

Cultural plurality as a Success Factor

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ABSTRACT

In addition to the classic economic approach, which encompasses classical economic criteria for determination of business success that are predominantly based on economic rationale, it is now necessary to also include other elements that can have significant bearing on modern business operations and success. The classic economic approach tends to forget the invisible elements that transcend economic rationale and give a company its specificity and unique identity. These elements include various personal attributes, culture, religion, beliefs, motivation, feelings, system of values, ethics, ideology, climate, environment, psychology, etc. Culture and religion introduce irrational elements in a company and can have significant impact on the company and its employees, but also present a solution to many organizational problems. A company needs to conduct cultural due diligence before entering new markets and establishing international business operations, as its business success is dependent on it. Experience and practice shows that the main reasons for business failure include inadequate information about the business environment, but also lack of knowledge and understanding of other cultures and traditions.

KEYWORDS: culture, religion, company, cultural due diligence, management, cultural pluralism

POVZETEK

Poleg klasičnega ekonomskega pristopa, ki obsega klasične ekonomske kriterije za ugotavljanje poslovne uspešnosti, ki pretežno temeljijo na ekonomski utemeljitvi, je sedaj treba vključiti tudi druge elemente, ki lahko pomembno vplivajo na sodobno poslovanje in uspešnost. Klasični ekonomski pristop po navadi pozablja nevidne elemente, ki presegajo ekonomsko utemeljenost in dajejo podjetju posebnost in edinstveno identiteto. Ti elementi vključujejo različne osebne lastnosti, kulturo, vero, prepričanja, motivacijo, občutke, sistem vrednot, etiko, ideologijo, podnebje, okolje, psihologijo itd. Kultura in religija vnašata iracionalne elemente v podjetje in lahko pomembno vplivata na podjetje in zaposlene, predstavljata pa tudi rešitev številnih organizacijskih težav. Podjetje mora pred vstopom na nove trge in pri vzpostavitvi mednarodnega poslovanja opraviti skrbni pregled kultur, saj je od tega odvisen poslovni uspeh. Izkušnje in praksa kažejo, da so glavni razlogi za neuspeh poslovanja neustrezna informiranost o poslovnem okolju, pa tudi pomanjkanje znanja in razumevanja drugih kultur in tradicij.

KLJUČNE BESEDE: kultura, vera, podjetje, skrbni pregled kultur, management, kulturni pluralizem

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INTRODUCTION

Demographic changes on the labor market in the US and particularly the forecasted growth of number of members of minority groups in the next ten years (Bureau of Labor Statistics, 2004) have significant and heterogeneous impact on the organizations. Konrad (2003) established three main arguments regarding labor diversity. One, the competition to get the best talents requires from companies to step forward and embrace maximum possible workforce diversity. Two, global economy dictates to companies to employ multiethnic workforce for the simple reason of the increasing number of multiethnic clients. Hence, the labor force can increase company's growth at the stock market, but also drops in companies lacking their workforce diversity. The third postulate places an emphasis on talent and creativity, which people of different backgrounds bring in abundance, innovation and successful problem solving, which all leads to higher competitiveness on the market. Furthermore, diversity is becoming a much more desirable and acceptable way for resolution of otherwise difficult and controversial social problems related to racism and gender-based discrimination. Finally, someone can say that encouraging multiethnicity and other forms of diversities among employees is the only correct and logical thing that we as corporate citizens in a multiethnic society can do, regardless of the economic situation and policy.

Therefore, the problem of valorization is the central issue for any culture, as well as culturology, ethnogeography, etc. So how to approach other, different and mainly unknown cultures? Is it acceptable to value them in line with one's own criteria and then treat them in line with such a valorization? Values that define a culture are always very diverse, and in some cases even incompatible. This incompatibility can be logical, principled and practical. Values are logically incompatible when it is impossible to simultaneously implement them. In example, when neither a social actor can work to simultaneously implement them, nor is it possible to implement them in any subject area (Križan, 2008, p.55).

A question that emerges in this context is should another culture be viewed through the eyes of one's own culture. The starting point is that all cultures are equivalent and respect worthy. That is why it is important to establish a process of intercultural learning, which would be voluntary. Interculturality is the reality of our time. Furthermore, projections indicate that it will only increase with time because of the

globalization processes. Therefore, it is important for organizations to prepare for both the challenges and opportunities associated with interculturality.

It is important to emphasize the necessity for the organizations to conduct cultural due diligence before they enter new markets and establish international business operations, as it can determine whether they will experience a business success and failure. Before entering new markets, establishing new partnerships or procuring new companies, organizations invest time and money in due diligence with respect to the financial market, that is classic economic indicators, products and other aspects of the business enterprise. However, in this respect they tend to neglect the “soft factors” and particularly culture. The accuracy and sophistication of information will inform the quality of decisions and ultimately success. However, culture and the necessity of doing cultural due diligence, which are the crucial factors of success, is often neglected or minimized. Research and experience shows that the most important reasons behind business failures were inadequate information on the business environment and lack of understanding of other cultures. A testimony of this are the numerous examples of business failures by major global companies, which invested enormous funds in promotion of their products on new markets without taking into account the differences in values and needs of the people in the respective cultures. A textbook example is the first attempt of penetration of Japanese markets by renowned make-up companies, in which the difference in the perception of beauty and care of women was neglected (Bahtijarević Šiber et al., 2008, pp.397-398).

Companies that take into account cultural due diligence are far more successful in their business operations. It is necessary to make an appropriate mix of cultural dynamics and diversity, as the combination of cultural factors has to be adjusted to the requirements and circumstances to which it is applied. Therefore, it is important that, before entering new markets and establishing international business operations, companies conduct the so-called cultural due diligence, as it could define to a large extent whether they will be successful or fail. When managing different business entities it is inevitable to adjust and harmonize intercultural communication, which will include and respect the cultural differences of the entities and provide for equal and equivalent treatment of all cultures.

