international context. It explains the research strategy and case selection, the data collection, and analysis approach. Chapter 6 presents and discusses the findings. Chapter 7 provides a conclusion with limitations and implications for further research. In addition, the last section of each chapter provides a conclusion to close the chapter.
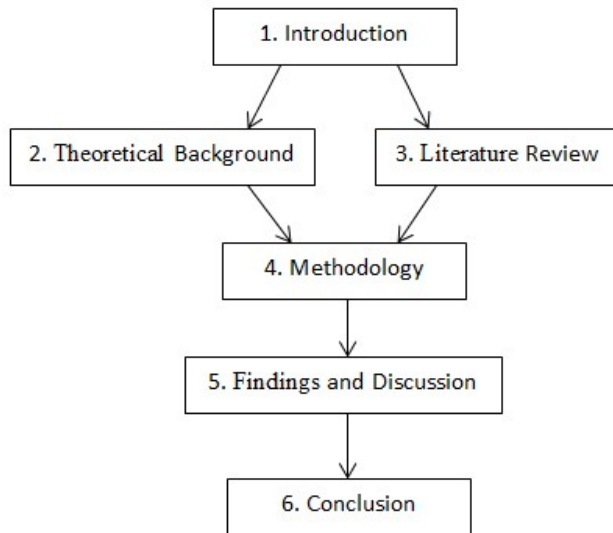
Figure 1: Thesis Structure

2   Theoretical Background

The following chapter consists of four parts. Figure 1 shows the four pillars that build the theoretical background.
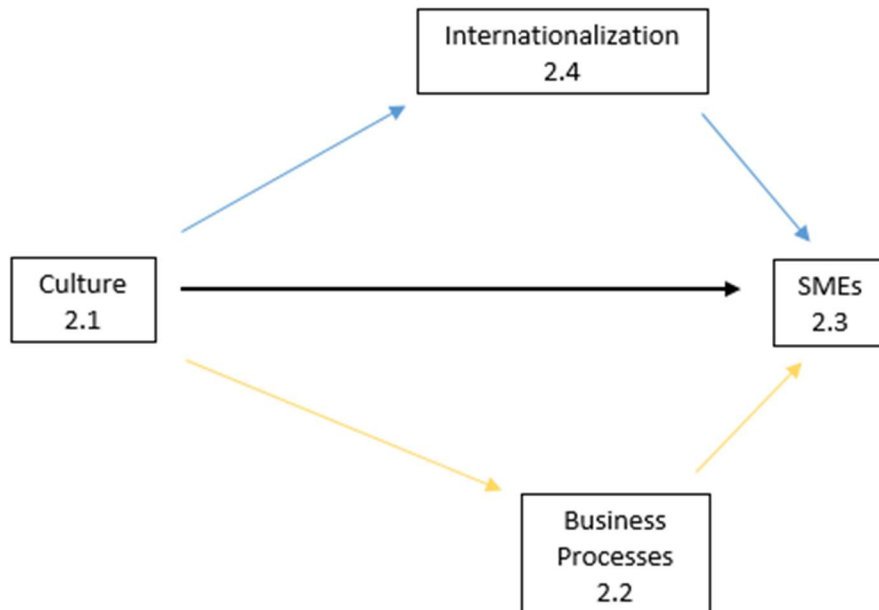
Figure 2: Concept of Theoretical Background

Introducing important cultural models and clarifying the culture concepts builds the foundation of the cross-cultural research. Concepts and theories of Hofstede, Hall and Trompenaars build the groundwork for the national culture research field. The GLOBE Project is inspired by Hofstede's extensive study. Its large-scale study of cultural, leadership, and organizational practices (House, globeproject, 2017) gives a basic understanding of organization culture.

A definition of business operations in the second section is important to get an understanding of the underlying complementary context of the research question.

The third and fourth sections of the chapter focus on SMEs and internationalization. First, it gives an overview of quantitative criteria enterprises must meet to get a SME status and qualitative criteria that characterize SMEs. Furthermore, prior literature discusses strengths and weaknesses of SMEs compared to MNEs which are presented in the first part. Second, it focuses

on SMEs motives and goals to follow internationalization strategies. In a next step, it introduces the reader to the existing types of internationalization entry modes. After the first two parts, a first conclusion invites the reader to think about the findings regarding SMEs and internationalization.

It is important to provide a comprehensive theoretical background since the discussed topic has so many facets. Table 1 shows an overview of the chapter structure to guide readers. The conclusion at the end of the chapter aims to provide a better understanding of the complex big picture. Furthermore, it contains some critical questions and invites the reader to get some insights of my conclusive remarks.

Table 1: Structure of the Theoretical Background

	Chapter sections	**Subsections**
2.1	What is Culture?	▪ Dimensions of National Culture ▪ Dimensions of Organizational Culture
2.2	Business Processes	▪ Definition
2.3	Small and Medium-Sized Enterprises (SMEs)	▪ Definitions according to quantitative and qualitative criteria ▪ Strengths and weaknesses compared to MNEs
2.4	Internationalization of SMEs	▪ Motives and goals ▪ Types of entry modes ▪ Barriers to internationalization
	Conclusion	

2.1 What is Culture?

In a broader sense, culture is a social phenomenon that is built by humans. It is the full range of learned human behavior patterns that transcend generations. Norms that are accepted in a society are called social norms and regulate individuals' behavior. Social norms ensure cultural resistance in a changing environment. (Keller, 1982)

Culture serves many functions in a society. It is a frame that guides members in a society and helps to evaluate individuals' behavior. Furthermore, it defines standards of moral judgement and moral behavior which can be used to solve problems and conflicts or to prevent them. Additionally, it provides a structure for efficient and effective communication among individuals within a society. (Jenks, 2005)

However, it is difficult to define culture even though it is omnipresent. Culture is reflected in our communication, manner, and value system. It requires an attentive observation in order to detect culture in its full extent. Hofstede illustrates different levels of culture and locates the origin and spheres of influence of both national and organizational culture:
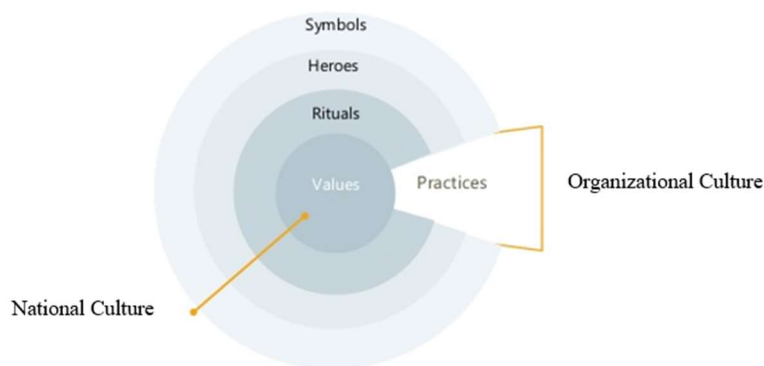
Figure 3: Different Levels of Culture *(Hofstede G. , 2017)*

Organizational culture derives from practices whereas national culture originates from values. *Practices* can be observed easily since it is the part of culture that is visible. However, the amount of information about the underlying culture is limited. Therefore, to understand practices, we need to interpret them. The problematic aspect here is that the interpretation itself depends on our culture. This explains why misunderstandings occur. (Hofstede & Minkov, 2010, p. 9) According to Hofstede, practices consist of three levels: Symbols, Heroes, and Rituals.

Symbols are objects that are observable for everyone such as clothes, corporate design (logo), architecture, or art. *Heroes*, real or fictional, serve as role models for a society. *Rituals* build a behavior pattern a collective agreed on such as a certain way of greeting. Rituals can derive from several sources and exist because a society develops and applies them. (Hofstede & Minkov, 2010, p. 7)

Values are common beliefs that guide and motivate actions of individuals in a society (Mintz & Morris, 2008, p. 135). Hofstede describes the cultural concept as "software of the mind" (Hofstede & Minkov, 2010). Every individual follows a behavior pattern and a certain way of thinking deriving from society. Individuals can be part of diverse groups and therefore get access to different codes of conduct that shape their software of the mind: There are national culture level and subcultures on a religious, generational, ethical, social or organizational (firm) level. (Hofstede & Minkov, 2010, p. 12)

2.1.1   Dimensions of National Culture

The importance of national culture is associated with a global development and therefore a growing literature field with a long history. Hofstede, Hall and Trompenaars offer outstanding work to cross cultural researchers and a fundament for cultural investigations. The following represents an overview of the three approaches:

Table 2: Overview of National Culture Concepts

Hofstede	Hall	Trompenaars
- Power Distance - Individualism versus Collectivism - Masculinity versus Femininity - Uncertainty Avoidance - Long versus Short Term Normative Orientation - Indulgence versus Restraint	- High-Context versus Low-Context - Monochronic versus Polychronic	- Universalism versus Particularism - Individualism versus Communitarianism - Neutral versus Emotional - Specific and Diffuse - Achievement versus Ascription - Sequential versus Synchronic - Internal versus External Control

2.1.1.1   Hofstede

Hofstede's observation of IBM employees in 70 countries is the first extensive study in this field. The purpose of his work is to identify all dimensions and criteria to describe differences in national cultures. A positive aspect of his study is that his sample shows a high internal validity since his sample consists only of IBM employees across several countries. In this way, the participants share the same organizational culture but differ in their nationalities. However, while many researchers use Hofstede's model as groundwork for their own study, others criticize its validity (Schmitz & Weber, 2014 ; Jones, 2007). After an extensive literature review it is noticeable that Hofstede's model continues to guide researchers in this field and studies that do not build its theoretical framework on Hofstede's cultural dimensions miss out a foundational principal. It is not an objective of this study to discuss pros and cons of Hofstede's model but rather to give readers an idea and an overview of a fundamental concept regarding understanding national cultures. Hofstede defines culture as "the collective programming of the mind distinguishing the members of one group or category of people from others" (Hofstede G. , 2017).

Power Distance

The first dimension defines "the degree to which the less powerful members of a society accept and expect that power is distributed unequally" (Hofstede G. , 2017). A characteristic of this dimension is a hierarchical order that justifies and predefines social positions for individuals within a society or organizational structure. Power Distance prescribes the relationship between superiors and subordinates. Those who receive orders do not question them in high Power Distance countries and accept top-down decisions. A close relationship between superior and subordinates is a characteristic of low Power Distance countries. It allows proactive subordinates to question and criticize leader decisions.

Individualism versus Collectivism

Individualism describes a society which does not focus on social relationships and prefers a "loosely-knit social framework" (Hofstede G. , 2017) with a tendency towards own needs in an 'every man for himself' manner. However, Individualism does not stand for egoism it rather means that Individualism expects people to make own decisions and choices. The counterpart

Collectivism is based on solidarity and community within society. Members are secure and protected in a collective and give loyalty in return. An essential criterion for this dimension is whether people base their self-image on "I" or "We" (Hofstede G. , 2017).

Masculinity versus Femininity

Hofstede assigns typical attributes to Masculinity and Femininity in the third dimension of his model. It is important to consider that this dimension is about expected gender roles and is not about individuals. Preferences in society for achievement, tendency to material rewards for success, as well as heroism and assertiveness describe the masculine side. "Preference for cooperation, modesty, caring for the weak and quality of life" characterize Femininity. (Hofstede G. , 2017)

Uncertainty Avoidance

The fourth dimension Uncertainty Avoidance observes the degree to which a society feels comfortable with uncertainty and is not related to risk avoidance. Cultures with preference for uncertainty avoidance consist of an extensive set of rules, laws, rights and duties. High Uncertainty Avoidance societies wish to know the truth. Therefore, they use rules and laws to build habits and rituals because they distrust the unknown (Hofstede G. , 2017). The attempt to control the future by maintaining strong beliefs and behavior shapes life in strong Uncertainty Avoidance societies. Whereas the opposite, low Uncertainty Avoidance, weighs a more relaxed way of life higher than principles. (Hofstede G. , 2017)

Long Term Orientation versus Short Term Normative Orientation

The fifth dimension regarding time orientation defines the ability to deal with past and present/future challenges at the same time. Societies with short term orientation view changes with suspicion and rely on traditions and norms. They also see the past as "moral compass" (Hofstede G. , 2017) so holding on to it is morally good. On the opposite, long term oriented cultures follow a pragmatic approach in a way that prepares them for the future and its challenges. (Hofstede G. , 2017)

Indulgence versus Restraint

The last dimension defines "the extent to which people try to control their desires and impulses" (Hofstede G. , geert-hofstede, 2017). Hofstede links this dimension to the way how people were raised. Enjoying life, importance of friendships and what impulses want is good stands for Indulgence. Whereas Restraint stands for strong controls of desires and impulses which means in a broader sense that life is perceived as hard with duties that restrict freedom in life (Hofstede G. , 2017).

2.1.1.2   Hall

Hall describes *High versus Low Context* and *Monochronic versus Polychronic* cultures in their manifestations. The first dimension considers context and time. *High* Context cultures practice an indirect communication style in which people rather take things for granted than communicate them straightforward. Those who receive a message have to interpret it related to the situation and in consideration of nonverbal communication in order to understand the intension of the message. (Hall, 1982)

The second dimension considers space and information. *Monochronic* societies like to focus on one thing at the time, prefer a certain order in which things get done, do not appreciate value interruptions, and respect time commitments. On the other hand, *Polychronic* societies are capable of multitasking, therefore they can easily change plans, and put lifetime relationships first rather than the task or job itself. (Hall, 1982)

2.1.1.3   Trompenaars and Hampden-Turner

"A fish only discovers its need for water when it is no longer in it. Our own culture is like water to a fish. We live and breathe through it."

(Trompenaars & Hampden-Turner, 2011)

Fons Trompenaars' and Charles Hampden-Turner's book "Riding the waves of culture" makes us aware of how important every aspect of culture and diversity in global business is (Trompenaars & Hampden-Turner, 2011). And it especially appeals to the importance of cultural awareness as our culture shows its full scope or intensity when confronted with another culture.

The model consists of seven dimensions: five describe the relation between human beings, one considers individual behavior in terms of time, and the last dimension takes external effects into account. Some dimensions overlap with Hofstede's model.

Universalism versus Particularism

Universalists apply standard rules and behavior (universally) for all cases and do not consider individual situations or relationships in specific situations. A set of formal rules is a tool for dealing with things in the one best way. Rational working attitude characterizes business relations which are only there for the purpose of the task. On the other hand, Particularisms puts relationships over rules and it is important to get to know each other before engaging in business relations with other parties. (Trompenaars & Hampden-Turner, 2011)

Individualism versus Communitarianism

This dimension resembles the second dimension of Hofstede's model (Individualism versus Collectivism). It contrasts individual decision-making processes without consulting others with decision making processes that derive from group interest as the individual is loyal to group.

Neutral versus Emotional

The degree of expressing emotions openly determines both verbal and nonverbal communication. Cultures differ in terms of how openly they reveal feelings and emotions. Neutral stands for a society that judges revealing strong emotions and enthusiasm as inappropriate. However, it is common to express feelings and emotions openly but in a natural way. Emotional cultures tend to overdose enthusiasm and emotions in everyday life. (Trompenaars & Hampden-Turner, 2011)

Specific versus Diffuse

It relates to the separation of private and public life and the extent of the portion of private life and public life. Specific cultures tend to have a large portion of public life but they also share their private space with close friends and business partners. In contrast, diffuse cultures keep their private and public life interconnected. Therefore, individuals appreciate an important level

of formality and keep distance in their public life to protect their private life. (Trompenaars & Hampden-Turner, 2011)

Achievement versus Ascription

Achievement-oriented cultures focus on a person's performance when assigning a status and question whether someone proved the assigned status. Ascription-oriented cultures assign a status according to a specific function, age, gender, or social standing. (Trompenaars & Hampden-Turner, 2011)

Sequential versus Synchronic

The time related dimension of this model resembles Hofstede's fifth dimension (Long Term Orientation versus Short Term Normative Orientation). It is about cultures' orientation towards future, present, and past and their tendency of doing things separately or simultaneously. (Trompenaars & Hampden-Turner, 2011)

Internal versus External Control

Internal-controlled cultures accept their environment and tend to take circumstances as they are. Whereas external-controlled cultures view their environment as potentially threatening force that needs to be controlled to the best extent possible. (Trompenaars & Hampden-Turner, 2011)

2.1.2   Dimensions of Organizational Culture – GLOBE Project

GLOBE stands for Global Leadership Organizational Behavior Effectiveness. Robert House and his research team observe the influence of cultural differences on leadership processes and identify nine cultural dimensions. Some of them overlap with Hofstede's six dimensions.

Table 3: Dimensions of Organizational Culture of GLOBE Project (House et al., 2004, p. 30)

Performance Orientation	"The extent to which a collective encourages and rewards group members for performance improvement and excellence."
Uncertainty Avoidance	"The extent to which a society, organization, or group relies on social norms, rules, and procedures to alleviate unpredictability."

In-Group Collectivism	"The degree to which individuals express pride loyalty, and cohesiveness in their organizations or families."
Power Distance	"The degree to which members of a collective expect power to be distributed equally"
Gender Egalitarianism	"The degree to which a collective minimizes gender inequality"
Humane Orientation	"The degree to which a collective encourages and rewards individuals for being fair, altruistic, generous, caring, and kind to others."
Institutional Collectivism	"The degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action."
Future Orientation	"The extent to which individuals engage in future-oriented behaviors such as delaying gratification, planning, and investing in the future."
Assertiveness	"The degree to which individuals are assertive, confrontational, and aggressive in their relationships with others."