In addition to theoretical limitations, which are related to the inability to provide the literature, there are also practical restrictions, which are related to ethnic, racial, gender, religious, religious, cultural, worldview and other differences among managers and employees in general, as many companies do not keep any records of the kind, while the legislation of some countries bans keeping of such records. Limitations also emerge with respect to appropriate representation of specific cultural groups. In example, research has shown that colored people are less represented in the top management of banks in the US.

The aim of doing due diligence is to provide inputs to company management. It is necessary to collect a plethora of data, more specifically technical data, in a very short period of time, as well as information required for making of business decisions or formulation of efficient strategy for penetration of culturally demanding markets. This is often done in the circumstances of restricted access to sources of information (Buble, Kulović, Kuzman, 2010, p.197). Hence, it is necessary to bring together a team of different subject matter experts. In the process of a takeover of a company, the previously completed takeovers and the size of the company doing the takeover will define the takeover method and the experts that will be on the team. “The taking-over company (acquirer) with experience in implementation of takeover processes and a bigger organization will have the key employees who in cooperation with external consultants can conduct due diligences, while the taking-over company with less experience and a smaller organization will mainly have to hire external consultants.” (Gole, Hilger, 2009, pp.93-94) Therefore, due diligence should not be perceived as a perfect model for provision of necessary information, but rather a tool or aid for projection of future business decisions (Buble, Kulović, Kuzman, 2010, p.197).

Successful managers readily and swiftly adapt to intercultural diversity, recognize and implement in practice the cultural factor. It is worth emphasizing that the countries that do not face the necessary processes of changes, plurality and dynamic in company cultures, will increasingly lag behind their competition on the market, because progress and development is not just a matter of technology, money and market, but is increasingly also a matter of culture.

CULTURAL PLURALITY

The cultural differentiation is a continuous process, which is more prominent in larger communities. At the same time, “value tensions”

and contradiction of ideas occurs within cultural groups, as well as conflicts among its members and external influences. This generates new cultural occurrences. Diversities yield new values.

The term “cultural plurality” indicates existence of multiple cultures and cultural groups in a society or a state, on a territory, etc. Some authors use the terms “cultural pluralism” and “multiculturalism” for such a phenomenon. Such cultures, which are perceived as a different system of values, norms, customs, methods of cultural and material reproduction of the society, etc., are a result of the diversity of often irreconcilable human needs and diverse conditions defined by the environment in which these needs are being fulfilled (Križan, 2008, p.50).

Globalization, as well as the intertwining of cultures, has led to the emergence of a “cultural mix”, which can be linked to all societies, as it is when differences exist that the learning process takes place. Cultural intertwining is a feature of all modern societies.

It is estimated that companies spend 8 billion US dollars annually for various diversity trainings (Hansen, 2003). This means that companies get involved in various activities, invest significant funds in all kinds of initiatives related to the issue of diversity, management staff that is dedicated to diversity and programs offering various benefits to employees, i.e. flexible working arrangements, benefits for spouses, corporate-sponsored programs for groups of employees with similar needs and similar programs designed to attract and sustain a workforce that is structurally diverse.

How to define diversity? Before we move to the results on the effects of diversity on successful business operations of a company, it is important to establish how companies themselves define diversity. For many this definition has evolved from the initial attention directed at legally protected attributes such as race, gender and age, to the today’s much more broader definition that also entails a whole range of diversities.

Table 1 shows parts of statements on diversity published on websites of companies that the Fortune magazine has ranked as the 50 best companies for minorities.

Table 1: Descriptive Statistics and Correlations

| Variable | Mean | s.d. | n | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
|-----------------------------------|-------|------|-----|--------|------|--------|--------|------|------|-------|-----|-------|
| 1. Size | 11.70 | 1.26 | 155 | | | | | | | | | |
| 2. Growth strategy | 0.22 | 0.41 | 155 | .24** | | | | | | | | |
| 3. Percent white in management | 0.94 | 0.16 | 153 | .06 | .01 | | | | | | | |
| 4. Percent men in management | 0.54 | 0.21 | 153 | -.25** | -.03 | .12 | | | | | | |
| 5. Racial diversity in management | 0.05 | 0.10 | 150 | .29** | .05 | -.43** | -.17* | | | | | |
| 6. Gender diversity in management | 0.41 | 0.15 | 150 | .35** | .06 | -.05 | -.49** | .06 | | | | |
| 7. Innovativeness | 4.45 | 1.27 | 154 | .29* | .04 | .06 | -.15 | .12 | .12 | | | |
| 8. Risk taking | 3.64 | 0.99 | 155 | .20** | .13 | .04 | -.13 | .05 | -.01 | .45** | | |
| 9. Productivity | 3.23 | 0.64 | 153 | .29** | .14 | .24** | -.03 | -.03 | .12 | -.02 | .03 | |
| 10. Return on equity | 13.00 | 6.32 | 152 | .31** | .04 | .04 | -.09 | .06 | .09 | .18* | .06 | .58** |

* Size was the logarithm of total bank assets averaged for 1997 and 1998. Growth strategy was the percent annual change in total assets between year-end 1996 and year-end 1998. For risk taking and innovativeness, scores ranged from 1.00 to 7.00. Productivity was the log of net income per employee for year-end 1998. Return on equity was the percent return averaged for years 1997 and 1998.

* $p < .05$

** $p < .01$

Source: Cited in Richard et al., 2004, p. 260

All the statements accentuate the requirement to accept all the employees as they are. As further evidence of a growing move toward inclusion as a strategy, it was observed in the Institute of Human Resources (2003) in a report on a Fortune magazine survey conducted in 1,000 companies that: 96% of the respondents had said they provided training programs on preservation of diversity, i.e. for racial differences, 88% gender equality, 85%, ethnicity, 65% age, 64% people with special needs, 57% sexual orientation, 54% religious differences.

Inclusion as a diversity strategy attempts to unite and initiate all the differences among employees with the aim of achieving corporate benefit from them. As a result, management of the overall labor potential becomes the focus of corporate initiatives. Inclusion as a diversity strategy has to be different from affirmative actions and programs for equal employment opportunities. Equal opportunity to get employed means that race, sex, sexual orientation, etc. were put in the second plan. The affirmative programs are designed as a remedy for the problem of discrimination in the past and are aimed to prevent such occurrences in the future through embracing of a proactive approach. Both groups are focused on the attributes protected by law and expand their scope by including much wider forms of human diversity. However, due to the increasing support to inclusion in the nineties a massive employment of minorities occurred, whereas affirmative programs remained in the second plan (Hansen, 2003).

What all does a program aimed to promote diversity entail? Such programs come in different forms. Some or all of such actives are given in Table 2.

Table 2: Results of Regression Analysis

| Variable | Productivity, Model 1 | | | ROE, Model 1 | | | Productivity, Model 2 | | | ROE, Model 2 | | | Productivity, Model 3 | | | ROE, Model 3 | | | |
|-------------------------------------------|-----------------------|---------|-------------------|--------------------|---------|-------------------|-----------------------|---------|-------------------|--------------------|---------|-------------------|-----------------------|----------------------|-------------------|---------------------|---------|-------------------|--------------------|
| | b | β | Hypothesis Tested | b | β | Hypothesis Tested | b | β | Hypothesis Tested | b | β | Hypothesis Tested | b | β | Hypothesis Tested | b | β | Hypothesis Tested | |
| Control | | | | | | | | | | | | | | | | | | | |
| Intercept | 0.21 | (0.64) | | -9.89 [†] | (6.63) | | 1.38 | (0.98) | | -17.54* | (10.54) | | 0.49 | (2.73) | | -4.27 | (21.84) | | |
| Size | 0.17*** | (0.05) | | 1.97*** | (0.49) | | 0.17*** | (0.05) | | 1.91*** | (0.53) | | 0.28*** | (0.10) | | 1.52 [†] | (0.79) | | 0.40* |
| Growth strategy | 0.11 | (0.12) | | 0.64 | (1.25) | | 0.16 [†] | (0.12) | | 0.12 [†] | (0.29) | | -0.38 | (0.29) | | 0.94 | (2.33) | | 0.07 |
| Percent whites in management | 0.98* | (0.42) | | 1.14 | (4.37) | | 1.09* | (0.43) | | 0.24* | (0.46) | | 2.41 | (2.02) | | -12.02 | (16.14) | | -0.33 |
| Percent men in management | 0.11 | (0.27) | | -0.84 | (2.77) | | -0.16 | (0.28) | | -0.05 | (0.30) | | -0.90 | (3.00) | | | | | |
| Racial diversity in management | -3.87** | (1.42) | | -12.33 | (5.02) | | 4.43 | (5.95) | | 0.66 | (5.78) | | 19.76 | (17.38) | | 108.16 | (138.0) | | 2.60 |
| Gender diversity in management | 0.76 | (1.44) | | 11.96 | (4.73) | | -6.75 | (6.68) | | -2.05 | (73.95) | | 1.76 [†] | (1.06) | | 2.37 | (2.31) | | 0.59 |
| Racial diversity in management squared | 11.71** | (4.02) | | 26.05 | (41.92) | | -8.65 | (15.13) | | -0.44 | (161.0) | | -36.92 | (32.01) | | -222.24 | (255.0) | | -2.48 |
| Gender diversity in management squared | -1.07 | (2.76) | | -28.26 | (28.58) | | 13.57 | (13.71) | | 1.67 | (95.82) | | 95.82 | (148.0) | | | | | |
| Entrepreneurial orientation | | | | | | | | | | | | | | | | | | | |
| Innovativeness | | | | | | | -0.21 [†] | (0.14) | | -0.42 [†] | (1.53) | | 0.28 | (0.29) | | 2.37 | (2.31) | | 0.59 |
| Risk taking | | | | | | | -0.05 | (0.21) | | -0.08 | (2.24) | | 1.92 | (0.37) | | 1.01 | (2.96) | | -0.22 |
| Interactions | | | | | | | | | | | | | | | | | | | |
| Innovativeness × racial diversity | | | | | | | -3.50** | (1.40) | | -2.50** | (15.03) | | -33.02* | (3.09) | | -41.03 [†] | (24.75) | | -4.88 [†] |
| Innovativeness × gender diversity | | | | | | | -0.87 | (1.25) | | -1.16 | (13.47) | | -5.84 | (0.78) | | | | | |
| Risk taking × racial diversity | | | | | | | 2.48 [†] | (1.61) | | 1.39 [†] | (16.52) | | 21.03 | (3.78) | | 24.49 | (30.23) | | 2.37 |
| Risk taking × gender diversity | | | | | | | 4.01* | (2.05) | | 4.38* | (21.83) | | 21.52 | (2.02) | | | | | |
| Innovativeness × racial diversity squared | | | | | | | 9.22* | (4.49) | | 2.08* | (48.02) | | 89.45* | (7.06) | | 96.30* | (56.41) | | 4.65* |
| Innovativeness × gender diversity squared | | | | | | | 3.04 [†] | (2.36) | | 2.07 [†] | (25.28) | | 16.61 | (1.13) | | | | | |
| Risk taking × racial diversity squared | | | | | | | -6.17 | (4.95) | | -1.13 | (52.97) | | -70.17 [†] | (8.03) | | -70.35 | (64.01) | | -2.77 |
| Risk taking × gender diversity squared | | | | | | | -6.44** | (3.94) | | -4.70** | (42.44) | | -57.71 [†] | (3.28 [†]) | | | | | |
| R ² /Adjusted R ² | .19/.14 | | | .13/.06 | | | .30/.20 | | | .19/.08 | | .49/.30 | | | | .32/.06 | | | |
| Model total | 145 | | | 144 | | | 145 | | | 144 | | 45 | | | | 44 | | | |
| F | 3.98*** | | | 2.46* | | | 2.97*** | | | 1.75* | | 2.80* | | | | 1.23 | | | |

^a Standard errors are in parentheses. Model 3 uses a reduced sample.