The dimensions of the GLOBE Project resemble those of Hofstede's model and add value to it. However, House et al. (2004) define two dimensions that did not receive attention in other models.

Performance Orientation

A high performance oriented society values individual that perform well and achieve desired goals. They also tend to put tasks over relationships and engage in direct and explicit communication. Low performance oriented societies maintain harmony with environment and focus on societal relationships rather than tasks. Formal feedback is viewed as judgmental. Furthermore, they prefer an indirect and subtle communication style. (House, Hanges, Javidan, Dorfman, & Gupta, 2004)

Human Orientation

The well-being of others is highly valued and positively determines interpersonal relationships in societies with high human orientation. In contrast, low human orientation is characterized by self-interests and individuals are not sensitive to others' needs or acts of discrimination. (House, Hanges, Javidan, Dorfman, & Gupta, 2004)

2.2 Business Processes

The Business Dictionary provides a simple definition of business processes: "A series of logically related activities or tasks (such as planning, production, or sales) performed together to produce a defined set of results." (Business Dictionary, 2017). Table 4 gives some examples of typical business processes in different sectors.

Table 4: Types of Business Processes *(PNMsoft Digital Business Platform, 2017)*

Manufacturing:	Product assembly process, quality assurance process, corrective/maintenance process
Finance:	Invoicing process, billing process, risk management process
Health:	Medical assessment, drug approval
Banking:	Customer on-boarding, credit check

Successfully performing defined business processes is challenging for enterprises no matter of size. The complexity of business processes depends on the number of stakeholders, the power of information technology systems, and the organizational structures. Table 5 shows potential sources of business process challenges within enterprises.

Table 5: Challenges of Business Processes *(PNMsoft Digital Business Platform, 2017)*

Bottlenecks:	Slowing/halting of processes due to human/machine errors or difficulties
Duplication of work and redundancy:	Inefficient processes due to repetitions or performing unnecessary work steps
Lack of visibility:	Management is not able to view where processes stand, their status, how the company performs in

	general, and specifically
Integration issues:	Difficulties in integrating technology with existing systems, communication gaps

Internationalization forces enterprises to adjust their strategy of executing business processes. Maintaining competitive advantages requires enterprises no matter of size to react to changes quickly. Today's economic changed from a relatively static model to a dynamic and rapidly changing market place. The dynamic of enterprises' behavior and their ability to adjust business processes determines success in a competitve and international arena. (Mittelstand Digital, 2015)

2.3   Small and Medium-Sized Enterprises (SMEs)

SMEs are independent enterprises employing less than a given number of employees. This number depends on requirements that vary across countries. The European Union defines SMEs as enterprises with a total of less than 250 employees, whereas the Unites States consider enterprises which employ fewer than 500 employees as SMEs. (OECD, 2017)

On the one hand, small and medium-sized enterprises play a significant role in Europe and are "the engine of the European economy" (European Commission, 2006, p. 2). SMEs "represent 99% of all enterprises" in Europe (European Commission, 2006, p. 5). Considering all EU countries and adding up the number of employees it results in a total of 75 million jobs. On the other hand, SMEs struggle with imperfect market conditions and limited access to capital or credits which leads to difficulties. The European Commission is aware of these circumstances and published a new definition of SMEs in 2005. First, it improves the economic environment of European SMEs and supports their development and success rate. Furthermore, it includes improvements of funding programs that grants SMEs national and regional aid (OECD, 2017). Second, the current business environment offers a fruitful platform for micro businesses to develop. Therefore, the new definition includes a criterion for micro enterprises that was previously not defined. Third and most importantly, it protects SMEs in keeping their SME status. It considers that SMEs operate in different sectors. Some SMEs that were active in more profitable sectors lost their SME status because they exceeded the financial ceiling.

In a European market, it is important to introduce measures in favor of SMEs that reflect economic developments, to improve their business environment and to reduce distortions of competitors. Members of the European Union can voluntarily choose to apply the new definition if qualified as an SME accordingly. However, doing so is recommended since it provides a wide range of benefits and support such as financial help. (European Commission, 2006, p. 7)

The following sections introduce readers to the current SME definition according to the European Commission. Furthermore, it adds qualitative criteria that determine SMEs and links them to MNEs characteristics. Finally, it provides an overview about the strengths and weaknesses that differentiate SMEs from MNEs in today's business environment.

2.3.1   Definition According to Quantitative Criterion

To determine whether an enterprise is an SME or not a company has to meet quantitative criteria and assess their relationships to other enterprises. The quantitative criteria consist of the following parameters (EU, 2003):

- staff headcount
- annual turnover
- annual balance sheet total

The main criterion that identifies an enterprise as SME is staff headcount. However, the European Commission recognizes the need for a financial criterion to observe scale and performance of an enterprise. An important fact to consider is, enterprises engage in different sectors. Economic activity in the trade or distribution sector usually results in higher turnover rates than in the manufacturing sector. Therefore, either the turnover rate can be considered or the overall wealth of the enterprise (balance sheet total). An enterprise does not have to meet both and can exceed one criterion without losing its possibility to meet the criterion for the other one. This procedure is considered to treat all SMEs fairly and takes into account that SMEs engage in different sectors. (EU, 2003)

	Staff headcount	Annual turnover	OR	Annual balance sheet
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Table 6: Quantitative Criteria for SMEs According to EU Requirements (European Commission, SME Definition, 2017)

Table 6 summarizes the quantitative criteria that define SMEs. Enterprises that employ fewer than 250 employees and have either an annual turnover that does not exceed 50 million euro or an annual balance sheet total that does not exceed 43 million euro are considered as SMEs. Within the SME category, characteristics for small and micro enterprises are defined as following (European Commission, 2017, p. 13):

Small enterprises employ fewer than 50 employees and have either an annual turnover that does not exceed 10 million euro or an annual balance sheet total that does not exceed 10 million euro.

Micro enterprises employ fewer than 10 employees and have either an annual turnover that does not exceed 2 million euro or an annual balance sheet total that does not exceed 2 million euro.

Additionally, enterprises must consider their relationships with other enterprises (European Commission, 2006, pp. 16-20):

- Is it an autonomous enterprise?
    - No participation in other enterprises
    - No other enterprise has participation in enterprise
    - Holding in other enterprise < 25% of capital or voting rights
    - Others do not have a stake ≥ 25% of capital or voting rights
    - Not a partner or linked to other enterprises
- Is it a partner enterprise?
    - Holding in other enterprise ≥ 25% of capital or voting rights
    - Others have a stake ≥ 25% of capital or voting rights
    - Not linked to other enterprises
- Is it a linked enterprise?
    - Part of a group through direct or indirect control of majority of voting rights

Based on that, they may have to add the data from the other entity, partly or all of it. If they exceed the definition in terms of staff headcount, annual turnover, or annual balance sheet total, they lose their SME status. (European Commission, 2006, p. 11)

2.3.2   Definition According to Qualitative Criterion

Qualitative characteristics require a subjective assessment of internal business structures and relations (Loecher, 2000). It comes down to two pillars (Theile, 1996, pp. 16-17):

- "personal principle"
- "unity of leadership and capital"

Personal Principle describes the link between enterprise and company manager. The company manager has a central position and is strongly connected to the company. In a broader sense, company managers of SMEs often view the position itself as a lifelong task which consequently results in a commitment on a personal level (Theile, 1996). Furthermore, the personal principle also reflects the relation between company manager and employees, customers, and suppliers. Closeness and directness characterize the relationships in this regard. This enables the company manager to stay on top of the things with an "overview of fundamentally all technical, administrative and organizational procedures in the company" (Theile, 1996). Pichler et al. (1996) identify differences of the personal principle in practice within SMEs compared to large enterprises. Company managers in small enterprises have an active and predominant part in production or technical departments. In case the small business is family owned, members of the family take care of commercial or organizational duties (Pichler, Pleitner, & Schmidt, 1996). In medium-sized enterprises, the company manager "does no longer work exclusively in the production or technical areas" (Theile, 1996) and works for other functions. In contrast, company managers in large enterprises are responsible for business or organizational matters (Theile, 1996).

Unity of Leadership and Capital assumes that the company manager is also the owner of the company. In this way, the owner-manager bears responsibility in terms of leadership and liability risk. Consequently, the owner-manager is by nature involved in all strategically important business decisions at all levels of the enterprise. Furthermore, the managing owner "is much

more self-sufficient and independent than the contracted management of large companies." (Theile, 1996).

2.4   Internationalization of SMEs

When discussing internationalization, there is a second term circulating among research work: Globalization. Most researchers do not clearly define the meaning of internationalization and globalization or do not differentiate between the terms. In general, internationalization describes a firm's action and involvement in the foreign business environment (Kubickova et al., 2012). Ruzzier et al. (2006) define it as "the geographical expansion of economic activities over a national country's border" (Ruzzier et al., 2006). Globalization is a dynamic growth process "of the national linkages" and "the widening and strengthening of links between national economies on the global market" (Paliu-Popa, 2008).

International trade activities exist since decades. However, the extent to which enterprises engage in internationalization increases (Roehr, 2004). Several reasons might explain the increasing international cooperation of firms (Barsauskas & Schafir, 2003):

- Shrinking national borders
- Access to information technology
- Trade agreements between countries
- Increased foreign direct investments (M&A activities)
- Growth strategies in developing countries increase the number of international relations
- R&D partnerships between enterprises and organizations (popular among enterprises in following sectors: technology, medical, educational institutions)

For the reasons above, a range of opportunities arise for enterprises to engage in internationalization activities. However, in 2004, after the first OECD Conference of Ministers responsible for SMEs, the Organisation for Economic Co-operation and Development (OECD) states SMEs are " […] underrepresented in the international economy and change in this respect is slow to happen" (OECD, 2004). Considering their GDP contribution and high employment rates in both national and local economies, SMEs achieve rather low stakes on exports and international investments (OECD, 2004). The World Trade Report of 2016 supports this view

and concludes that SMEs "have not figured very prominently over the years" that great benefits can be derived from activities in an international arena (WTO, 2016). The next section uncovers potential motives and goals of those SMEs that participate in an international arena already. Furthermore, it represents types of internationalization and barriers SMEs face when operating in an international business environment.

2.4.1   Motives and Goals

The initial decision why an enterprise expands its business across borders is determined by pull and push factors (Lis et al., 2012). Evans et al. (2008) describe pull factors as external drivers that attract firms to engage in internationalization. Pull factors come into play when external conditions change in favor of the enterprise to enter global markets. Free-trade agreements, the use of information technology, or lower production costs ease entry conditions in an international arena. Push factors are internal determinants that force an enterprise to leave local markets. If the local business environment changes not in favor of the enterprise or the enterprise is not able to take competitive advantage the enterprise faces intense pressure to adapt. In other words, the pressure to adapt pushes an enterprise to actively participate in an international environment.

Three main motives explain SMEs internationalization activities: market-oriented motives, resource-oriented motives, cost-oriented motives:

Market-oriented motives

Market saturation is one reason why firms do not focus any longer on local markets only and therefore expand their business globally. Foreign markets' demand for certain products provides new opportunities. Especially developing countries and their increasing demand offers potential growth opportunities (OECD, 2004). In this regard, opening and controlling new distribution channels are an important move to maintain competitive advantage (Gutmann & Kabst, 2000). Furthermore, generating market access potentially leads to additional foreign market entries. For example, entering the U.S. market could open doors to the Mexican or Canadian market.

Another reason why firms enter foreign markets is the need to keep up with competitors. Therefore, they follow their competitors in markets they enter (Dunning & Lundan, 2008). Expected growth, trends or closeness to important customers markets may attract enterprises to

enter foreign markets. It can be difficult to gain a market share in those fruitful markets when the company is not directly present in foreign market. The company must find a way to put management teams or employees in place. Thus, it is necessary to incorporate a subsidiary company or establish other co-operations (Dunning & Lundan, 2008). Entries into new markets are determined by both push and pull factors. This implies that SMEs that are confronted with changing business environments equally face challenges and chances. (Keuper & Schunk, 2009)

Resource-oriented motives

An essential driver in this regard is getting access to additional resources such as know-how, skilled employees, and knowledge advantages through innovations or R&D projects (Geyer & Uriep, 2012). Furthermore, the possibility to acquire resources at lower costs or getting access to resources that are not available in domestic market can motivate firms to enter foreign markets (Dunning & Lundan, 2008). Additionally, developing and expanding networks can lead to positive collaboration effects. Chen et al. (2004) find evidence that firms benefit from relational capital which are relations to customers, suppliers, partners, or government agencies. Maintaining close linkages and investing in relational capital leads to competitive advantages. (Chen, Chen, & Ku, 2004)

Cost-oriented motives

Both pull and push factors can cause cost-oriented motives. On the one hand, an excessive cost pressure in home country due to increasing price competition or unit labour costs forces enterprises to move in foreign markets. On the other hand, cost advantages in foreign markets can attract firms to follow internationalization strategies. (Geyer & Uriep, 2012)

Furthermore, firms may find an economic environment that is more attractive than in its home country in terms of tax benefits or specific regulations. In this way, they can cut costs and boost their productivity (Dunning & Lundan, 2008).

2.4.2   Types of Entry Modes

Different entry modes of internationalization differ in terms of required resources, level of risk and control, and the need for local presence of the management team. The greater the

involvement in foreign markets, the higher the risk and resource demand for the enterprise. Financial and human resources and the fact that the management team should be present in the new location determine this upward movement in higher risk and control levels. The level of control can be split into three different entry mode categories: High control mode, intermediate mode, and low control mode (Hollensen, 2010).

Figure 4 shows export strategies bear low risks whereas incorporating a subsidiary company involves a high-risk level. This explains why more SMEs are active in export rather than incorporating daughter companies in foreign countries (OECD, 2004). Each entry mode comes with its own set of advantages and disadvantages:

Figure 4: Types of Entry Modes

High control mode

Foreign Direct Investments (FDI), Wholly Owned Subsidiaries (WOS), or Original Equipment Manufacturer (OEM) require full control. This entry mode bears high business risks and requires a high level of commitment. However, it brings the highest rate of return (Ekeledo & Sivakumar, 2004).

Intermediate mode

Strategic Alliances or Joint Ventures are between the two modes that require high and low control. Joint Ventures are contractual arrangements between two or more parties to pool resources and accomplish a business project or task together. In contrast, Strategic Alliances do not involve the formation of a new entity. In this case, the local partner has essential market-specific knowledge that is important to parent companies in foreign markets. (Hollensen, Boyd, & Ulrich, 2011)

Low control mode

Firms can engage in direct or indirect export strategies. In other words, they can directly sell their products or services to customers or control their export activities via intermediaries. Exporting products and services often is the first step for firms before they engage in further levels of internationalization. Compared to the other entry modes, exporting products or services bears low risks at low costs since management teams do not have to be on the spot. Therefore, it is an attractive way to enter foreign markets in the first place. (Roehr, 2004, pp. 62-65)

Even though the different entry modes are classified according to the degree of risk and control, it is difficult to assign the true level of risk and control a firm can expect. Therefore, firms face a complex task when evaluating the right entry mode and considering the current foreign market environment. (Hill, 1990)

2.5   Conclusion

The theoretical background gives an overview of related models and concepts for my research. We can find a variety of cultural differences in everyday situations in both professional life and private life. The theoretical models regarding national culture and organizational culture help us to identify differences. Furthermore, the frameworks enable us to embed cultural differences in a broader picture. Considering the underlying context of international business, theoretical frameworks encourage employees at all professional levels to carefully interpret individual situations, backgrounds, and circumstances. Recognizing and evaluating cultural contexts can solve misunderstandings or conflicts and can even prevent them.

Dealing with business partners and colleagues from all over the world requires an understanding and knowledge of the impact of cultural backgrounds on peoples' beliefs, behaviors, and values. Performing expertise in business-specific matters is important but understanding that people from culturally different societies value one's behaviors and manners differently is even more important. Considering cultural backgrounds of business partners or colleagues as source for behaviors and beliefs that are different can change the game. Recognizing different patterns of behavior and the ability to interpret and value them in a cultural context can bring essential benefits on the path to personal success in private or professional life. And of course, considering it on a firm level, where employees are sensitive and aware of diverse cultural patterns and can act and respond accordingly, the firm benefits in the end. In fact, culture touches us every day. Therefore, nothing is culturally neutral. What matters is that we realize the differences.

Market places are rapidly changing and firms no matter of size must keep up with competitors and protect their competitive advantage. At the same time, SMEs have a significant role in our economic since 99% of the companies in Europe are SMEs. Consequently, SMEs provide jobs for a vast number of people. Therefore, it is important that the European community paves the way for SMEs to regulate and improve SMEs day-to-day business in an international context. However, it is also important to motivate SMEs to go beyond European boundaries and participate in a global competition.

Considering the bigger picture and looking at the cross-cultural challenge in international business: Why is the culture issue not relevant enough for empirical research to focus on in the SME literature stream? Empirical literature regarding SMEs internationalization mainly focuses on export activities that require low control modes. This is sufficient for many of the SMEs that limit their internationalization to the first entry mode (exporting). Are low control modes easier to manage in terms of culture? And therefore, the cultural issue is not a topic of interest for researchers in this field? However, SMEs that have wholly owned subsidiaries or joint ventures outside of their home country are excluded from the main literature stream. Those SMEs face substantial risk and high control levels. Local presence for management teams in foreign markets is important in these entry modes of internationalization. Additionally, those enterprises face cultural challenges. However, it seems that this consideration is completely left out of the

literature stream regarding SMEs internationalization. This might explain why the cultural issue is not as relevant as for researchers focusing on MNEs internationalization. In my opinion, if SMEs that internationally incorporate daughter companies or joint ventures are considered, even though it is a minority, the cultural issue becomes a relevant topic in the research field of SMEs internationalization.

Table 7 shows which relationships require a deeper investigation. Culture is omnipresent in form of national or organizational level, or other subcultures. Consequently, business processes and a firm's success and failure of international activities are affected by cultural differences. Business processes are unique in each firm. Therefore, I am not going to review prior literature regarding the impact of cultural differences on specific business process. However, it is important to find components that are affected by cultural differences and determine the outcome of business processes in companies. To cover the impact of cultural differences on SMEs internationalization strategies, I have to review the MNE literature stream regarding cultural challenges in international business environments. However, the remaining question is whether cultural challenges within SMEs can be explained by the cultural issue MNEs face when going global. Finally, identifying cultural challenges helps to answer how SMEs manage the impact of cultural differences in an international context.
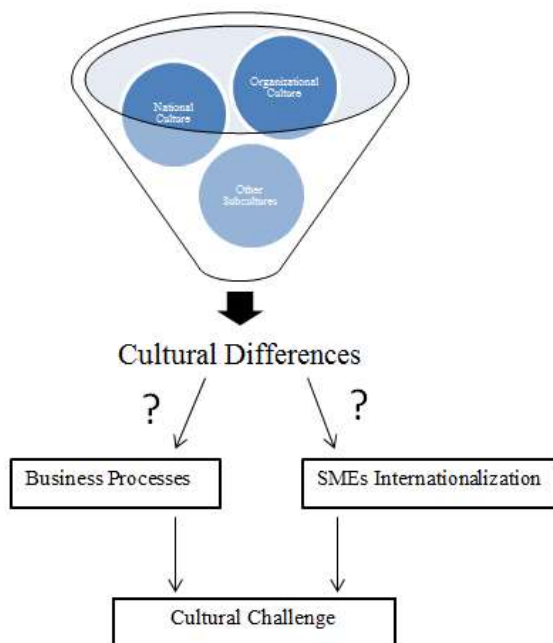
Table 7: Conclusion of the Theoretical Framework

3   Literature Review – From Local to Global

The identified gap in the SME literature stream requires considering the MNE literature stream to explore cultural challenges in internationalization processes. Prior SME literature does not observe the cultural issue of internationalization isolated from other potential success and failure drivers. Therefore, the absence of the cultural issue or the confusion of economic, financial, and cultural drivers require employing the MNE literature stream. The first section focuses on SMEs in an international arena and briefly brings up differences between SMEs and MNEs. It helps to evaluate whether findings of prior MNE literature can be considered to find answers regarding SMEs challenge of cultural differences when going global. The second section focuses on MNE literature to investigate the cultural issue. The third part of the literature review focuses on the relationship between culture and business processes. Figure 3 shows on which relationships the followng literature review focuses on:
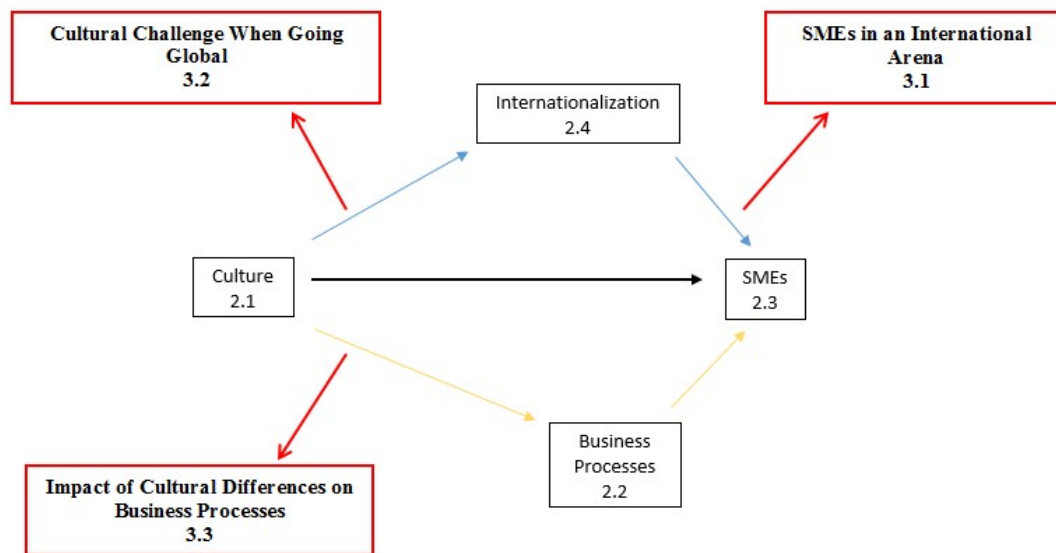
Figure 5: Overview of the Literature Review

3.1   SMEs in an International Arena

The cultural aspect is a topic which gets little attention within the SME literature stream. However, it discusses aspects that can be linked to the cultural issue in a broader sense. This section reviews prior literature in terms of aspects that make SMEs to potentially better adapters in changing business environments compared to MNES.

3.1.1   Strengths and Weaknesses of SMEs compared to MNEs

Identifying strengths of SMEs often boils down to key words such as flexibility, high innovation potential, and creativity. However, these are outcomes and side effects of the following:

Personal work relations

Typically, organizational structures within SMEs are not complex and consist of less hierarchical levels compared to MNEs. Therefore, employees maintain a personal work relation between colleagues. Furthermore, information flows between superiors and subordinates tend to be direct and on a personal level. (Schulz, 2005) Personal relationships in SMEs "are based on trust and shared routines" (Ratajczak-Mrozek, 2015).

"Business networks, network relationships and ties between individuals (especially managers or entrepreneurs" (Ratajczak-Mrozek, 2015) are essential resources SMEs have that support internationalization strategies. Individual networks or interpersonal relationships reduce transaction and information-acquisition costs (Peng, Lee, & Wang, 2005). Furthermore, these networks are beneficial in terms of reducing risks and uncertainties (Zain & Ng, 2005).

Leadership drives actions

There is a special bond between company manager and the firm itself for several reasons. On the one hand, literature finds evidence that company managers view their job as a lifelong task with a commitment to the job on a personal level (Theile, 1996). On the other hand, if the company manager is the owner, personal liability determines their strong commitment to the firm. Thus, the company leadership actions are driven by a personal commitment that is not comparable to the level of commitment MNE managers show when doing their job. (Schulz, 2005)

Franco and Matos (2015) claim the topic of leadership styles in SMEs gets little attention. They conclude even SMEs reached an international business environment. This requires to investigate "[…] in this new setting, how leaders face the challenge of working with a culturally diversified workforce which includes differences in values, traditions, customs and beliefs" (Franco & Matos, 2015). Furthermore, it is important to find out "what constitutes effective leadership" in SMEs (Franco & Matos, 2015). Leadership takes an essential role within global business and responds to changes in business environments or customer requirements (Anderson, 2009).

Difficult to obtain financing

On the downside, SMEs suffer from having difficulties to obtain financial aid and limited access to personnel resources. Small and medium-sized enterprises often operate in markets that are complex. Therefore, SMEs are confronted with rapid changes of their business environment they are active in. Consequently, investing in SMEs comes with higher risk levels compared to investments in large enterprises. Banks and traditional lending institutions tend to be risk averse which makes it difficult for SMEs to obtain financial aid. (OECD, 2000)

Limited access to personnel resources

Because of SMEs lack of human resources employees have broader areas of responsibilities. It is necessary that each employee takes care of many tasks (Schulz, 2005). Furthermore, SMEs' lack of staff leads to a lack of knowledge since SMEs must rely on employees' willingness to increase their on-the-job knowledge but also in other fields. In this way employees can perform tasks that exceed their initial area of responsibility. Otherwise, employees cannot fulfill many dissimilar roles within the company which limits their productivity. Consequently, SMEs are not able to take advantage of their economies of scale when lacking expertise or capable employees (OECD, 2004). The organization itself has to motivate employees "to demonstrate their capacities and understand how they can contribute to the firm's good performance" (Franco & Matos, 2015). The leader's role is to encourage employees to add value to the company and proactive behavior to increase skills and knowledge (Langowitz & Allen, 2010).

3.1.2 Barriers to Internationalization

The OECD reports about a surprisingly low rate of internationally active SMEs in 2004 (OECD, 2004). Twelve years later, the WTO report of 2016 claims a stagnated development as well (WTO, 2016). Prior literature provides an extensive selection of studies and reports regarding internationalization barriers for SMEs. This section gives an overview on barriers to internationalization that potentially restrain SMEs from taking the step in foreign markets. However, it combines barriers of all kinds of sources including those that can cause cultural challenges. The OECD publishes a ranking of top ten barriers to internationalization in cooperation with the APEC:

Rank – Weighted factor	Description of barrier
1	Inadequate quantity of and/or untrained personnel for internationalisation
2	Shortage of working capital to finance exports
3	Limited information to locate/analyse markets
4	Identifying foreign business opportunities
5	Lack of managerial time to deal with internationalisation
6	Inability to contact potential overseas customers
7	Developing new products for foreign markets
8	Unfamiliar foreign business practices
9	Unfamiliar exporting procedures/paperwork
10	Meeting export product quality/standards/ specifications.

Table 8: Top Ten Barriers to SME Internationalization *(OECD, 2009)*

Taking the top ten barriers presented by the OECD (2009) in Table 8 and categorizing them into three categories leads to the following classification in Table 9:

Lack of Human Resources	
1	Inadequate quantity of and/or untrained personnel for internationalisation
5	Lack of managerial time to deal with internationalisation
10	Meeting export product quality/standards/specifications

Financial Constraints	
2	Shortage of working capital to finance exports

Information Inefficiencies	
3	Limited information to locate/analyse markets
4	Identifying foreign business opportunities
6	Inability to contact potential overseas customers
7	Developing new products for foreign markets
8	Unfamiliar foreign business practices
9	Unfamiliar exporting procedures/paperwork

Table 9: Categorized Top Ten Barriers to SME Internationalization

The categorization is based on my judgement. I divided the top ten ranking according to the three barriers that are most frequently mentioned in prior literature. The first category *Lack of Human Resources* can also be interpreted as lack of knowledge. Readers may disagree because some of the ranked barriers can overlap categories such as:

Rank 10   The inability to meet export product quality/standards/specifications can also occur due to a lack of information.

Rank 7   The difficulty to develop new products for foreign markets can also result due to lacking information about the market trends or taste and needs of customers.

Rank 8&9   Firms' inability to adapt to unfamiliar foreign business practices or exporting procedures/paperwork can also occur due to employing workforce that is not able to adapt to a changing business environment. Therefore, can also be assigned to the first category lack of human resources.

Lack of Human Resources

An existing literature stream investigates the impact of limited managerial knowledge on internationalization of SMEs. Managers risk perception in addition to a lack of knowledge restraints them from going global (UPS, 2007; Smith et al., 2006). Another literature stream focuses on the challenges of recruiting skilled workforces. This is an essential problem especially in the manufacturing sector (Kunz, 2014). Firms can tackle the challenge to develop knowledge and skills to take competitive advantages if they have capable employees for specific jobs (Kunz, 2014).

Financial Constraints

Prior literature presents contradicting views in this matter. A literature stream considering productivity observes a linkage between the success in the home country and the likelihood of going global. Highly productive firms show high liquidity ratios and are more likely to export their products (Berman & Hericourt, 2010). Furthermore, Manova (2012) argues financial constraints result from low productivity rates. In contrast, other empirical literature investigating financial constraints finds no evidence that financially healthy firms are more likely to expand

their business globally. Greenaway et al. (2007) find exporting firms improve their financial situation. However, a firm's financial health in the first place is not considered to be a premise that a firm makes internationalization plans (Greenaway, Guariglia, & Kneller, 2007). Arndt et al. (2009) conclude SMEs are more likely to suffer from financial constraints than MNEs.

Information Inefficiencies

One of the literature streams focuses on the importance of information technology in internationalization. Berry and Brock (2004) define internationalization as "a costly experimental learning process where the accumulation over time of information and knowledge enables the firm gradually to reduce uncertainties about overseas markets". The ability to access and use information reduces external uncertainties and improves internal efficiencies (Berry & Brock, 2004). Both are equally important in internationalization processes. Gathering information and communication is no longer restricted neither is the location specificity of knowledge. However, the lack of knowledge and information remains as a barrier to internationalization. (Berry & Brock, 2004) Working together with local agents is a common approach in international business. In this way, firms get access to valuable information about local market conditions, the economic environment itself, or customers, suppliers, and governmental institutions they could not get access to otherwise. (Hollensen, Boyd, & Ulrich, 2011)

3.2   Cultural Challenge When Going Global

" 'Culture' is the living sum of symbols, meanings, habits, values, institutions, behaviors and social artifacts" (Guo, 2015, p. 381) which characterize a human population. Culture defines standards and behavior patterns and determines what is right and wrong (Goulet & Jameson, 1998). Thus, ignoring intercultural differences can cause misunderstandings. Since studies and literature on cultural challenges of SMEs internationalization are limited, the following section focuses on the MNE literature stream. It presents an overview of prior literature's findings on cultural challenges during M&A processes. In addition to that, the following section focuses on cultural drivers that can explain success and failure of M&A processes.

3.2.1   What We Know About Cultural Challenges of M&As

Critical factors companies face in today's economy are efficiency, flexibility, and rapid growth. Especially MNEs realize M&As are a strategic choice to sustain their competitive advantage (Lodorfos & Boateng, 2006; Schuler & Jackson, 2001). However, there are many cases that failed among those that went well and the figures speak for themselves. The range of reported failure rates goes from 50% to 80% (Bryson, 2003; Lodorfos & Boateng, 2006). Some M&As fail in early stages and "fail to achieve their original objectives" (Budhwar et al., 2009). Prior literature that observes the success of M&A deals one year after finds a failure rate that exceeds the 80% mark (Budhwar et al., 2009). A growing literature stream in the field of success and failure of M&As explains failures due to "a lack of methodical and thorough measurement of culture differences" (Weber & Tarba, 2010).

For many years, the cultural issue was perceived as soft or intangible issue. However, by now, researchers and practitioners realize the hard consequences people issues have on M&A processes when they are not managed properly (Appelbaum et al., 2000; Appelbaum et al., 2007). Many studies investigate the impact of culture on M&A success and failure worldwide (in Europe: Lodorfos & Boateng, 2006; Veiga et al., 2000, in USA: Runge & Hames, 2004). There is consensus about the importance of combining the involved parties into one workforce (Appelbaum et al., 2009; Lodorfos & Boateng, 2007; Idris et al., 2015) doing so can improve the firm's overall performance (Idris et al., 2015). Even though it is a complex task to measure and evaluate the influence of organizational culture, researchers find a positive correlation between integrating organization cultures and M&A performance (Stahl & Voigt, 2005; Weber & Drori, 2008). Budhwar et al. (2009) conclude focusing on cultural differences determines success of M&As and is, therefore, a key factor. Furthermore, it is important to "put the best people in charge of implementing M&A deals." (Budhwar et al., 2009).

Prior studies show the positive impact on the overall performance when combining different national cultures through M&A activities (Shenkar & Zeira, 1992; Vaara et al., 2014). However, the clear majority focuses on negative aspects, challenges, and difficulties the combination of diverse cultures has on M&As (Tung & Verbeke, 2010).

Cultural fit is a common phenomenon literature discusses. Researchers use theoretical concepts such as cultural distance and cultural attractiveness to explain cultural fit. A widely used construct to measure how far apart cultures are is Hofstede's original model of four dimensions (Li et al., 2017). The basic assumption of the theoretical model is that cultural distance creates challenges and problems. However, prior empirical research finds erroneous evidence regarding cultural distance (Lee et al., 2008). Criticism refers to the basic assumption that cultural distance implies negative impacts but differences can also lead to benefits and synergy effects (Vaara et al., 2014; Li et al., 2017). Cultural attractiveness is "the desirability of a culture for members of another" (Li et al., 2017). Cultural attractiveness is perceived as one of the key drivers of cultural distance as it brings cultures together or keeps them apart (Shenkar et al., 2008; Li et al., 2017). It is embedded in the interpersonal attraction research stream. The basic assumption is if members of diverse cultures share same practices, behaviors, and beliefs or in general a homogenous view of what is right and wrong they attract each other (House et al., 2004; Kirkman et al., 2006). However, the reasons for constantly high failure rates remain unclear since academic literature still tries to observe the gap between value destroying and creating impacts of culture in M&A processes.