[†] $p < .10$
 * $p < .05$
 ** $p < .01$
 *** $p < .001$

Source: Cited in Richard et al., 2004, p. 261

The first three components are the key to modification of the structure of workforce and include efforts for its recruitment, retention and promotion. Promotion programs include also attempts to promote diversity through improvement of external relations with various groups outside the organization, including suppliers and minority communities. Efforts to argue the existence of such programs recognize and reward success in attainment and sustainment of diversities can facilitate establishment of additional components. The training is the regular, integral part of the program and includes attempts to raise awareness about discrimination and prejudices and to improve behavioral skills of employees towards their colleagues from different cultural milieus. Finally, an integral part of the program is also the creation of internal structures that would work on the sustainability of the program.

Experiences with nationalisms over the last two centuries with respect to the efforts to establish a homogeneous nation or culture have resulted in a situation in which all those who remained outside the respective nation were largely exposed to negative discrimination. The advent of globalization led to cultural pluralization and the dynamics of cultures. The readiness of societies to come to terms with cultural diversity was created. In the context of cultural pluralism, it is crucial to preserve fundamental human freedoms, equality, rights, harmony, security and prosperity. At the same time, it is a challenge, because there are no constitutional orders in the world in which democracy and cultural plurality are mutually adjusted and harmoniously connected.

The term “cultural plurality” means coexistence of a number of different cultures and cultural groups in a society, state, on a territory, etc. (Križan, 2008, p.50). Therefore, it is important to train the managers to know how to manage diversity and establish an optimal combination of diversity that can achieve the best results. The process of training the managers in the intercultural segment is a demanding job, which requires an appropriate approach.

When people of different cultures enter into intercultural communication with each other, they initiate a “confrontation” of the two cultures. Such interaction can develop into a form of empathic communication, which is a rarity. It usually initiates intercultural conflict. Every “conflict” between two cultures is a “confrontation” of symbols of different cultures (Vreg, 1990, pp.283-284).

The intertwining of cultures and their interconnectedness has led to the emergence of “cultural syncretism”, which characterized the today’s world. The intertwining of cultures leads to development of a cultural mix and the creation of new (sub) cultures through the emergence of cultural syncretism.

According to Bhikhu Parekh “The common good and collective will, that are vital to any political society, are generated not by transcending cultural and other specificities, but by means of their interaction through dialogical confrontation. A dialogically constituted multicultural society has a strong notion of common good consisting in respect of consensually founded civic authorities and basic rights, maintenance of justice, institutional and moral preconditions of deliberative democracy, vibrant and plural composite culture and an increasingly stronger sense of community. It cherishes not static and ghettoized but interactive and dynamic multiculturalism” (Križan, 2008, p.520).

Mondialization rests on a somewhat broader concept. Guided by the principle that it is very difficult to offer an exhaustive definition without falling into a mere description, we will try to focus on the dynamic dimension of this complex process.

Multiculturalism is acceptable and desirable in terms of accepting cultural plurality and caring for equivalence and equality, both of different cultural groups and their members. Assisting cultural groups in order to stabilize the common liberal-democratic order can also be legitimized. In this respect, the policy in such orders should therefore be multiculturalist. Beyond this meaning of multiculturalism, liberal-democratic cultural plural societies have no reason to seek to strengthen or multiply cultural groups, instrumentalize them, encourage citizens to change them frequently, or seek to tie them tightly to such groups (ibid., p.83).

The growth of cultural pluralism is an inevitable process for which organizations must be prepared. This is especially important for the successful operation of companies in modern markets. It is important that companies have educated and trained personnel for intercultural management.

CULTURAL CLUSTERS AND VIRTUAL TEAMS

The emergence of today's clusters and their dominance provide insights into the microeconomics of competition and the role of location in competitive advantage. Although the importance of the existence of clusters in the era of globalization has declined, the new influences they have on competition strengthen their importance in an economy that today is dynamic, complex and based on information and knowledge. Clusters represent a new way of thinking of national states and local economies; gain the necessary place in the development of companies, for different levels within the government and in other institutions, thus improving competitiveness.

Clusters, or geographically concentrated and interconnected companies, represent a striking phenomenon, which on a figurative, virtual level; bear the characteristics of every nation, state, region, and even metropolis. Cluster management reveals important insights into the microeconomics of competition and the role of location in competitive advantage. Clusters are a form of networking of companies, which in a flexible way instigates development of small and medium-sized companies, and thus the development of the respective local community and the region as a whole. A cluster is a geographically-close group of interconnected companies and associated institutions in a particular field of work, which share certain similarities and complementarities. The geographical scope of the cluster can be regional, state and even urban (Porter, 2000).

Local and cultural clusters, which include the comparative and cultural advantages of individual countries, can provide a special impetus to the development of the domestic economy. Leveraging the economics of the location, that is optimal locations anywhere in the world for various activities in the process of value creation, is becoming more pronounced.

Globalization often calls into question the "think globally, act locally" slogan. In fact, are there global and national companies at all? Modern approaches do not talk about these dimensions, but only about successful and unsuccessful companies. Certainly, globally and locally, they can connect. Examples of this can be found in clusters.