Table 10 lists findings of prior literature to explain M&A success and failure in a cultural context:

Table 10: Literature Findings of Cultural Success and Failure Drivers in M&A Processes

(Daniel & Metcalf, 2001; Evans & Mendenhall, 2004)	▪ Incompatible cultures ▪ Lack of key talent ▪ Poor communication ▪ Reduced involvement of employee during M&A process
(Appelbaum, Lefrancois, Tonna, & Shapiro, 2007; Stahl & Voigt, 2008; Mohibullah, 2009)	▪ Culture clash ▪ Time consuming conflicts in integration process of two or more entities
(Nahavandi & Malekzadeh, 1988; Cartwright & Cooper, 1996)	▪ Successful knowledge transfer ▪ Improvements due to learning new routines ▪ Distrust causes conflicts

3.2.2   Cultural Drivers of M&A Success and Failure

Literature discusses many drivers of M&A success and failure. Reviewing prior studies boils down to three primary areas of interest in explaining success and failure of M&A processes.

Lack of Involvement of HR Departments

An element that successful M&As have in common is an awareness of people-related challenges during the M&A process. Therefore, researchers find an increased involvement of HR departments from due diligence stages to closing stages (Evans et al., 2002). However, Evans et al. (2002) notice, there are many M&A cases, where HR involvement does not get any attention. On the one hand, HR is not represented in the top management. On the other hand, decision makers do not involve HR departments in M&A processes because they do not see the necessity and importance of involving HR departments. (Schuler et al. 2004; Dowling et al. 2008)

Important to realize is the critical role of HR departments during M&A processes (Budhwar et al., 2009). Not involving HR or an involvement only at integration stages leads to wrong decisions regarding partner selection which consequently results in culture clash that is irresolvable (Lindquist, 2007). The findings of Budhwar et al. (2009) support prior findings. The observed firms show an extensive involvement of HR departments and they observe a broad agreement among the firms regarding the importance of HR strategies during the whole M&A process (Budwhar et al, 2009).

Lack of Awareness of Both National and Organization Culture

An integration process of two cultures requires to consider both national culture and corporate culture (Schuler & Rogovsky, 1998). Budwhar et al. (2009) support the argument that national and organizational cultures significantly influence and determine the integration process of two companies. Cross-border activities cause misunderstandings in decision-making processes due to differences in national culture and interactions between parties are difficult (Bauer et al., 2016). The effect of cultural differences on M&A stages along the process differs. In general, national and corporate culture influences the entire process. Researchers strongly focus on the integration phase which is embedded in the post-merger phase. Considering the effect of cultural differences in the integration process can prevent difficulties and conflicts (Bauer et al., 2016). The

integration phase is the stage where people interact and diverse cultures are more likely to collide (Slangen, 2006; Weber et al., 2011; Gomes et al., 2013).

Lack of Employee Involvement and Intercultural Communication

Firms that do not involve employees throughout the entire M&A process face several challenges and delays (Budwhar, Vaar, 2009). Numerous studies find evidence for the negative impact weak communication causes in M&As. Lodorfos and Boateng (2006) find maintaining an environment that supports cultural changes requires willingness to communicate and to involve all stakeholders especially employees. Furthermore, it is necessary to build a communication between employees of both parties (Lodorfos & Boateng, 2006).

Culture affects our communication and since each person is not only part of one group communication becomes intercultural (Singer, 1998). Language is the main tool of communication and doors open more easily if both parties share the same language. The Harvard University psychologist and linguist Steven Pinker notes "[…] common language connects the members of a community into an information-sharing network with formidable collective powers." (Pinker, 1995). However, sharing the same language does not necessarily mean that communication is effective in terms of both parties get the message. A key driver of effective communication is to understand hidden messages. Guo (2015) argues two drivers determine effective communication. On the one hand, the understanding of spoken words is crucial and assumes that both parties share the same language. On the other hand, "the cultural understanding of the 'hidden meaning' " (Guo, 2015, p. 391)is determined by high or low context communication.

3.3   Impact of Cultural Differences on Business Processes

Sustaining competitive advantages means that enterprises should move to new markets. Often these new markets are unknown and the central question is what needs to be changed and what has to stay the same? It is important that companies understand the importance of giving foreign branches the freedom to manage their business according to local contexts in order to optimize for local business environments. The Forbes Magazine finds in a large-scale study of ten

economies around the world that firms appreciate cultural differences and "high-performing companies respect and reflect local differences more than ever" (Bersin, 2012).

It is not possible to explore the effect of cultural differences on specific business processes. Each organization is unique so are business processes. However, the following section considers three sources that influence business processes. The first section presents prior literature's findings regarding project management and global teams. The second and third sections focus on communication and negotiation, and leadership respectively.

3.3.1   Project Management

In a rapidly changing and competitive international business environment, enterprises manage their business by projects. Effective teamwork is a key driver for successful project life cycles. Multicultural teams face challenges in terms of cultural differences among individuals. Thus, cultural aspects play a significant role in project performance. (Elena, 2010)

Prior literature studies two concepts to improve project success. First, crossvergence means "fusing together management practices of two or more cultures, so that a practice relevant to a heterogeneous culture can be assembled" (Binder, 2007, p. 40). Binder (2007) states synergy effects are beneficial for project life cycles. Multicultural teams offer a great mix of various national and corporate cultures in combination with individual experiences and skills. (Binder, 2007, p. 40). Second, hybridization stands for "the use of a common body of knowledge, enhanced with selective parts of successful practices from the countries where the project is being implemented, or from the team members' original culture." (Elena, 2010). Individuals are never part of only one group or society and rather combine different sets of cultures with diverse values and beliefs. Thus, working in teams offers a various set of behavior even though the individuals are from the same country. It is not only national culture that shapes individuals' values and beliefs. Age or generation, religion, and gender influence behaviors. But also, education level, and specific industries, job functions or companies are sources for different behaviors. (Elena, 2010)

Global teams consist of employees of at least two different cultural origins who work together on a task (Bloomberg Business Week, 2007). Firms usually form global teams for two reasons. First, "when they need specific cross-cultural expertise" or "when they partner with a foreign firm" (Steers et al., 2013, p.334). Many companies prefer global teams because they tend to provide better results than homogenous teams. Multicultural teams are expected to "provide an opportunity to incorporate widely differing social, cultural, and business perspectives into key decisions affecting the success of international operations." (Steers et al., 20013, p.334)

Elena (2010) recommends three steps to follow when working in global project teams. These apply to situations where an individual becomes a part of a project team in a foreign country or project team members have diverse cultural origins. First, considering cultural dimensions can explain the other party's general mindset. Knowing cultural patterns allows for a better understanding of behavior in general. Second, reading various sources of information about the country serves two functions. On the one hand, it shows that someone is interested in and cares for other cultures. On the other hand, it helps to link the country's historic context to its society's behavior and way of thinking. Third, letting team members know that their values and behavior are accepted by others even though they are different is a crucial point. (Elena, 2010)

A critical point in global project teamwork is communication. Arranging face to face meetings on a regular basis when team members are in different countries can be costly for companies. At the same time, it is important that core team members know each other. If team members get the possibility to maintain personal contact the outcome in conflict situations is significantly determined by those relationships. Members may "give each other the benefit of doubt if there is a misunderstanding" and solve conflicts (Kloppenborg, 2014). An alternative for project teams to stay in contact and to ensure the likelihood of project success is conference call technology. It comes at much lower costs and allows for a flexible communication process. (Kloppenborg, 2014)

Differences between project management in the past and today can be explained by the development of how team members work together. "Historically, project management was a face-to-face environment" but today "it is impossible to find all team members located under one

roof" (Elena, 2010). The new term that characterizes today's project management style in an international arena is "virtual project team" (Elena, 2010).

For global teams, it is important that all members understand that cultural differences damage work processes unless they are understood and used to create synergies. Table 11 summarizes four key aspects that address the impact of culture on virtual teams.

Table 11: Four Aspects that Drive the Impact of Culture on Virtual Teams *(Kerzner, 2013, p. 354)*

1	Culture can be a source for competitive advantages if virtual teams know how to transform cultural differences in synergy effects. Cultural differences derive from national cultures, organizational cultures, functional cultures, and team cultures. An essential factor is team leaders' and members' sensitivity to cultural differences that enables them to do a better job than homogeneous teams.
2	The only way to work with different cultures is to create a team culture that allows discussing and solving conflicts in a respectful manner considering all members.
3	An essential aspect is to distinguish between conflicts and problems that are caused by culture from those that are caused by performance or task related factors.
4	Members of virtual teams should take into account that business practices and business ethics vary around the world. Virtual teams have to agree on standards everyone can rely on.

Thus, the key to project management success is to "master intercultural communication by reading between the lines" and to "lead group efforts to achieve targeted objectives" (Steers et al., 2013, p.336). Mueller and Turner (2004) study differences in communication preferences in global teams. They find that companies run the same projects in different countries. However, the communication preferences among the teams differ among countries. Leadership styles also differ which explains differences in decision-making processes among global team members. (Mueller et al., 2009)

3.3.2   Communication and Negotiation

International business research introduces terms such as intercultural communication or cross-cultural communication. Researchers recognize the field of business communication as global business activities increases across borders. Cross-border processes consist of the three determinants culture, communication, and business (Varner, 2000).

One of the basic challenges international enterprises literature identifies is the existence of diverse mix of mother tongues. The common language or working language in a company is not always linked to the nationality of the group. The choice of the common language is more often driven by a strategic decision that allows a multinational team to communicate (Lauring & Selmer, 2010). English is a common business language. However, some enterprises rather initiate to speak the language of the headquarter. In these cases, language gives power and gives those an advantage who master the language. Consequently, the dominant company language causes frustration and challenges among those who lack specific language skills. However, maintaining personal relationships between colleagues can overcome this challenge. Communication gets more efficient and precise if it is built on trustful relationships (Lauring & Selmer, 2010; Holtbruegge et al., 2013).

Prior literature that investigates the business communication field considering psychological and social aspects links it to managerial skills. Mastering communication is a crucial skill in an international arena. "[…] top managers in companies working internationally sometimes neglect the significance of the invisible barriers that cultural differences create in business communication." (Lillis & Tian, 2009). However, Gesteland (2012) claims that it is not only a managerial matter. Intercultural communication is a topic all employees in a firm should consider. Even communication between business people with the same cultural background causes difficulties. So, cross-cultural communication is even more difficult considering differences in language, values, way of thinking as the likelihood of misunderstandings increases (Ferraro, 2017).

The Harvard Business Review presents a rather practical oriented study of business communication. The authors of the study present three areas in which cultural challenges in business communication typically occur:

First, cultural differences between individualistic societies (US or Australia) and hierarchical societies (China or Japan) affect the way of eliciting ideas. The first group tends to share "unfiltered opinions" (Toegel & Barsoux, 2016). In contrast, members of the latter group "tend to speak up after more senior colleagues have expressed their views" (Toegel & Barsoux, 2016). Consequently, the ability or openness to participate in brainstorming sessions differs across cultures. Second, surfacing disagreement is a critical point in business communication. Cultures that strive for high consensus are irritated by those cultures where constructive fights are a sign for trust (Toegel & Barsoux, 2016). Third, giving feedback is perceived differently across cultures. "feedback can be its own cultural mine field" (Toegel & Barsoux, 2016). Individualistic and task-oriented cultures view feedback as chance to develop personal skills. They appreciate to receive immediate feedback even if it is in front of the team. In contrast, individuals from collectivist and relationship-oriented cultures prefer to receive feedback in a face-to-face environment even though the team benefits from constructive feedback. Members of hierarchical cultures rather give feedback to team leaders about colleagues because they think it is not their role to give direct feedback to colleagues. Furthermore, low-context cultures (Netherlands or Germany) give direct feedback. Whereas, individuals of low-context cultures (India or Middle Eastern countries) "favor more nuanced" (Toegel & Barsoux, 2016) feedback.

Literature in business communication investigates various aspects. Among them are studies focusing on efficiency and effectiveness of written cross-border communication. Email communication is perceived as efficient tool that supports interactions between business partners that are spread around the world (Meyer, 2015). Critical voices argue cultural differences occur in written communication in form of preciseness and formality (Holtbruegge et al., 2013). In an English-speaking business environment, non-native speakers tend to put extra time-consuming effort in being precise and sounding fluent in email communication even though written messages are more effective in its functionality (Lan & MacGregor, 2010).

The literature stream focusing on negotiation in cross-cultural settings overlaps with the business communication stream. Establishing and maintaining business relations is a challenge since cultural differences affect negotiation processes (Bustamante, 2014, p. 768). Negotiation skills are closely linked to cross-cultural communication skills. However, new aspects in this regard are studies about negotiation tactics and concerns of business ethics. A widely-cited study in the field of negotiation tactics is a work about bargaining tactics by John Graham (1985). He finds significant differences in verbal and non-verbal communication styles among Japanese, Brazilian, and US negotiators during negotiation sessions for twenty minutes. The study observes behavior patterns such as how many times negotiators say "no", touch opponents, or have silent periods during negotiations. His findings are valuable for explaining variations in negotiation tactics.

A literature stream focusing on business ethics considers that many firms are confronted with corruption and bribery in negotiation processes. This stream is not directly linked to the culture issue when going global. However, it is important to consider that successfully conducting or performing business in foreign countries often means to play with local rules in an environment that goes beyond what is ethically accepted in the firm's home country. (Steers et al., 2013)

3.3.3 Leadership

Leaders create an atmosphere that "motivates people by making clear to them how their work fits into a larger vision for the organization" and create a "unique climate through selective leadership styles" (Goleman, 2000). Literature distinguishes between global leadership and domestic leadership. "Global leaders, unlike domestic leaders, address people worldwide" (Osland, 2012).

An important question researchers and practitioners are concerned about is how to develop effective and global leaders. Zenger and Folkman (2009) identify global leadership as "a serious constraint". Global leaders work in at least two culturally and geographically different business environments, are willing to leave their home country, to adapt to new cultures, and to learn a new language (Zenger & Folkman, 2009). Creating diversity does also apply to leadership teams. Firms increased their focus on building a diverse set of nationalities among leaders. It shows that

firms are aware of the benefits of cultural differences. Developing global leaders means also to focus rather on "emotional intelligence, self-awareness, and empowerment than on traditional management skills" (George, 2012).

A widely-cited leadership concept describes six effective leadership styles. Goleman (2000) states that top leaders never rely on only one style to achieve results: authoritative, affiliative, democratic, coaching, coercive, and pacesetting. He finds the highest correlation to success among the first four leadership styles. These four leadership styles "create a climate rich in clarity with standards for rewards while creating emotional bonds that build consensus toward a goal" (Rentfrow, 2007).

Only 10% of the countries worldwide show homogenous overlapping in terms of cultural aspects. Thus, global leaders "are required to exhibit a high degree of cross-cultural competency for creating a coordinated workforce that is unified in purpose and action" (Moodian, 2009). A common approach to identify cross-cultural leadership competencies is to use interviews or surveys. Kets de Vries et al. (2004) conduct semi-structured interviews and identify twelve dimensions of global leadership skills such as outside orientation, resilience to stress, emotional intelligence, and global mindset. Bikson et al. (2003) conduct 135 structured interviews and identify the following global leadership skills: substantive knowledge about firm's core competencies, teamwork and interpersonal skills, strategic international understanding, and cross-cultural experience. Moro Bueno and Tubbs (2004) interview 26 global leaders and the most frequent mentioned competencies of effective global leadership are respect for others, motivation to learn, flexibility, open-mindedness, sensitivity, and communication skills.

Adler (2001) criticizes the limited amount of studies considering female leaders. Some studies support the view that female leaders are better suited for cross-cultural settings due to their interactional, relational and more participative leadership style (Adler, 2001; Hampden-Turner, 1994, Fondas, 1997).

Literature on global leadership focus on effectiveness and skills of expatriates in foreign countries. Living and working in a foreign country requires a diverse set of skills in cross-

cultural settings such as communication, negotiation, ability to build relationships, and conflict management (Jokinen, 2005; Osland, 2012). Jokinen (2005) defines three types of competencies of global leadership: fundamental core, mental characteristics, and behavioral skills. Self-awareness and self-development build the fundamental core layer which sets the basic for the ability to develop further competencies. Mental characteristics such as optimism, self-regulation, and social judgement-skills determine how individuals approach problem- and conflict-solving situations. Behavioral skills describe tangible skills and knowledge such as social skills and networking skills. These skills finally lead to concrete actions and outcomes. (Jokinen, 2005)

Osland (2012) concludes that prior literature agrees on the fact that more global leaders are needed as internationalization increases. However, "there is less consensuses on what global leaders do and the competencies they should possess" (Osland, 2012).

3.4   Conclusion

Figure 6 combines the theoretical framework with the literature review and provides the basis for the methodology. SMEs face different challenges during their internationalization compared to MNEs. Internal resources such as personal work relationships and strong leadership commitment facilitate SMEs ability to respond to changing conditions or when facing challenges (positive relation). However, SMEs suffer from consequences caused by external resources such as limited access to workforces and information when going global (negative relation).

Differences in leadership, communication and negotiation, and project management are sources for cultural challenges considering the execution of business processes. However, linking business processes and its three influences with SMEs internationalization and its positive and negative determinants brings us to cultural challenges SMEs face when going global (red arrows).