For a long time already, the clusters have been a part of the economic

landscape with geographically concentrated markets and companies in specific industries that have existed for centuries. The intellectual ancestors of the cluster-concept date back to Marshall (1890 -1920). His book titled “Principles of Economics” includes a chapter on the concentration of specialized industries in particular localities. The geographical scope of a cluster can range from a local community, region, state, all the way to interregional and interstate cooperation, and its structure depends on the economic sector in which the cluster members operate and the number of members interested in development of a common strategy. The operational field of one cluster is determined by the total area within which informative, transactional, incentive and other activities take place. Clusters include a significant number of related industries (not just one) and other entities important with respect to competitiveness. They can include, in example, suppliers of specialized accessories, machine parts, services, suppliers of specialized infrastructure.

Clusters often expand “downstream” towards customers and later towards manufacturers of complementary products or related companies (with respect to capabilities, technology, or similar inputs). Many clusters include government or other institutions (universities, standard-setting and research agencies, trade organizations, organizations providing specialized training, education, skill-development, as well as information, and technical support). Likewise, many clusters include trade associations and other bodies that include cluster members. Finally, foreign companies can and are members of clusters, but only if they are significantly present at the local level and bring lasting investments. Cluster development is a relatively complex process, requiring simultaneous cooperation of government representatives, companies, local authorities, financial institutions, trade unions, educational institutions and various other organizations. Due to their geographical proximity, cluster members create many different forms of positive effects through their business activities, such as: easier access to suppliers and customers, a specialized labor market, as well as far easier access to business information and new knowledge. By interacting with their specialized customers and suppliers, cluster members continuously conduct learning, knowledge and information exchange processes (Porter, 1990).

The closeness of cultures does not necessarily represent an advantage, because if there is no staff educated and trained in intercultural

management to manage the differences, it can lead to a business failure. Managing minor differences is a particularly big challenge for the management. In fact, cultural conflicts occur most often in case of minor cultural differences.

One of the significant problems in the context of intercultural research is identification not only of differences but also similarities between individual cultures, i.e. to identify cultural clusters of countries that, as a result of a number of historical, religious, geographical and other reasons, can be expected to have relatively similar values, world views and ways of doing business, which would imply that similar social and business behavior can be expected. In this context, recently special attention is given to Europe and ideas of European management, as well as the research of similarities and differences within it. Different European countries have different approaches and styles of management, from the typically hierarchical, autocratic one in France, to the completely democratic, consensual style of management in Sweden. These countries are typical representatives of European cultural clusters and there are significant cultural differences between them. Cultural clusters in Europe are based on Hofstede's² research results (Bahtijarević Šiber et al., 2008, p.417).

The EU enables the creation of different cultural clusters, because there are no administrative barriers due to the existence of single economic space and the fact that the market is governed by EU regulations. Some parts of the EU represent specific cultural clusters, such as Romanesque culture, German culture, etc.

Porter (2000) in his text entitled „ Location, Competition, and Economic Development: Local Clusters in a Global Economy“ warns of the emergence of clusters and their dominance in modern macroeconomics.

Clusters represent a new way of reasoning by national states and local economies; they get the necessary place in the development of companies, for different levels within the government and in other institutions, thus improving competitiveness. Competitive thinking

2 Gert Hofstede developed the most famous model of intercultural management research, which is based on the study of cultural differences among various countries. The important features and advantages of Hofstede's model are that it is a comprehensive comparative research of national cultures and that it introduces a new generally accepted paradigm of value dimensions of culture, development and understanding of intercultural management. Hofstede conducted the most comprehensive study of culture to date in the period 1967-73, which included as many as 116,000 persons in 74 countries, employed by the multinational company IBM.

and company strategy usually depend on what is happening within competing organizations. Clusters suggest that a good portion of the competitive advantage lies right outside companies, even outside their industries, that is where their business units are based. This creates important agendas for management, which are rarely recognized. E.g. clusters represent a new unit of competitive analysis made for the company or industry. The “cluster-oriented reasoning” goes in a direction that suggests to the company to seek tangible and significant gains in its environment, where it is located; in a way that transcends taxes, electricity costs and wages. The health of the cluster is important for the health of the company. In fact, companies could even benefit from increased competition at the local level. Trade associations can be competitive assets, not merely lobbying and social organizations (Porter, 2000, p.16).

An interesting example is the Slovenian cluster in the automotive industry, which significantly participates in the GDP of Slovenia. There were cultural clusters in the former SFRY (Socialist Federal Republic of Yugoslavia) as well.

In the age of globalization, virtual teams are gaining in importance. Virtual teams represent another opportunity for global businesses. Virtual teams, working asynchronously, must work without mechanisms that facilitate coordination of activities and conflict management, usually available to synchronized teams. Research has shown that the way in which virtual teams deal with internal conflicts is essential for success and that time management has a significant moderating role.

Global virtual team is a group of geographically and temporally dispersed individuals assembled via advanced technology to accomplish an organizational task (Townsend, DeMarie, Hendrickson, 1998; Jarvenpaa, Liedner, 1999.) We focus on teams defined as time-limited, non-repetitive groups charged with producing a one-time output (Cohen, Bailey, 1997). The pressures that today’s organizations face have led many to consider establishment of global virtual teams. Recent technological discoveries support this idea and enable new ways of structuring, processing and distribution of business and communication activities, as well as overcoming the limitations imposed by space and time. (Boudreau, Loch, Robey, Straub, 1998). More precisely, new technologies provide resources for dispersed (different place), asynchronous (different time) virtual work.

Virtual teams must find a way to synchronize their activities and deal with conflict management, all with the goal of being successful. It is necessary to continue the research into how virtual teams can be more effective when high technology becomes (is) the central tool of the team process.