To what extent cultural challenges of MNEs, identified in the M&A literature, apply to SMEs is not clear at this stage of the research (dotted green box).
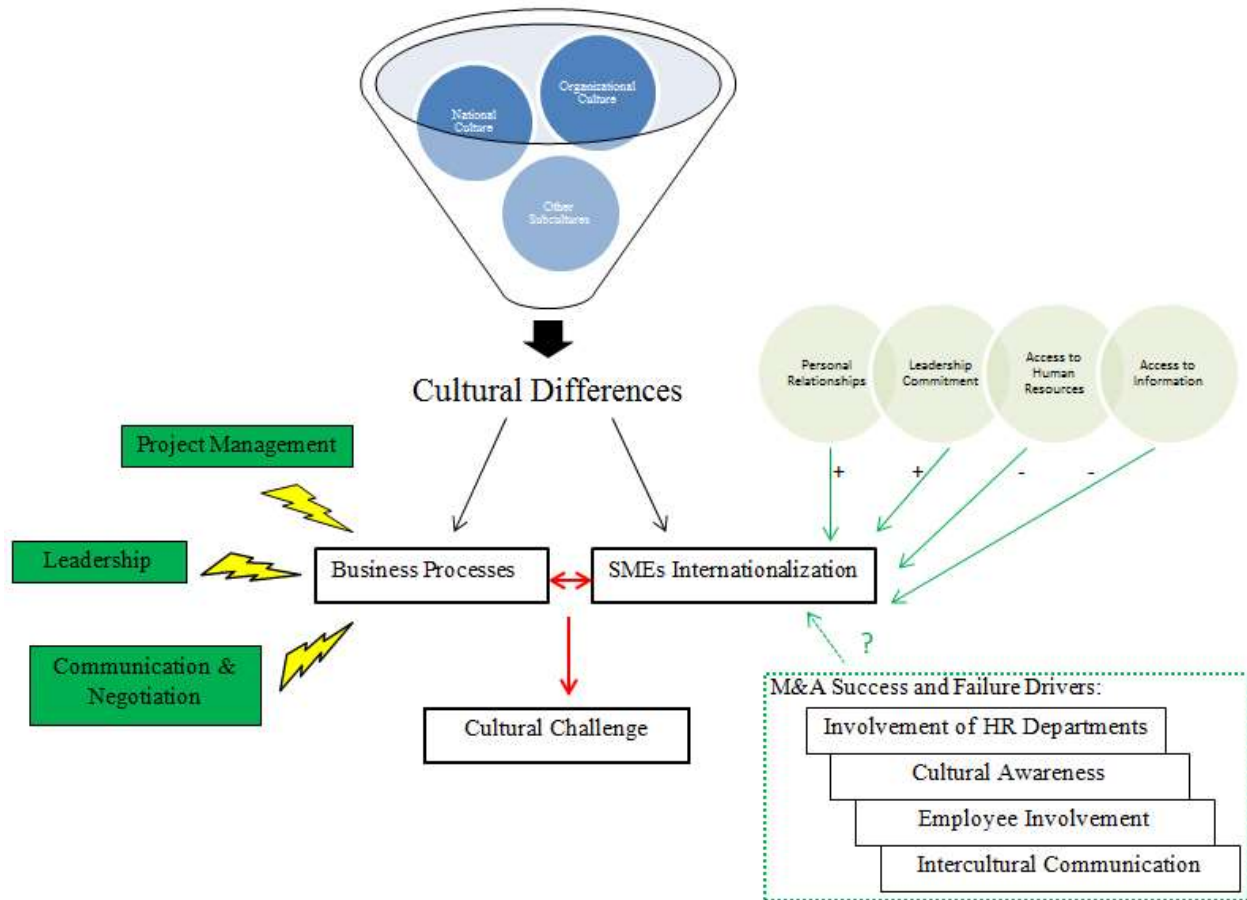
Figure 6: Theoretical Background and Literature Review Combined in Final Framework

To recall from the theoretical background, external and internal resources have an impact on SMEs success and failure in an international arena which affects the risk level of SMEs. This could lead to SMEs being an attractive/unattractive investment for investors which causes financial constraints and limits SMEs growth potential through internationalization. Consequently, culture affects a company's situation in many ways and therefore, should not be left out when considering success and failure drivers of SMEs internationalization.

Figure 7 presents a further consideration that helps to answer one of the sub questions of the thesis. There is an interrelationship between business processes and SMEs internationalization. Well-integrated teams can successfully execute business processes and support a firm's internationalization. However, going global also means to integrate a diverse set of organizational and national cultures. In this way, SMEs internal resources (personal relationships

and leadership commitment) could facilitate integration processes. Access to both human resources and information could negatively impact project management, communication and negotiation, and leadership.
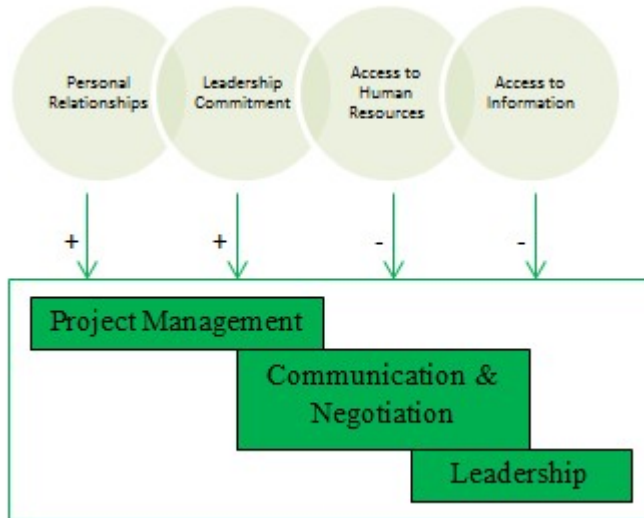
Figure 7: Impact of SMEs External and Internal Resources on Business Processes

Besides answering the research question, I aim to explore whether SMEs have a stronger basis for dealing with the impact of cultural differences on business processes in an international arena. Critical voices argue that SMEs lack resources and therefore do not benefit from internationalization strategies. But what if the opposite is the case: Do SMEs tend to have a higher overall success rate compared to MNEs – especially because they operate in smaller entities with shorter and personal ways of communication?

To express a conclusion on this condensed final framework which is the basis of the methodology in the next chapter, it is important to explore the following:

First, to answer the research question of how SMEs manage the impact of cultural differences on international business processes it is important explore:

- On what kind of cultural differences the case company is confronted with?
- Do identified cultural differences affect business processes?

Second, I want to contribute to the debate whether SMEs are capable to grow internationally and whether they can better manage cultural differences than MNEs. It is notable that HR departments enjoy a very strong position in prior MNE literature. However, HR departments and its presumed essential role seem to be completely left out of the SME literature stream. This further emphasizes the need for an answer to the research question. Furthermore, it increases attention on who manages cultural differences in SMEs if it is not a task assigned to HR departments. Third, if it turns out HR departments play no key role when managing cultural differences in SMEs. And considering that the whole culture debate concentrates on the role of HR departments in MNEs, leads us to the assumption that MNE literature cannot be applied when seeking for answers regarding SMEs culture issues. In this way, it is even more important to start discussing the cultural topic isolated from economic and financial drivers when investigating SMEs success and failure when going global.

4 Methodology

The type of case study I conduct is an exploratory case study. Exploratory case studies are condensed studies that are conducted before large-scale investigations are undertaken (Mann, 2006). Research in international business focuses on many different fields. Prior literature that focuses on international context to observe culture make use of case studies as a research strategy. Especially situational approaches are useful for business because they describe, explain, and explore real life situations other practitioners can benefit from (Farquhar, 2012, p. 10). A brief introduction of what case study research is, is important to shape the reader's expectation. This is also helpful in understanding the focus of case study research and what it is not. Critical voices claim that case study shows only a limited example that cannot be translated to a bigger picture. Others support case study research since it provides a more realistic picture of a real-life situation than statistical methods. The truth lies somewhere in between and depends on the purpose of the research strategy.

The methodological approach consists of three main pillars: Case Study Design, Case Study Selection, Data Collection and Analysis. In the following I give a compact description of each pillar. The aim is also to clarify why I decided to use a qualitative method embedded in a case study strategy. Table 12 summarizes the main facts about the methodology approach of the thesis.

Table 12: Description of Exploratory Study to Answer the Underlying Research Question

Research strategy:	Instrumental Case Study
Type of research:	Exploratory
Qualitative method:	In-depth interviews, documents
Data analysis:	Content mapping

4.1 Case Study Design

Due to little research and literature on the impact of cultural differences on business processes in internationally active SMEs, I explore the cultural challenge via an exploratory case study. Stake (1995) argues "Case study is the study of the particularity and complexity of a single case, coming to understand its activity within important circumstances" (p. 11). A qualitative

researcher emphasizes nuances "[…] of happenings in context, the wholeness of the individual" (p. 12). Merriam (1988) defines case study research "as an intensive, holistic description and analysis of a single entity, phenomenon or social unit." (p.16). Yin (1994) defines two characteristics of case study research after a comparison with other strategies. Case study "investigates a contemporary phenomenon within its real-life context" which is especially true if "the boundaries between the phenomenon and context are not clearly evident" (Yin, 2009, p. 13). Simons (2009) summarizes case study research as "an in-depth exploration from multiple perspectives" which highlights the "complexity" and "uniqueness" of a certain real-life context (p. 11).

Case study research is especially helpful to answer how, who and why questions in a contemporary context. The underlying contemporary phenomenon in this thesis is the cultural impact on SMEs internationalization. Whereas the contemporary context of interest is how an SME manages the cultural impact on its operational business. One of many advantages of case study research is to study "the phenomenon in context, so that the findings generate insight into how the phenomenon actually occurs within a given situation" (Farquhar, 2012, p. 6). In this sense, Farquhar (2012) summarizes the aim of case study research with the following "dig deep, look for explanations and gain understanding of the phenomenon […] through this understanding extend or test theory" (p. 10). The gap in the literature of the underlying research object in my thesis allows for a case study strategy.

Researchers use a case study strategy by "circumscribing the area of study to a small number of units" (Farquhar, 2012, p. 5). To do so they use either qualitative or quantitative methods to collect data. A wrong conclusion is only qualitative methods are linked to case study research. However, the small number of cases triggers criticism. It does not allow for recommendations how the research can be extended to other situations. Farquhar (2012) argues that "this limitation is offset" because this deep understanding gained leads to an awareness of "how this deep understanding can contribute to knowledge in business" (p.7).

Case study research "are empirical investigations […] based on knowledge and experience, or more practically speaking involve the collection and analysis of data." (Farquhar, 2012, p. 5). However, two major concerns are (Remenyi et al., 1998):

- Lack of objectivity and rigour
- Lack of generalizability

Objectivity expects a distance between researcher and the unit of analysis which is possible when conducting surveys or experiments. In fact, objectivity is not a priority to achieve when getting an in-depth understanding of a contemporary phenomenon in context. (Simons, 2009, p. 7). Critical voices explain the lack of rigour due to researcher's sloppiness in working processes (Yin, 2009). To avoid this criticism in my own research strategy, I follow a systematic and transparent procedure. It is difficult for researchers that support case study research to offset the critique of lacking generalizability. An interesting statement claims "on the basis of our researched case(s), what can be said about non-researched cases?" (Swanborn, 2010). Others counter-argue that the intension of gained in-depth explanations of complementary phenomenon in contexts is not to make statements that apply to a larger number of units (Gomm et al., 2000; Simons, 2009; Farquhar, 2012).

4.2 Case Study Selection

Based on Stake's three different types of case studies, I made a decision about the focus of my research. Table 13 summarizes the three types and highlights my choice of case study type in the red box:

Table 13: Types of Case Studies

intrinsic	Characterized by an intrinsic interest in the case itself
instrumental	Choice of case is determined by the opportunity - to explore a phenomenon or research question that is embedded in some other ground - to gain insight to understand and explain something else
collective	A selection of several cases form a collective understanding of the phenomenon or research question

In the previous section I define the underlying contemporary phenomenon and the context it is linked to. Based on this relationship I follow an instrumental case study strategy. The decision how many units to study requires some basic understanding of what case study research is and what it is not. The aim is to understand a real-life context through exploration of a small number of units rather than to generalize to a larger population (Gomm et al., 2000). It is important to find a case company that is an "instance of good practice" (Farquhar, 2012, p. 11) and provides "a rich multidimensional holistic picture of the situation in a real-life context" (Remenyi et al., 1998).

Two reasons determine my choice of the case company. First, the case company meets the requirements in terms of: it is a medium-sized enterprise that developed an internationalization strategy and became a global enterprise. Second, I already had the chance to get familiar with the company during an internship in 2012. In this way, it was easy for me to get in contact with potential interviewees within the case company since I already had a trustful relationship to some key players within the case company.

4.3 Data Collection and Analysis

Yin (2009) finds that researchers should follow a tactic to use various sources of data within each case. Data sets can consist of primary (interviews) and secondary data (documents) sources. In this way "research findings are strengthened as the evidence is triangulated" (Farquhar, 2012, p. 8). Triangulation is an essential concept in case study research. The combination of different perspectives leads to robust "foundations for the findings and supports arguments for its contribution of knowledge." (Farquhar, 2012, p. 8). I conducted interviews with key players of the case company. Two interviews with the CEO were recorded. I made precise field notes during the phone interviews with the CSO, the production manager of China, and the Quality Manager. Besides using the case company's web site, I consulted each interviewee regarding documents that could be of interest for my research. I collected data through an analysis of company documents such as project management report and project management documentation guidelines. Table 14 shows the listed data sources and their identifiers.

Table 14: Identifications of Data Sources in Data Analysis

Data source	Identifier
Interview CEO	I1
Interview CSO	I2
Interview Production Manager China	I3
Interview Quality Manager	I4
PMO Report July 2017	D1
Project Management Documentation Guidelines	D2
Company website	D3

Researchers suggest combining different data sources and studying larger organizations allows for using surveys since the number of staff is feasible. However, conducting in-depth interviews to collect data is more suitable in smaller organizations. (Farquhar, 2012, p. 8). The aim of the thesis is to explore the impact of cultural differences on internationalization in SMEs. The best way to find answers to the underlying research question is to interview practitioners.

I had six semi-structured interviews with four key players of the case company. The CEO and CSO work for more than 25 years in the case company. Both could tell me a lot about the firm's development from a small family business to an international medium-sized enterprise. They are experienced in an international context due to the firm's activities all over the world and seven subsidiaries. The third interview partner worked for five years in the German headquarter before he became the production manager in China. The Quality Manager, was recently hired, and is responsible for a global strategy that ensures standardized processes in the headquarter company and its subsidiaries. Table 15 provides an overview of the interviews and its characteristics.

Table 15: Overview of Interviews Sources

Identifier	Position of the interviewee	Number and type of interview session	Duration of the session
I1	CEO	2 x face-to-face	90 min. / 90 min.
I2	CSO	2 x phone	45 min. / 30 min.

| I3 | Production Manager in China | 1 x phone | 30 min. |
| I4 | Quality Manager | 1 x face-to-face | 25 min. |

Following the theoretical background and the literature review, I developed an interview process structured in five categories. The five categories cover areas to investigate cultural challenges that affect the case company's business processes. Moreover, I explore how the case company manages cultural differences on a global firm level. Table 16 summarizes the categories and gives a brief description of each category.

Table 16: Interview Structure

Category	Goal
Consequences of internationalization	Identifying the interviewees standing about the positive or negative aspect in terms of internationalization
Cultures on national, corporate, and working level	Getting a taste of what kind of cultural differences exist within the case company
Pressure do adapt	Detection of critical areas caused by internationalization and diverse cultures
Confrontation with diverse cultures	Focusing on positive and negative aspects of cultural differences in everyday business situations
Development from local to global business	Characteristics of change management process due to internationalization

The primary function of the first category is to identify the interviewee's opinion on the cultural impact on the case company's internationalization. In this way, the interviewee had the opportunity to set an own direction from the beginning of the interview and to predefine the focus during the interview process. Furthermore, it serves the purpose to identify the opinions on characteristics or attributes each interviewee assigns to the cultures of the case company's subsidiaries.

The second category focuses on differences between the German headquarter and the daughter companies in terms of national and organization culture. Open questions within this section lead to a better understanding how tasks are done in an international context, whether colleagues cooperate, how parties pursue their interests, and whether a German corporate culture is present in foreign entities.

The third category serves the purpose to observe whether the case company faces the pressure for change due to internationalization and why. Furthermore, it is of interest how the case company manages relationships to foreign customers.

The fourth category deals with the collaboration or confrontation of cultures in terms of working cultures. The goal is to observe the impact of language barriers, presence of nonverbal communication, presence of trust/suspicion/or openness and its impacts. Furthermore, it is of interest what other subcultures are present within the organization.

The last category deals with an international corporate culture. One component in this section focuses on knowledge transfers between colleagues in an international context. Do knowledge transfers cause problems within the company and if so is the case company able to manage and solve this issue? Furthermore, the purpose of the fifth section is to find out whether there is rivalry among entities/colleagues from different daughter companies. If so, which effect or impact this rivalry has on business processes of the case company. Lastly, the case company's development to an international enterprise is of interest.

Finally, the aim of case study research is "to understand and theorize through enfolding the literature" (Gomm et al., 2000). To analyze critical factors and the complementary phenomenon in context itself I apply an interpretivist perspective. To analyze the data, I follow a qualitative content analysis approach of Mayring (2014). The three elements project management, communication and negotiation, and leadership ensure that the findings are "not interpreted as a whole but divided into segments" (Mayring, 2014). In this way, a second researcher or coder can conclude similar results according to the segments. To analyze the findings of each interview category (five categories described above) I assign citations to content items (see Appendix). To

do so I begin in the first category to identify a first set of content items. Then I move to the next category and search for patterns that connect the findings to the first set of content items. If necessary I add content item and identify a second set of content items that include those of the first set. I follow this approach through all categories and arrive at the end of category five at a final set of content items (see 5.4 Conclusion).

4.4   Conclusion

This chapter provides information about the case study approach. It justifies my choice of research strategy and explains why researchers' intension is not to provide generalizable findings when using a case study strategy. Moreover, it explains the technique and strategy that helps me finding answers to my research question and sub questions. To recall the research question: My aim is to explore how the case company manages the challenge of cultural differences in the context of their business processes in an international business environment.

5   Findings and Discussion of the Case Study

Each firm and each internationalization scenario is unique therefore it is important to focus on a single SME to analyze its challenges, opportunities, and strategies to manage the impact of different cultures on business processes. Culture is not easy to describe. Identifying challenges due to cultural differences in the case company requires considering its development from a family business to a global player. As each firm is unique so are their business processes, I decided to focus on three components that affect business processes to answer how the case company manages the impact of cultural differences.

The first section of the chapter gives an overview of the case company's profile. The second section presents the findings which uncover cultural differences the case company faces due to internationalization. The discussion section focuses on project management, communication and negotiation, and leadership as influences that need to get managed when going global. The chapter closes with my concluding remarks in the last section of this chapter.

5.1   Profile of Case Company and Interviewees

1926 Foundation in East Germany

1949 Forced expropriation in East Germany
Foundation of headquarter company in West Germany

1976 Subsidiary USA

1986 Subsidiary China

1987 Joint Venture in India (North)
Subsidiary UK

1991 Repurchase of former headquarter in East Germany as subsidiary

2002 Subsidiary Brazil

2005 Separation of joint venture in India
Purchase of subsidiary UK

2010 Subsidiary India (South)

2012 Subsidiary Mexico

2016 Subsidiary UK

2017

Figure 8: Time History of Case Company's International Development

The case company is a German medium-sized enterprise that developed to a globally active company. The timeline in figure 8 starts with the case company's foundation in 1926 to 2017 and shows when subsidiaries were established (D3).

The case company is an autonomous medium-sized company that meets the quantitative criteria according to the European Commission. As a manufacturer of special machines for surface treatment, the case company provides 90% of their machines and service for the automotive industry and its suppliers. The case

company approaches a market-oriented strategy and follows customers to internationalize its own business activities. An export strategy is an entry mode the case company follows in the beginning before deciding to set up a subsidiary. 70% of the case company's international activities are export activities in countries where important customers operate. The rest of its international activities are handled through subsidiaries (or a joint venture in the past). USA, China, and India are the most important markets, besides the European market, for the case company.

The most important business processes are the production of machines in the German headquarter company and the German subsidiary and designs for customer applications. They send finished products or components to subsidiaries where end assembly and additional services such as machine maintenance are located.

As a medium-sized enterprise the case company benefits from financial aid provided by the European Union, federal and state level in Germany. Financial aid is only provided for innovation projects regarding products or processes. The headquarter company exceeds the staff headcount of 250 and meets the financial ceiling (annual turnover and annual balance sheet total). Therefore, the headquarter company can only get financial aid for cooperative projects with small enterprises or Universities. However, the German subsidiary in East Germany has fewer than 250 employees, is below financial ceilings and gets financial aid for independent innovation projects.

5.2   Case Study Findings

Six semi-structured interviews are the main data source of the exploratory study. The following section presents the findings according to the five categories described in section 4.3 Data Collection and Analysis. Case studies are characterized by a "huge amount of data" (Simons, 2009, p. 5) that needs to get structured. Even though, the findings are detangled and overlap categories, it ensures a structure that helps to present the findings in smaller sections. In fact, I aim to present the findings as clean and unbiased as possible by keeping them in those categories the interviewees assigned them to in the first place. For triangulation purposes, I add relevant

information collected through company-related documents. The category I assign them to is based on my judgment.

5.2.1 Consequences of Internationalization

The case company faces a challenge in terms of the quality of workforces. I1 states there is a difference between the German education system and those in other countries.

> *"The German dual vocational training system is quite unique. We, as a manufacturing company, need skilled and well-trained employees who understand the complexity of our machines."(I1)*

I1 explains that prejudice and discrepancy between colleagues worldwide often arise due to knowledge differences. Considering the manufacturing sector, German trainees specify in a certain technical or manufactural area and learn a trait for three years. It is a dual system and combines theory with working practice in a company. I1 views the education system as a "great advantage" for the German headquarter company. Employees develop their skills in the company for three years before they specialize in a certain field within the company. If employees join the company after their vocational training in another company in Germany, they know the employees have a basic knowledge and meet the German education standards. I2 supports this view and points

> *"We develop our machines and set standards for our products in our German headquarter. It can be quite problematic when our colleagues in the US, India or China have to solve problems or maintain the machines for their local customers but they simply do not have the technical know-how even though they work for us many years."*
> *(I2)*

I1 describes both positive and negative aspects of the German business culture.

> *"[...] to describe our German business culture here in the southern part of Germany [...] I think employees are goal-oriented, performance-oriented, and most of them I consider as career-oriented." (I1)*

On the other hand, German employees are aware of their power in terms of manufacturing skills and knowledge. I1, I2, and I3 agree and conclude that some German employees use their power in a negative way and tend to be arrogant when they work with international colleagues. I2 notes that this phenomenon was worse in the past but since a few years the case company has an internal exchange program to train international colleagues. Chinese or Indian colleagues work for a period of two to six months in the headquarter company and learn from the German colleagues. I1 thinks this is "one of the most and major changes" they implemented during the years of internationalization. The program supports knowledge transfers because employees from different countries build relationships.

> *"[...] especially Chinese colleagues need a long time until they trust you. They fear to lose their face which makes it extra hard to work with them." (I3)*

The challenges due to many organizational cultures within the case company result from the former family business structure of the case company. I1 and I2 report that the owners allowed foreign subsidiaries to build their own products, process structures, and standards. Consequently, the case company must deal with influences of many different organizational cultures within the company. Today, the case company maintains parent control over its foreign subsidiaries and implements a control system step by step.

> *"Our major project's goal is to implement a global SAP platform and set standards in every aspect [...] product development and manufacturing processes are in Germany, standards in all business areas help us to build a global culture of continuous improvement [...]" (I1)*

The case company strives for a "Culture of Continuous Improvement by implementing Six Sigma" (D1). I3 explains Six Sigma is a strategy or tool to improve manufacturing and business processes. The case company implements the approach in form of guidelines to reach stable and standardized process and project results.

I4 explains the need for Lean management techniques to create efficient workflows and identify saving opportunities. He adds cultural differences significantly affect project management teams.

> *"Cultural differences are the reason why we need formal practices, guidelines, and standardized procedures that work worldwide in all business processes." (I4)*

Both I1 and I2 report about family vacations in countries in which the case company has subsidiaries. Chinese, American, or Indian (north and south) managers also visit Germany with their families. Some employees build a close friendship to colleagues working in foreign subsidiaries.

5.2.2   Cultures on National and Organizational Level

Cultural differences impact the way of cooperation across colleagues in the case company. I1 refers to "working cultures" which not only determine global teamwork within the case company. He adds that the case company even faces "cultural challenges due to cultural differences between the headquarter company in the south of Germany and the daughter company in East Germany" (I1). The case company is challenged by the East-West conflict since decades. I1 notes wage levels are lower in East Germany compared to West Germany which causes rivalry among employees in the case company. In general, social and economic disparities characterize the tension between East and West Germany which has a cultural impact on the case company.

Looking at global challenges, the case company is active worldwide and has subsidiaries in Germany, UK, USA, India, China, Brazil, and Mexico (D3). The British team accepts orders from the headquarter company but they tend to lack knowledge and therefore, are not able to complete a task.

> *"Our British colleagues are rather reserved towards Germans. However, they are not openly against them like US colleagues." (I2)*

The British behavior also leads to the problem that "they do not communicate if they do not understand technical problems" (I1). I1 adds that British customers rather accept higher prices for machines that are produced in Germany than buying a cheaper machine manufactured in the UK. Closing the manufacturing plant in the UK is the beginning of a strategy in which the "parent company is the producing entity" (I1). In this way, the case company breaks up old family-business structures and develops to an international enterprise with centralized power.

> *"Due to this strategy, we do not have to rely on specific knowledge by others and we protect our core competencies." (I1)*

I2 thinks that American colleagues "feel humbled if they have to involve German colleagues". The old family-business structure allows "solo runs" (I2) in the US subsidiary. To break up old structures the case company tries to position experienced German headquarter employees in the US subsidiary.

> *"Some key positions are held by Germans except for the managing director position. It is better if the managing director is American." (I1)*

Managing director positions in other foreign subsidiaries do not cause problems if they are held by Germans. I1 adds a dual leadership of a German and a Chinese manager in key positions is a common approach in multinationals in China. However, the case company is too small for a dual leadership strategy. In the US subsidiary, Germans are assigned to technical positions such as design, development and commissioning of the machine. Recently, they also filled key positions in Finance with Germans because they could not find skilled workforce in the US in this regard. I1 and I2 admit Americans are flexible in hiring processes which can have negative consequences for the overall performance of the case company.

> *"They once assigned an elementary teacher to a management position in Finance [...] this would be impossible elsewhere and it only works in the US." (I2)*

Purchasing and Sales positions are assigned to locals because it is crucial to maintain strong customer relationships. I1 adds legal aspects of recruiting processes in the US differ from those in Germany. Some valuable information about the applicants is restricted from using in hiring processes. Furthermore, product changes and improvements "are viewed rather skeptical" (I2) which is challenging for a German-American working relationship. I1 and I2 link this behavior to a lack of knowledge. Moreover, I1 concludes that "it is in their culture that they think they do not have to improve and develop skills".

The change from a decentralized organizational structure due to a family-business structure to a centralized decision-making structure leads to performance improvements in the US market. US

customers accept machines that are manufactured in Germany which "was predicted to be differently from our US colleagues in the beginning" (I2).

> *"The problem in the US is not caused by our German culture. They just don't like to follow others' rules no matter where they come from." (I1)*

The Chinese working attitude is perceived as positive "they are eager to learn as much as possible" (I3) but "their culture is very different" (I2). Chinese business people struggle with direct feedback and they do not prefer to get rushed in decisions. Especially decision-making processes with Chinese colleagues cause problems and time delays. I3 adds it is "difficult for them to make fast decisions" (I3) in team meetings. Furthermore, both team work between colleagues and negotiations with customers are challenging in China. Chinese cannot make fast decisions and Germans are not patient enough (I1).

> *"The highest conflict potential is in fact that we have to discuss things we agreed on repeatedly for weeks with our Chinese colleagues." (I3)*

Furthermore, sales processes with Chinese customers require a lot of time and many meetings until they decide. I2 notes Chinese customers "require special treatment" and "they ask for at least one German negotiation partner in meetings". Additionally, working with Chinese colleagues or customers causes problems due to language barriers. The language barrier among employees hinders knowledge transfers because most of the German lower level employees do not speak English. Even if they do speak English, they still have the problem that Chinese lower level employees do not speak English (I3).

The case company seeks for leaders that are allrounders who preferably have a technical, financial, or personnel background (I1).

> *"We do not need leaders that are specialists in a single field."(I1)*

Specialists are good for second management levels but at the top of the management are people who have a focus on for instance production or sales but cover other business areas as well. Considering the nationality of the leaders the case company gained positive experiences with

those who have a German background or know the German culture. However, the selection of employees or leaders in an international context is evaluated according to their skills and nature.

> "Not everyone's nature fits in every cultural setting. For example, we have one great German sales employee who gets along with Russian customers quite well but his very direct way is contra productive in USA or China."(I2)

The directing manager and the head of the department make personnel decisions concerning local and global management teams or project management teams (I1). It is important that key management members

> "see the big picture, have a holistic approach, are able to assess risks and willing to take risks […] they have to be decisive, and open with an adaptive nature." (I1)

5.2.3   Pressure to Adapt due to Internationalization

The pressure to change or adapt due to internationalization is determined by two factors. First, the case company's demand for skilled workforces determines its changes in terms of business processes. To keep quality standards of their products, they locate their manufacturing plants in East and West Germany. Second, as their international activities increase a shift from independent subsidiaries to increased parent control is an essential development. The result of "the weak parent control" (I1) in the past causes that the US subsidiary develops and manufactures own products that are not align with quality standards of the headquarter company.

> "The Indian and Chinese subsidiaries always wanted to follow the German approach and quality standards. They never used the weak family-business structures for their own benefit." (I1)

I1 adds difficulties due to lacking skills and knowledge is another reason why they manufacture their machines only in Germany and ship them to their subsidiaries. In the past, the US subsidiary produced for the Chinese subsidiary. But Chinese customers refuse US products.

> "Our Chinese customers neither trust US machines nor the skills and knowledge of US colleagues." (I3)

I3 adds they "simply have to accept" their customers perception about Americans and US products in China and must act accordingly. The case company experiences a similar aversion to US machines in India. Moreover, negotiations with Chinese customers are challenging in terms of language barriers. On the one hand, they only want to negotiate prices and products with German managers and "need the German expertise" (I1). However, they must rely on translators in their meetings.

> *"But Mandarin itself bears so many traps even for locals and it is almost impossible for foreigners to learn the language." (I3)*

Several factors influence negotiations with Chinese customers. The language is difficult and has a high potential to create misunderstandings. Therefore, the case company always involves translators in important meetings. Translations of paper work such as reports or contacts are cross checked by a second translator. However, they are not able to fully control the language barrier. I3 says it often happens that meanings and agreements in contracts get changed due to different translation styles. On the other hand, it is equally important to involve locals in negotiations with customers. Chinese business people tend to be more open towards people with the same cultural background. Additionally, in the Chinese culture "losing face" is one of the most difficult cultural concepts to understand for outsiders. Involving locals in negotiations with customers prevents the case company from cultural pitfalls. I3 notes the building of mutual trust is priority for him as production manager. He adds Chinese colleagues must realize mistakes can happen and openly dealing with mistakes is part of the case company's culture. However, it is a time-consuming process to earn trust in China and requires patience.

I2 thinks intercultural trainings are especially important for technicians. Conflicts and tensions are often caused by German technicians who support maintenance processes in China. The Chinese culture is special and perceived as close with a deep skepticism which requires from German technicians' patience, context reading and cultural understanding to meet Chinese ethics.

> *"[...] it can happen quickly to accidentally offend Chinese if you don't understand cultural differences."(I3)*

Besides the language barrier he also views the German mentality as problematic. Several factors determine the German-Chinese relationship. On the one hand, German technicians have the knowledge about the machines. The case company wants German technicians to share their know-how with Chinese technicians.

> *"What we really need is a knowledge-transfer. In China, we face two problems." (I2)*

First, a knowledge-transfer means less power for Germans. Sometimes they must send German technicians for several weeks to China. In this way, it is a lucrative opportunity in terms of additional payments for Germans they could lose if they share their know-how. Second, a knowledge-transfer for lower-level employees is a problem in terms of language. However, the case company lacks a knowledge transfer on lower levels due to missing English skills on both sides.

5.2.4   Confrontation with Diverse Cultures

The fact that the old family business structure allowed independence of foreign subsidiaries in the past, the case company faced a variety of organizational cultures to deal with. The new approach is to sustain parent control in order to approach shared values and standards on a global level.

> *"The biggest issue we had in the past was to deal with our US colleagues. They always tried to avoid German standards and argued that external approaches and foreign products do not work in US markets." (I1)*

I1 and I2 add that even though the old structure allowed independence of subsidiaries, the case company's daughter firms in India and China always tried to follow the German approach. I2 explains this from a historical point of view. China and India, as emerging economies, have to keep up with developed markets. I2 says their rapid market development of the past years and growth prospects in the future show their willingness to learn and adapt strategies from others.

> *"The training program for manufacturing and production colleagues in our subsidiaries only works with our colleagues from India and China. US colleagues are too proud to admit they could benefit from it." (I1)*

I1 tries to identify reasons for cultural differences within the case company and its subsidiaries. Germans know knowledge is their competitive advantage but they have to make business outside of Germany. In contrast, Americans are influenced by the quantity of people they serve inside the country and they do not have to think across borders. Chinese business people know what they did not know for decades. In the manufacturing sector, they use Germany as their role model. The south of India developed from an agricultural economy to a high technology economy (I1).

> *"IT was an undiscovered and new field for every country […] they begun at the same time to develop this sector but learned faster than everyone else."(I1)*

The history of the case company in India begins with a joint venture in the northern part of the country. The failure of the partnering with an Indian manufacturing company is caused by several reasons. The northern part of India is "strongly influenced by religion" (I1) and the society is influenced by the caste system. The structure and the organizational culture of the Indian partner firm "was really difficult to work with" (I2).

> *"Even though we were not part of their caste system they immediately placed themselves under us. It was really difficult to achieve a partnership at eye level." (I2)*

At the time, the north of India is still "agrarian-oriented" and "it was impossible to find skilled workers" (I1). The case company decides to build up a subsidiary company in the south of India. The south of India is "a hub for industries which finally leads to a better educated population" (I1). Additionally, religion has less influence on the culture in the southern part of India which is an advantage for a business relationship between employees of the case company from a global perspective.