CULTURE OF UNITY AND CULTURAL GROUPS

As on the one hand, the process of cultural differentiation within cultural groups takes place, on the other hand, a culture of community is being formed.

In liberal-democratic societies, affiliations with cultural groups are unstable, multiple and very diverse. Therefore, the cultural structure of a society cannot be encompassed by a definite system, and is generally infinite. Therefore, in liberal-democratic societies it is not possible to establish a situation similar to that in the Ottoman Empire, where the division into millets was the most important cultural division, to which all other divisions were subordinated. For one citizen, the most important thing is to be a Catholic who adheres to all religious regulations, that is to obey God's commandments, regularly go to church and confess, to another it is that he is a homosexual, who fights for the rights of other homosexuals and regularly participates in various conventions and parties of homosexuals, to a third person it is that he can change his "identities" at will, that is his/her group affiliations, i.e. be a rock musician today, tomorrow a politician, the next day a philanthropist, and in old age perhaps a preacher in a religious sect. Cultural groups emerge and disappear, become "very in" and then go out of fashion, change their definition and move their borders, lose their members and gain new ones, intertwine and overlap with each other in various ways, enter into conflicts with each other and resolve those conflicts, etc. However, the state does not have the ability to bring order to the confusion of group affiliations; since it must strictly respect the human rights of its citizens and must not interfere in the issues of the doctrines they support (Križan, 2008, pp.29-30).

Culture is the basic precondition for the success of organization and development. Given the strength of culture, one can speak of strong and weak cultures and cultures of high and low contextuality.

According to (Bahtijarević Šiber et.al., 2008, p.429) strong cultures are

those in which there is a clear and cohesive set of values and norms shared and adhered to by most members of the organization. In such cultures the values, norms and other elements of culture send a clear and consistent message that connects members of the organization and informs a similar style of behavior, approach to problems, internal and external relationships of all employees. These are the cultures that strongly influence members of the organization and their behavior. Weak cultures are those, in which organizational values are not consistent and clear, thus have little impact on the behavior of its members.

As forms of pluralism differ from one social community to another, they require adequate responses. Heterogeneity is a challenge but it should first and foremost be seen as an opportunity. That is why we must learn from the recent past. In example, Yugoslavia was as a specific community of republics, people and cultures.

Namely, the Yugoslav communication system was an expression of the federal social order. The communication structure of the Yugoslav community thus reflected the pluralism of political, economic, technological development, international, defense, cultural, scientific and other interests of individual republics and provinces. Furthermore, it also expresses - if it is in the function of the federal community - the responsibility for shaping the common, general interests of the Yugoslav community.... The specificity of the Yugoslav community as a new form of federal community is that it is not a homogeneous entity, but comprised of autonomous people's cultures and the public (Vreg, 1990, pp.292-293).

Different processes take place in heterogeneous cultural communities. The inclusion of heterogeneous factors is as important as transcultural mediation. This was not given adequate attention in the former Yugoslavia, so over time various conflicts developed within it and led to misunderstandings.

Today, more than ever, it is clear that we need transcultural mediators, who will be able to initiate and develop processes of mutual understanding. This method includes tolerant dialogue, argumentative polemics and scientific communication. No one is to think that it is possible to "remove" inter-republic misunderstandings, ethnic stereotypes, various national syndromes and traumas with surgical

procedures overnight. What is possible is to continue the started processes of transcultural mediation in politics as well as in all other areas of social life (ibid., p.298).

An individual is born and lives in a certain cultural tradition or environment, rarely in several cultural traditions. The process of learning other cultures is almost daily and inevitable. This process should be approached in a systematic way, because managers are professionals with a clear task to fulfill the mission of their companies and create new value and achieve business success.

Individuals grow up in a certain culture. Through such enculturation they gain the respect of members of their cultural community and on the basis of it they develop their self-esteem. However, they also need respect of the wider environment, i.e. other cultural communities that belong to the same political community, the political community as a whole and the country. They can most easily gain the respect of other cultural communities by showing respect to them, in different ways including intensive intercultural communication with them. This may result in the state's readiness to show its respect of them, i.e. by extending various forms of assistance to them. Needless to say, such assistance strengthens the loyalty of the respective cultural community to the political community that connects them to other cultural communities (Križan, 2008, pp.429-430).

Therefore, it is important to establish a cultural community or cultural consensus, which enables peaceful and constructive social communication and cooperation. Achieving cultural consensus is a very demanding task, which requires that individuals do not perceive or value their culture as superior to other cultures and traditions.

Convergence of cultural horizons of different cultures through their mutual familiarization also facilitates expansion of the sphere of common values, which is expansion of the base of values that enables interculturally-relevant valorization. In other words, intercultural communication expands the possibilities of interculturally recognized valorization and thus "pulls the carpet under the feet" of cultural relativism. When someone comes into contact with a culture that was foreign to him/her until then, he/she can hardly avoid valorizing the culture - its elements, its values, and, ultimately, the culture as a whole

- even if implicitly or unwittingly. However, at the same time, as he/she learns more about the culture, he/she will inevitably gradually modify his initial and therefore probably superficial judgments of the culture. He/she does this partly because he/she concludes that some of them were wrong, and partly because the culture he/she is getting to know is less and less foreign to him, he/she understands its values and semantic whole better and accepts some of its meanings, beliefs and values. Such corrections of one's own stances during the process of getting to know unknown cultures only confirm the fact that the processes of intercultural familiarization are always at the same time processes of valorization (ibid., pp.66-67).

It is important for an individual to use the concept of social exchange when in contact with another culture. As individuals engage in social exchange, through the process of mutual interactions and exchange, they create a social system. Participants in the process engage in it with the expectation that they will meet their needs, which they would not otherwise meet if they did not engage in the process. The other side engages in the process with the same expectations. The ideal exchange is when mutual benefit is achieved.