Chinese employees do not want to lose their face. Therefore, it "takes time to obtain trust" (I2). I1 thinks German employees tend to view Chinese colleagues as second-class humans. Therefore, he only sees the need for intercultural trainings in Germany. I3 concludes Chinese colleagues are open within the ability their culture allows them to be. He adds the positive working culture is determined by a strong commitment to the firm and workplace. The termination rate is lower than in other subsidiaries of the case company or the headquarter

company. However, a problem they face is the fact that Chinese tend to have an unstructured way of working or working time.

> "[...] in China it is common to schedule personal appointments from 9-11 instead at, let's say, 5 or even after work." (I3)

He further explains they do have formal guidelines such as code of conduct and manuals that explain working procedures. However, "you still have to be flexible in China" (I3).

I4 notes there are areas in which the German culture is overruled. The formal 'Sie' gets confused with the informal 'you' in English. Besides German, English is the case company's working language which "forces German employees to be on first-name terms" (I4) with colleagues even though it may feels unnatural for them. He adds cultural differences also exist between operational areas.

> "You can even feel a difference between production hall and office building." (I4)

I1 and I2 agree that a global communication does not significantly differ from a local communication because of a rather small team that is globally active. This causes short and direct communication ways in the case company which leads to personal relationships. First and second levels of management of the case company meet two times a year for three days in the German headquarter company. Finance, production, R&D, and sales discuss their topics separately before they present results on the second day. On the third day the leaders of each business area discuss the case company's strategy.

> "Equally important is to maintain friendships in these three days. We cook together or go bowling."(I2)

Communication between global team members works through conference call software. Project leaders "meet face-to-face in a kickoff event" (I1) in the country the project is launched. I4 thinks emails between non-native English speakers tend to be "brief and concise which seem impersonally or unfriendly". Challenges in terms of global communication or negotiation derive from different sources.

"Germans presume they know everything better and are not willing to discuss any other topics than those they scheduled the meeting for. Chinese fear to lose their face so they discuss the same each day because they cannot say what they really think." (I3)

I1 and I2 note that the German management team "also has to adapt to cultures" (I1) and "as time goes by you know cultural characteristics and learn how to deal with them" (I2). Chinese and Indians tend to "feel personally attacked when getting critical feedback" (I1). However, I1 adds the tendency to feel personally attacked is not necessarily an issue caused by culture

"The solution is to act and behave first of all in a respectful fashion regardless of cultural differences. We approach an open and constructive feedback culture that is based on a professional level." (I1)

Integrating diverse cultures in a way that synergy effects can be created is not a priority of the case company. The technical background of the company does not allow for any differences in interpretations due to different cultures.

"We do not benefit from synergy effects caused by different cultures. We are successful because of our technical expertise which is based on quantitative measurements that are not interpretable."(I3)

I2 thinks even though there are language barriers between employees or customers there is an effective communication "numbers and drawings are sufficiently informative". An advantage due to the case company's technical oriented business environment is that "many customers and employees are Germans, studied in Germany, or speak German" (I1). I1 adds that Germans have a reputation for their technical skills and knowledge.

5.2.5   Development from Local to Global Business

On the way to an international enterprise, the case company realizes assigning employees to the right position is not only important from a skill and knowledge perspective but also from a cultural perspective.

"Positions that are directly linked to customers are held by locals." (I1)

Certain key positions are held by Germans within the case company's international structure for two reasons. First, positions in Production, Finance, or R&D are assigned to Germans to protect core competencies. Second, in this way, they assure the case company's values and standards are recognized and respected in foreign subsidiaries.

The case company faces challenges caused by time differences when important decision-making processes are outstanding (I4).

> *"In turbulent times it happens that I have to talk to the directing manager in USA, China, or India at night [...] or of course, it is in the middle of the night for them." (I1)*

I1 notes "we are an international company and our employees know that" and communication ways are direct and personal. In this way, "you can tell immediately if someone is not flexible or adaptable for our organization's needs." (I1). On the other hand, while negative aspects of employees' working attitudes are quickly recognized, he adds that positive developments can be pushed.

> *"Through short communication ways and personal relationships, we can be a part of our employees' leadership, skill, or self-development." (I1)*

I1 thinks the case company's HR department is sufficient for dealing with administrative matters. However, in terms of training programs, feedback discussions, or other forms of strategically developing employees' strengths and skills "our HR department is not present" (I1).

Due to time differences, there is a difference of more than one work day between the headquarter company and subsidiaries. It is something they cannot directly influence. However, using information technology and applying standardized processes ensures that employees no matter where they are located have access to relevant information in familiar formats.

> *"Guidelines for data documentation and presentation or project status reports are the same for all subsidiaries and the headquarter company."(I4)*

However, they cannot avoid a loss of knowledge due to language barriers. I3 notes that he still gets problem reports of machines in Chinese. They addressed this problem when they hired a Chinese project manager in the headquarter company who speaks Mandarin, German, and

English (I3). He works together with the quality manager on all technical documents and contracts. Documentation and reporting standards serve two functions (D2). On the one hand, it is a first step to offset language barriers in terms of misunderstandings. On the other hand, using information technology helps to smooth cultural differences. However, the benefits of standards are only possible to some extend due to a lack of English skills on lower levels.

> *"Standards on a global level exclude employees' arbitrariness when executing business process."(I4)*

I1 explains standards in documentation and reporting have to ensure clear feedback and exact problem descriptions when projects get more complicated due to individual customer needs. In this way, "only if problem descriptions are exact we can provide technical expertise for subsidiaries" (I1). Standardized processes do not take into account cultural differences "we neglect culture because we must ensure technical standards that are first of all objective measurements" (I1).

The role of female leaders and employees is determined by the case company's technical oriented business environment. However, the case company has one female employee in the Sales department in Germany who also supports the local Indian market. I2 thinks "it is rather unlikely that Chinese and Indians or even Americans accept women" regardless of the technical driven world the case company is active in.

5.2.6 Overview of the Findings

Table 17: Overview of Case Study's Key Findings

need for skilled workforces determines business success	technical skills: to ensure product quality and services such as machine maintenace
	leadership skills: development and recruiting of next leader generation is made by current management team through personal and close work relationships

cultural characteristics	Chinese fear to lose face, do not trust US products/services, it takes time to obtain their trust, willing to learn and improve skills, feel personally attacked when getting feedback, long decision-making processes
	Germans are not patient, presume to know everything
	Brits are reserved towards Germans
	Indians (north) strongly influneced by religion, feel personally attacked when getting feedback
	Americans do not see importance of skill development, feel humbled when Germans intervene, tend to avoid German approach

global standards in documentation and reporting	support global culture of continuous improvement
	compensate cultural differences
	limit employees' abitrariness when executing business processes
	culture is excluded from global approach - they focus on objective measures

tensions caused by culture	culture clash between subsidiary in East Germany and headquarter company in West Germany
	US recruiting system
	limited knowledge transfer
	Chinese feel quickly offended
	lack of structured working methods in China
	time-consuming decision-making processes in China

parent control over core competencies	parent company is producing entity
	special knowledge is only required in producing entities in Germany
	break up of weak family-business structures that allowed solo-runs of subsidiaries
	exchange programs to develop skills and knowledge in foreign subsidiaries
	positions that are linked to customers are held by locals others are held by Germans or those who know the German culture

communication challenge	numbers and drawings are selfevident regardless of language barriers
	written email of non-native English speakers tend to be brief and concise therefore perceived as unfriendly by others
	Chinese translation processes are greatest challenge

synergy effects	no synergy effects needed since company's success is determined by technical expertise

personal relationships	Germans are forced to use first-name terms
	employees maintain friendships in professional and private life with foreign colleagues
	short and personal relationships supports development of future leaders

subculture	difference between production hall and office building

Table 17 presents an overview of the findings structured in content items identified through a qualitative content analysis (explained in section 4.3 Data Collection and Analysis). The nine content items are:

1) Need for skilled workforces determines business success
2) Cultural characteristics
3) Global standards in documentation and reporting
4) Tensions caused by culture
5) Parent control over core competencies
6) Communication challenge
7) Synergy effects
8) Personal relationships
9) Subculture

5.3   Discussion of the Findings

The following section discusses the case study's findings with findings of prior literature. The success of business processes is limited to three elements or units of analysis in this thesis. The discussion section is structured in the following units of analysis: project management, communication and negotiation, and leadership.

5.3.1   Project Management

Elena (2010) states international enterprises manage their business by projects. The case company intensifies its development towards a global "culture of continuous improvement" (D1) through global teamwork and global projects. An essential key element of this approach is to implement standards in documentation and reporting. Breaking up old family-business structures is the initial step that enables the case company to follow this approach. Theile (1996) finds managers of SMEs can stay on top of the things with an "overview of fundamentally all technical, administrative and organizational procedures in the company". The headquarter company allows subsidiaries to operate independently for many years. In this way, it is difficult for the headquarter company to keep an overview of the group's overall performance. The "accumulation over time of information and knowledge enables the firm gradually to reduce

uncertainties about overseas markets" (Berry & Brock, 2004). Using information technology opens doors to internationalization (Barsauskas & Schafir, 2003) and enables the case company to take subsidiary's independence in business processes in order to grow as a whole.

Internal rivalry affects a global cooperation between entities. Reasons for this include cultural differences. A "collective programming of the mind" (Hofstede G. , 2017) determines society's way of thinking and behavior. Sources for a collective programming of society's lie in the historical development and the countries' economic and social positions. On the one hand, the case company observes a strong willingness to cooperate in subsidiaries of emerging countries. "The Indian and Chinese subsidiaries always wanted to follow the German approach and quality standards. They never used the weak family-business structures for their own benefit." (I1). Emerging countries such as China and India show an impressive development. They enjoy a competitive headstart in some areas through their willingness to learn from others and their great innovation potential. On the other hand, relationships between the headquarter company and the East-German and US subsidiary are determined by rivalry. This supports Hofstede (2017) that cultural diversity is even present within a country. I1 describes Germans and Americans as being satisfied through inherited wealth. Therefore, the level of intrinsic motivation to develop and grow differs among societies of emerging and mature markets. The motivation to develop skills of single employees finally influences the case company's performance. Toegel and Barsoux (2016) describe the American society as individualistic which explains the US subsidiary's "solo runs" (I2). The case company's motivation to implement standards through a global SAP platform and standardized project procedures and documentation is a necessary step to grow internationally and to manage their business processes in an international environment. The case company's initial intension to implement global project management standards is not caused by cultural challenges. However, it helps to smooth out cultural differences they have been always confronted with.

Theoretical concepts discussed in literature regarding project management consider two different approaches to integrate different cultures to ensure project success. Binder (2007) suggests considering all management practices present in a team and merging them "so that a practice relevant to a heterogeneous culture can be assembled". Elena (2010) presents a hybridization

approach that combines parts of cultures proved to be successful. The case company's approach shows they do not rely on concepts that consider cultural differences when setting standards for project management teams. Business processes of the case company are driven by meeting technical requirements. Therefore, when setting up standards to ensure successful outcomes in global projects the case company does not consider integrating cultural aspects. Binder (2007) states synergy effects are beneficial for project life cycles. The case company uses synergy effects in terms of assigning local employees to positions in which knowledge about local customers or local cultures is a key determinant of project success.

Project management procedures ensure that all entities within the case company execute business processes in the same way. However, standard ways cannot always solve the case company's problems because they are caused by individual customer needs. For example, circumstances in sales processes often do not allow applying standard procedures in later project stages because individual approaches are needed. Then the case company's success is determined by its employees' and leaders' "specific cross-cultural expertise" (Steers et al., 2013). Elena (2010) finds successfully working together in global teams is determined by the willingness of each member to care about other cultures and show an interest in understanding them. Leaders in the case company seem to be open to friendships as they visit each other during family vacations.

Elena (2010) finds not only national culture is source for challenges due to cultural differences. Education levels, and specific industries, job functions or companies shape culturally different behaviors. The case company shows evidence that a wide range of subcultures are sources for cultural differences that affect both local and global teams. The case company observes differences between employees in the production hall and the office building. It shows education levels and job functions of employees are sources of subcultures that affect business processes. In the north of India, the case company was confronted with a strong religious influence and low educated workforces. Both factors determine the case company's decision to terminate the joint venture. Setting up a subsidiary in the south of India turns out to work for the case company. It leads to the assumption that a cooperation between non-religious societies and those that are strongly influenced by religion is difficult.

Kloppenborg (2014) notes the importance of flexible communication processes. The case company sheds light on several factors that determine flexible communication processes. First, information technology provides efficient and effective knowledge sharing processes between global team members. The case company uses cloud based services to share documents. The vision of a "culture of continuous improvement" encourages the case company's employees worldwide to follow procedures regarding document control. Additionally, the case company's employees itself are flexible in time which supports decision-making processes.

Cultural fit is a common phenomenon MNE literature discusses. Researchers use theoretical concepts such as cultural distance and cultural attractiveness to explain cultural fit. The basic assumption of the theoretical model is that cultural distance creates challenges and problems. Considering good teamwork between the German headquarter company and the Indian and Chinese subsidiaries leads to the assumption that cultural fit is not necessarily determined by cultural distance. The US or East-German subsidiaries' culture are closer to the headquarter company's culture than the Chinese and Indian culture. However, the willingness to grow and develop of both emerging countries compensates the great cultural distance between cultures. Good cooperation is determined by common goals and consistent strategies. In this way, cooperation partners pull together in the same direction no matter how far apart their cultures are. This leads to the assumption that cultural fit is not a determinant of successful cooperation and teamwork but shared goals and strategies are essential key drivers.

Criticism in prior literature in the cultural fit debate refers to the basic assumption that cultural distance implies negative impacts but differences can also lead to benefits and synergy effects (Vaara et al., 2014; Li et al., 2017). However, the interviewed key players agree there is no need for creating synergy effects based on culture in the technical oriented business world the case company is active in. The case company's choice of foreign markets is not determined by cultural fit considerations. The current internationalization strategy is based on market oriented drivers. This might explain the fact that the key players interviewed are aware of cultural differences but they do not view them as success or failure drivers. Therefore, the cultural aspect is not part of the case company's internationalization strategy. However, the case company takes into account employees' cultural background when assigning them to key positions in

subsidiaries and the headquarter company. In this way, the case company uses synergy effects of cultural diversity in local and global teams.

5.3.2   Communication and Negotiation

An efficient and effective way of communication can be discussed from different perspectives: working language, content, or communication style. Lauring and Selmer (2010) find that the choice of a common language within international organization is a strategic decision. The case company's working language is English. However, most of lower level employees only speak the local language of the subsidiary. Employees or leaders who are part of global teams communicate in English. Therefore, going global always means to face language barriers for a company since it is impossible that all employees share a common language in an international context. Considering the content aspect in the communication debate again leads to the case company's vision to implement a "culture of continuous improvement". This approach consists of implementing standards in documentation and reporting which also improves communication between global team members. Cloud based document management tools provide access to relevant documents to all project team members. Ways of communication are direct and short due to flat hierarchies. The case company's upper management team and global team members can establish personal relationships. Therefore, the interviewees do not view communication on a global level as more challenging than on a local level. Communication gets more efficient and precise when built on trustful relationships (Lauring & Selmer, 2010; Holtbruegge et al., 2013). This leads to the assumption that cultural differences can be offset when global team members maintain personal relationships. Considering the case company's approach shows that the company also relies on employees who maintain close relationships when evaluating how cultural differences are managed. In terms of communication style that also ensures efficient and effective communication, the case company counts on employees' respectful interactions with each other.

Cross-cultural communication is challenging considering differences in language, values, way of thinking as the likelihood of misunderstandings increases (Ferraro, 2017). A major problem is the language barrier in China. Chinese is a different language that causes misunderstandings among locals. In this way, the language barrier significantly affects business processes in China.

To address this issue and to avoid errors in contractual agreements with Chinese customers, the case company relies on two translators who provide effective crosschecking of contracts and reports.

Cultural differences affect negotiation processes (Bustamante, 2014, p. 768). The case company considers the importance of diverse teams when negotiating with customers. On the one hand, foreign customers appreciate German expertise. On the other hand, a negotiation among members of the same culture minimizes the risk of misunderstandings or conflicts caused by cultural differences on a national level. The case company's solution in this regard is to assign positions that are linked to core competencies to Germans. Positions that are linked to customers are assigned to locals. This approach serves many functions. First, the case company ensures that the German culture is present in each subsidiary and in negotiations with customers. In this way, customers link the products and services to German quality and technical expertise. Both factors are requested by foreign customers in a technical oriented business environment. Second, the case company ensures parent control over core competencies and uses synergy effects of culturally diverse teams.

5.3.3   Leadership

An important question researchers and practitioners are concerned about is how to develop effective and global leaders. Zenger and Folkman (2009) find enterprises are challenged by global leadership and finding the right people who are able to work in an international context is difficult. The MNE literature refers to HR departments that should manage people issues and the integration of diverse cultures. However, many decision makers do not involve HR departments in M&A processes because they do not see the necessity and importance of involving HR departments (Schuler et al. 2004; Dowling et al. 2008). A similar approach can be observed among the case company's key players. The case company's HR departments are responsible for administrative tasks but not for skill development or leadership programs and trainings. However, the key players of the case company are aware of the importance of intercultural trainings for lower level employees in Germany. The selection of young leaders that get promoted in global project or management teams is made by current members of the management team. This implies that leaders in the case company are deeply involved in human

resource decisions and support to some extend self-development processes of single employees. Osland (2012) criticizes the status quo of literature findings about leadership competencies in an international context. Looking at the role of the leaders within the case company leads to the assumption that members of the upper management team take on the role of HR departments among several other roles. This implies that SME structures allow and support close interaction among employees which compensate the missing role of HR departments.

Creating diversity does also apply to leadership teams (Zenger & Folkman, 2009). Firms increased their focus on building a diverse set of nationalities among leaders. The case company is aware of the benefits of cultural differences. However, an essential element in their leadership strategy is to ensure that each member of the global management team either has a German background or at least knows the German culture. For the case company, it is important that local managers who are in contact with customers know the German culture through previous working experience in Germany. Many customers in foreign markets are German or demand German technical expertise.

5.4   Conclusion

This chapter shows detangling a company's cultural challenge is not easy. It shows that in order to understand the impact of cultural differences you must consider a lot of background information. To fully understand the impact of cultural differences on business processes in the case company, I had to ask many questions that were not directly related to any cultural challenges. However, the answers to these questions turned out to be linked to the culture issue in terms of situations, challenges, or problems that are potentially caused by cultures.

Investigating the culture topic always means to read the context of individual stories and opinions. During the interviews, I realized that the individual's subjective perception is strongly determined by the ability to trace back historical events in order to conclude why individuals of other societies act and behave differently. History shapes cultures and influences societies' way of thinking. Discussing the culture topic and conducting interviews also means to consider the fact that one's judgement and evaluation of different behavior is determined by subjectivity. Additionally, it also depends on how sensitive or aware an interview partner is to the culture

topic. However, my interview partners' statements and opinions about cultural differences assigned to Americans, Chinese, Indians, and Germans are congruent. Thus, I can assume my findings reflect the case company's reality and not a variation of subjective opinions that tend to offset each other.

The content items help to identify the company's cultural challenges and their impact on business processes. Furthermore, considering the content items shows in which areas the case company actively intervene to manage the impact of cultural differences on business processes and when it is the responsibility of employees to manage cultural differences. Moreover, indications of the management role within the case company provide information about advantages of SMEs when managing cultural differences in an international context compared to MNEs.

Where do cultural differences come from within the case company?

Cultural differences are influenced by various sources. National culture plays a role when working together with foreign subsidiaries and customers. Organizational culture is difficult to observe since the case company's long relationships to foreign subsidiaries may already established a global corporate culture. Signs for discrepancies in terms of organizational cultures can be observed in the joint venture partnership with an Indian manufacturing company in the North. The Indian strategy to just keep the business running did not match with the case company's strategy to grow and invest in innovation in the long run. However, the partnership was also affected by external factors such as a lack of sufficiently skilled workers. Additionally, the strong influence of religion strained the case company's relationship with the Indian partner. In the current local and international network, the case company faces influences of subcultures among employees of different business areas. To sum up, cultural differences based on national cultures can be identified in the case company. In terms of organizational culture can be assumed that the case company already established a global culture considering the long history of international relationships. In this way, organizational culture can be excluded from the search of sources for cultural differences. The influence of subcultures can be considered as uniqueness of individuals in each society we face every day in professional and in private life regardless of

national culture. Therefore, I conclude the case company only has to focus on tensions caused by national culture.

Do cultural differences affect the case company's business processes?

Successfully executing business processes is determined by two factors: technical matters and interpersonal matters caused by national culture. The need for skilled workforces is one of the main determinants of successful business processes in the case company. Education levels shape society's way of thinking and behavior. Therefore, the availability of skilled workforces determines the case company's success of internationalization. Interpersonal matters affect business processes but are not perceived as strong success and failure drivers within the case company. I think, exploring the culture issue in another industry such as designing or architecture could lead to a different conclusion. Business processes that rely on creative thinking and minds could be more affected by a cultural component that causes interpersonal matters due to cultural differences.

Tensions caused by culture identified in the case company are language barriers in China and some cultural characteristics of different nationalities. The Chinese culture seems to be most challenging for the case company. Working together with Chinese business partners is often a test of patience especially for the German culture. Since Chinese is a difficult language it is unrealistic that foreigners learn the language. However, the case company's advantage is again related to the industry they operate in and results in the fact that many Chinese employees or customers studied or worked in Germany and speak German or know the German culture. Additionally, the case company tries to fill the gap between the German and Chinese culture through putting the right people in the right place. The upper management team members in China either worked or studied in Germany and speak the language. In this way, they use synergy effects of culturally diverse leaders. At the same time, the case company can compensate the language barrier and embeds the German culture in its Chinese subsidiary.

To conclude, cultural differences affect international business processes. Different working styles affect the case company's project management. Language barriers affect communication and negotiation processes of global teamwork. Leadership affects global project management

teams in terms of how team members work together in global teams and whether they benefit from flat hierarchies in order to establish close relationships to colleagues.

How does the case company manage cultural differences to ensure success of international business processes?

A centralized control management to lead the international group as an organizational unit is an essential element of the case company's strategy. The shift of major business processes such as production and innovation processes from foreign subsidiaries to Germany is crucial. In this way, the success of the most important business processes is not affected by cultural differences. Business processes that are affected by cultural differences are managed through implementing global standards in documentation and reporting. A beneficial side effect of implementing a global SAP platform enables the headquarter company to stay on top of its international business activities. Using information technology and standardized process rules removes influences of individual and random decisions from business processes and project work. Furthermore, differences in work methods are controlled by forcing employees to act according to procedures and rules. Both individual decisions and work methods are influenced by culture. In this way, the case company diminishes the impact of cultural differences on business processes by implementing global standards and using information technology. However, the case company cannot completely offset the impact of cultural differences on business processes. Therefore, employees worldwide are expected to overcome cultural differences. Flat hierarchies and direct ways of communication allow the case company to identify the right people with the right skill sets for the company's needs in an international context. In addition, a strong focus on implementing a global culture with German influences is important. This is also managed by assigning the right people at the right place. Implementing a global culture seems to be more effective when setting up own subsidiaries than including joint ventures or mature companies in an existing group.

6   Conclusion

The case company provides reasonable evidence to support the argumentation that SMEs are active players and many of them are capable and equipped with resources to serve global industries (Winch & Bianchi, 2006). Its long history in an international arena shows they have always faced diverse cultures. Additionally, the case company is active in exports and owns subsidiaries in several countries worldwide. Therefore, the case company is confronted with a wide range of culturally diverse customers and employees. Sandberg (2015) argues smaller firms face managerial and financial constraints both resulting from a lack of experience (Sandberg, 2015). It might be true that a young organization is not experienced in operating in an international business environment. Assigning greater experience levels to MNEs due to longer history in an international context is reasonable. However, their international performance also depends on the people within the organization. In this way, assigning the right people to the right positions equally applies to SMEs and MNEs. Understanding culture goes beyond science and depends mainly on individual abilities of employees to cope with differences, adapt, evaluate, and cooperate with each other. In this spirit, MNEs might have started much earlier than SMEs but they also gained experience and still learn from mistakes. Sustainable success naturally occurs with increasing experience levels and is not limited to the size of an organization.

The case company's concept of a global "culture of continuous improvement" is based on implementing standardized process guidelines and global platforms to share information. On the one hand, digitalization of processes and information technologies provide independence in terms of time and place for international enterprises. On the other hand, following standards and rules exclude human randomness from business processes and help to diminish the impact of culture on day-to-day business. In this way, the case company manages to a large extend the impact of cultural differences on its business processes. Additionally, flat hierarchies and direct ways of communication allow individuals to manage cultural differences that affect business processes that cannot be managed through standards and information technology.

Limitations and implications for further research
First, the success of projects within the case company is mainly determined by how project team work is organized through standards and common procedures. Whether they combine cultural

elements of each subsidiary in project standards is not a determinant for success in business processes. In the case company's technical oriented business world people rely on objectives such as technical measurements. However, it could be interesting to explore the impact of cultural differences on business processes of a company that operates in a non-technical industry. For example, in a company that operates in a creative sector in which business processes and core competencies of the firm depends on creative thinking processes. The impact of cultural differences on creative thinking processes and global teamwork might be stronger than on technical-oriented business processes. Second, I explore the impact of culture on internationalization on a medium-sized enterprise. To get a taste of SMEs' reality, future studies should focus on investigating this topic in macro and small enterprises. Lastly, I recommend conducting studies in diverse cultural settings. The case company is based in Germany. In my thesis, I observe the relationship between Germany and various countries whereby Germany is the dominator. Therefore, the German culture has a strong influence and impact on the outcome of my findings and conclusion. Additionally, German working methods and products enjoy a good reputation especially within a technical-oriented business world. In this way, the case company can legitimate that the German culture has to be present in subsidiaries to meet customer requests. Therefore, it is important to look at companies that are not based in Germany and operate in different industries to observe their individual situation in terms of the cultural impact on internationalization. Moreover, to get insights in SMEs that cannot justify the need for influencing subsidiaries with its own national culture.

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8 Appendix

8.1 Qualitative Content Analysis

Row 1

1	*"The German dual vocational training system is quite unique. We, as a manufacturing company, need skilled and well-trained employees who understand the complexity of our machines."(I1)*	*"We develop our machines and set standards for our products in our German headquarter. It can be quite problematic when our colleagues in the US, India or China have to solve problems or maintain the machines for their local customers but they simply do not have the technical know-how even though they work for us many years." (I2)*	*"[...] to describe our German business culture here in the southern part of Germany [...] I think employees are goal-oriented, performance-oriented, and most of them I consider as career-oriented." (I1)*	*"[...] especially Chinese colleagues need a long time until they trust you. They fear to lose their face which makes it extra hard to work with them." (I3)*	*"Our major project's goal is to set standards in every aspect [...] product development and manufacturing processes are in Germany, standards in all business areas help us to build a global culture of continuous improvement [...]" (I1)*	"Culture of Continuous Improvement by implementing Six Sigma" (D1)	*"Cultural differences are the reason why we need formal practices, guidelines, and standardized procedures in all business processes that work worldwide." (I4)*
	need for skilled workforces determines their business success		**cultural characteristics**		**Global standards in documentation and reporting**		

Row 2

2	*"cultural challenges due to cultural differences between the headquarter company in the south of Germany and the daughter company in East Germany" (I1)*	*"Our British colleagues are rather reserved towards Germans. However, they are not openly against them like US colleagues." (I2)*	*"they do not communicate if they do not understand technical problems" (I1)*	*"Due to this strategy, we do not have to rely on specific knowledge by others and we protect our core competencies." (I1)*	*"parent company is the producing entity" (I1)*	*"feel humbled if they have to involve German colleagues".(I2)*	allows *"solo runs" (I2)*	*"Some key positions are held by Germans except for the managing director position. It is better if the managing director is American." (I1)*
	tensions caused by culture	**cultural characteristics**		**parent control over core competencies**		**cultural characteristcs**	**parent control over core competencies**

Row 3

"They once assigned an elementary teacher to a management position in Finance [...] this would be impossible elsewhere and it only works in the US." (I2)	product changes and improvements *"are viewed rather skeptical" (I2)*	*"it is in their culture that they think they do not have to improve and develop skills".*	*"was predicted to be differently from our US colleagues in the beginning" (I2).*	*"The problem in the US is not caused by our German culture. They just don't like to follow others' rules no matter where they come from." (I1)*	*"they are eager to learn as much as possible" (I3)* but *"their culture is very different" (I2)*	*"difficult for them to make fast decisions" (I3)*	*"The highest conflict potential is in fact that we have to discuss things we agreed on repeatedly for weeks with our Chinese colleagues." (I3)*
tensions caused by culture	**cultural characteristics**		**parent control over core competencies**	**cultural characteristics**		**tensions caused by culture**

"the weak parent control" (I1) in the past	*"The Indian and Chinese subsidiaries always wanted to follow the German approach and quality standards. They never used the weak family-business structures for their own benefit." (I1)*	*"We do not need leaders that are specialists in a single field."(I1)*	*"Not everyone's nature fits in every cultural setting. For example, we have one great German sales employee who gets along with Russian customers quite well but his very direct way is contra productive in USA or China."(I2)*	*"see the big picture, have a holistic approach, are able to assess risks and willing to take risks [...] they have to be decisive, and open with an adaptive nature." (I1)*
parent control over core competencies		**need for skilled workforces determines their business success**		

3	*"the weak parent control" (I1) in the past*	*"The Indian and Chinese subsidiaries always wanted to follow the German approach and quality standards. They never used the weak family-business structures for their own benefit." (I1)*	*"Our Chinese customers neither trust US machines nor the skills and knowledge of US colleagues." (I3)*	*"need the German expertise" (I1).*	*"But Mandarin itself bears so many traps even for locals and it is almost impossible for foreigners to learn the language." (I3)*	Chinese culture *"losing face"*	*"[...] it can happen quickly to accidentally offend Chinese if you don't understand cultural differences."(I3)*	*"What we really need is a knowledge-transfer. In China, we face two problems." (I2)*
	parent control over core competencies		**cultural characteristics**	**parent control over core competencies**	**language barrier**	**cultural characteristcs**	**tension caused by culture**	

4	*"The biggest issue we had in the past was to deal with our US colleagues. They always tried to avoid German standards and argued that external approaches and foreign products do not work in US markets." (I1)*	*"The training program for manufacturing and production colleagues in our subsidiaries only works with our colleagues from India and China. US colleagues are too proud to admit they could benefit from it." (I1)*	*"IT was an undiscovered and new field for every country [...] they begun at the same time to develop this sector but learned faster than everyone else."(I1)*	is *"strongly influenced by religion" (I1)*	*"Even though we were not part of their caste system they immediately placed themselves under us. It was really difficult to achieve a partnership at eye level." (I2)*	*"agrarian-oriented"* and *"it was impossible to find skilled workers" (I1).*	it *"takes time to obtain trust" (I2).*	*"[...] it is not uncommon in China to schedule personal appointments from 9-11 instead at, say 5 or even after work." (I3)*	*"you still have to be flexible in China" (I3).*
	parent control over core competencies		**cultural characteristics**			**need for skilled workforces determines their business success**	**cultural characteristics**	**tension caused by culture**	

which "forces German employees to be on first-name terms" (I4)	"You can even feel a difference between production hall and office building." (I4)	"strongly influenced by religion"	"a hub for industries which finally leads to a better educated population"	"Equally important is to maintain friendships in these three days. We cook together or go bowling."(I2)	"meet face-to-face in a kickoff event" (I1)	"brief and concise which seem impersonally or unfriendly" (I4)
personal relationships	subculture	cultural characteristics	need for skilled workforces determines their business success	personal relationships		communication challenge

"Germans presume they know everything better and are not willing to discuss any other topics than those they scheduled the meeting for. Chinese fear to lose their face so they discuss the same each day because cannot say what they really think." (I3)	"also has to adapt to cultures" (I1) and "as time goes by you know cultural characteristics and learn how to deal with them" (I2)	"feel personally attacked when getting critical feedback" (I1)	"The solution is to act and behave first of all in a respectful fashion regardless of cultural differences. An then we approach an open and constructive feedback culture that is based on professional level." (I1)	"We do not benefit from synergy effects caused by different cultures. We are successful because of our technical expertise which is based on quantitative measurement that is not interpretable."(I3)	"numbers and drawings are sufficiently informative" (I2)	"many customers and employees are Germans, studied in Germany, or speak German" (I1)
cultural characteristics			tension caused by culture	synergy effects	communication challenge	parent control over core competencies

5							
	"Positions that are directly linked to customers are held by locals." (I1)	"In turbulent times it happens that I have to talk to the directing manager in USA, China, or India at night [...] or of course, it is in the middle of the night for them." (I1)	"Through short communication ways and personal relationships, we can be a part of our employees' leadership, skill, or self-development." (I1)	skills "our HR department is not present" (I1).	"Guidelines for data documentation and presentation or project status reports are the same for all subsidiaries and the headquarter company."(I4)	"Standards on a global level exclude employees' arbitrariness when executing business process."(I4)	challenges caused by time differences when important decision-making processes are outstanding (I4)	"we are an international company and our employees know that", "you can tell immediately if someone is not flexible or adaptable for our organization needs." (I1)
	parent control over core competencies	need for skilled workforces determines their business success	personal relationships	need for skilled workforces determines their business success	Global standards in documentation and reporting		need for skilled workforces determines their business success	

"only if problem descriptions are exact we can provide technical expertise for subsidiaries" (I1)	*"we neglect culture because we must ensure technical standards that are first of all objective measurements" (I1)*	*"it is rather unlikely that Chinese and Indians or even Americans accept women"*
Global standards in documentation and reporting		**cultural characteristcs**

8.2 Content Items

Consequences of Internationalization	need for skilled workforces determines their business success
	cultural characteristics
	global standards in documentation and reporting

Cultures on National and Organizational Level	tensions caused by culture
	cultural characteristics
	parent control over core competencies
	need for skilled workforces determines their business success

Pressure to Adapt due to Internationalization	parent control over core competencies
	cultural characteristics
	language barrier
	cultural characteristcs
	tension caused by culture

Confrontation with Diverse Cultures	parent control over core competencies
	communication challenge
	synergy effects
	tension caused by culture
	cultural characteristics
	personal relationships
	need for skilled workforces determines their business success
	subculture
	tension caused by culture

Development from Local to Global Business	cultural characteristcs
	parent control over core competencies
	personal relationships
	need for skilled workforces determines their business success