The essence of the crisis of socialist state party systems is that they were not able to articulate and synthesize the interests of different social groups, peoples and nationalities, political and ethnic minorities, subcultures and social movements (Vreg, 1990, p.293). Lessons must be learnt from the experiences from the recent past, so that similar mistakes are not made in the future. The goal is to meet the needs of all actors or that they achieve the expected benefit.

LAYERS AND LEVELS OF CULTURE

It is necessary to know not only the culture of your organization, but also the culture of the local community, national culture and the culture of the country in which one operates. Culture is layered and has several levels, but also consists of several sub-elements or subcultures. This inevitably leads to emergence of cultural syncretism.

The system of cultural values can be learned and is part of a continuous learning process. It strongly influences every organization. Therefore, the culture of others must not be relativized. According to Trompenaars (1993) culture has several layers: basic beliefs and assumptions;

values and norms; customs, routines and procedures; competitive environment; implicit; explicit.

The deepest, invisible and most abstract layers of culture are the basic conditions for the development of certain values and behaviors. They refer to the fundamental views on life and the nature of people (whether they are basically good or bad), the relationship to nature, the nature of human relations and human activities, truth, time, etc. Managers must understand the basic elements of a culture in order to understand and even predict the values and behavior of the representatives of that culture with whom they cooperate and do business. For example, the perception of time is the source of many misunderstandings and frustrations in the contacts of different cultures.... Behavior and various artifacts (language, clothing, food, customs, architecture, etc.) are on the surface and visible. To understand them requires an understanding of the deeper, invisible layers of culture. If they want to achieve successful intercultural cooperation, managers must understand the basic elements, different values, worldviews and behavior of different cultures, as well as see them as complementary and a basis for synergy that can increase the positive effects of mutual cooperation (Bahtijarević Šiber et.al., 2008, pp.104-105).

Levels of culture are: individual, other subcultures, organizational culture, professional culture, branch, national and transnational culture. The increased attention given to diversity management through the practices of the human resources and research sector reflects the inevitable consequences of the global economy and demographic change.

Does diversity help organizations perform better? Ask many organizations today and the answer is a resounding “yes.” What for many initially was an effort to meet some governmental and legal requirements has evolved into a strategic priority aimed to achieve a more competitive position on the market (Hansen, 2003).

This means that companies engage in various activities and devote resources to a variety of other diversity-related initiatives, including dedicated diversity management staffs and workplace programs and benefits such as flexible work arrangements, domestic partner benefits, corporate-sponsored employee affinity groups, and other programs designed to attract and retain a diverse workforce (Corporate

Leadership Council, 2003). Companies pay a lot of attention to diversity initiatives because they believe it is good for the bottom line, as well as that diversity is a business imperative.

VISIBLE AND INVISIBLE CULTURE

In one's life, human beings have different transcendent experiences. These are invisible elements, which have a strong influence on him/her and determine him/her. The culture in the company exists on two levels: visible and invisible.

In "natural" everyday life, we practically count on the inevitable, that a lot of things will happen – things that we do not want to happen, as well as that there are many things we want but that will not happen (Luckman, 1997, p.109). In everyday life an individual pays more attention to visible than invisible cultural values. New trends show a growing tendency towards greater commitment to the invisible culture.

Cultural values are not genetically transmitted, but are learned from birth throughout life. The manager must therefore respect the values and value systems of different cultures. Today, almost every society is multinational, multiconfessional and multilingual. Therefore, companies, especially multinational ones, must take into account the cultural values of their employees, especially when they come from different cultures, as well as business partners or the environment in which the companies operate (Sikavica et al., 2008, pp.114-115). We should not view culture as a static but as one of the most dynamic categories, whose plurality and dynamism are conditioned by the constant changes and challenges produced mostly by the globalization process. Multinational companies give special importance to intercultural aspects of business.

Culture is a very complex phenomenon and consists of different elements and dimensions, that is layers. It is the result of a complex interaction of values, attitudes and behaviors of group members. It consists of several elements, some of which are explicit and visible (e.g. behavior) and others implicit and invisible. The visible part is usually considered to comprise 10%, and the invisible part, the one below the surface, 90 % (Bahtijarević Šiber et.al., 2008, p.104).

It is sometimes difficult to draw a line between the visible and invisible elements, which are often strongly intertwined. Invisible elements are generally neglected or not given the necessary importance. Invisible elements often require an “esoteric” approach in their perception. The practical needs of companies and managers have in led to increased interest in research and study of invisible elements.

Visible signs of culture include: status symbols, ceremonies, stories, slogans, behavior, language, jargon, style of dressing, etc. Invisible signs of culture include: shared values, beliefs, assumptions, attitudes, and feelings (Bahtijarević Šiber et al., 2008, p.129).

Invisible elements represent the real driving force of visible elements. Invisible elements are difficult to quantify, but their impact on business results is often crucial. The invisible structure within the organization is far easier to understand using the “esoteric” approach, which leads to important insights for the organization and management. The invisible elements represent a kind of spirit, while the visible elements represent a form.

Man is the creator and implementer of the organization, and as such appears in the organization in all its dimensions and thus forms an “invisible” structure, which we call an informal organization. Empirical research has confirmed the hypothesis that the “invisible organization”, which is encompassed by the so-called organizational culture, is an important factor of the efficiency and success of the company as a whole (McEwan, 2001, p.327). As human beings we are more determined by the invisible. Since cultures are subject to change, a change also occurs in the organizational culture, which is associated with the changes in the people who work in the company.

Most studies deal with the invisible differences in management, such as position background and employment (right of use, right of possession) of top management (Finkelstein, Hambrick, 1996). However, the notion of cultural diversity also implies visible characteristics such as race and gender (Cox, 1994). Several studies on diversity have shown that it has a positive effect on individuals and small groups (Cox, Lobel, McLeod, 1991; Watson, Kumar, Michaelson, 1993). On the other hand, others have concluded that heterogeneous groups perform worse than homogeneous ones (Pelled, Eisenhardt, Xin 1999; Tsui, Egan, O Reilly, 1992). Existing theories simply do not offer sufficient explanations

for such variable data. Therefore, existing theoretical explanations (value in diversity, social identity and theories of self-categorization) are included in the context of the theory of heterogenesis (Blau, 1977) and set the thesis that the relationship between cultural diversity and success must be much more complex than previously proposed models indicate. Moreover, the analysis was extended beyond a simple linear relationship and potential curve-prediction relationships were investigated. A significant diversity of managerial staff was added to the research, by examining two visible components of diversity - race and gender. Furthermore, instead of analyzing the effects of diversity on the level of individuals and small groups, the management and success of companies were analyzed.

Earlier research on the diversity of management groups has mainly focused on 1) invisible aspects of diversity such as work background and 2) top management teams. Visible signs of culture are more recognizable in a company, but that does not mean that the invisible signs of culture are less important for determining the organizational culture.

(CULTURAL) DUE DILIGENCE

Due diligence is a procedure that checks various aspects of the subject of the in-depth investigation, most often business, in order to obtain necessary information and gain trust in the information presented. Due diligence is a process that includes a methodology for detection, processing and verification information, starting with development of a list of questions and preparation of requests for provision of documentation, and ends with a multi-purpose report, which is used as the basis for calculations, analysis and decision making, the foundation for development of various documents and a good basis for the work of the management.

Culture is considered one of the most important factors of behavior. It provides common values and meanings of things and phenomena, desirable behaviors and their final outcomes. Culture determines the way of life, acceptance of change, way of doing business and running a business. Based on the knowledge of a particular culture, it is possible to predict the practices of the organization, management style, characteristics of leaders and forms of behavior that are most effective in it (Bahtijarević Šiber et al., 2008, p.398). In the modern

world, economic borders are being erased, while cultural borders are being drawn, which represents a new challenge for businesses.

Extended due diligence includes: financial, tax, legal, human resources, environmental issues, information technology, marketing, organizational culture and other business segments.

Financial due diligence has high importance and includes all factors of the company's business. It is based on company's financial statements and "for many acquirers they are the most important component of due diligence" (Lajoux, Elson, 2010) from which "basic business indicators of the company are derived, through which its business and financial position is diagnosed." (Buble, Kulović, Kuzman, 2010, pp.216-217). "The real goal of financial due diligence is to gain insight into the information provided by the target company, and help the 'buyer' make an opinion on profitability." (Howson, 2006, p.67) The successful implementation of financial due diligence depends on the achievement of the following objectives (Pretnar Abičić, 2015, p.118-124):

- Identification and quantification of financial and tax risks, potential liabilities,
- Analysis of profitability and financial flows in the society achieved in the past, presence and protection of future operational prospects,
- Determining the assets and liabilities of the company, internal controls and the actual operational situation in order to provide an appropriate basis for the implementation of further negotiations, strategic decisions and planning of the post-acquisition business plan and integration process,
- Taking into account the results and findings of other types of due diligence (legal and commercial), determine whether the investment goal is in accordance with the general strategy and investment principles of the buyer.

Cultural pluralism and constant change make it difficult to design models for cultural due diligence. With the emergence of subcultures, cultural differences within and between countries are being differentiated, consolidated and strengthened, which affects businesses and increases the cost of cultural misunderstanding.

Some authors warn of the necessity for organizations to implement the so-called cultural due diligence before they enter new markets and establish international business operations, as their business success will depend on it. They warn that it is common practice for organizations to invest time and money in due diligence of financial markets, products and other aspects of the business before entering new markets, establishing new partnerships or buying new businesses. The quality of the decision and the final success depend on the accuracy and sophistication of the information. However, the culture and cultural due-diligence, as the crucial factor of success, often get forgotten or minimized. Research and experience have shown that inadequate information about the business environment and lack of understanding of other cultures is often the main reason behind business failures. This is confirmed by numerous examples of business failures of large global companies that have invested heavily in product promotion in new markets without taking into account the different values and needs of people in these cultures. A textbook example of this is the first attempt by renowned make-up companies to penetrate the Japanese market, ignoring their different concept of women's beauty and care.

Therefore, research of intercultural aspects of business, cultural due diligence and search for appropriate models, without relativizing other cultures, will be an increasing challenge for researchers and managers.

CONCLUSION

Management is used all around the world with all its specifics for specific countries, activities, companies, clusters, strategic alliances and every aspect of human life. However, it is culture that gives the soul to every management and every place. It is important to have management trained in diversity and change management. Diversity gives birth to new values. Every “conflict” between two cultures is a “confrontation” of symbols of different cultures. Culture is the basic precondition for the success of organization and development. An individual is born and lives in a certain cultural tradition or environment, some even in several cultural traditions. The process of learning about other cultures is almost daily and inevitable.

Cultural plurality and its dynamics means the existence of several different cultures and cultural groups in a society or state, in a territory, etc.

The terms “cultural pluralism” and “multiculturalism” are also used. Failure to have intercultural management staff educated and trained in diversity management can lead to business failure. Managing small differences is a particularly big challenge for the management.

In one’s life, human beings have different transcendent experiences. These are the invisible elements, which have a strong influence on them and define them. In a company the culture exists on two levels: visible and invisible.

The need for cultural due-diligence usually arises when a company is considering entering a foreign market, an acquisition or investment, changes in management, restructuring, etc.

Due-diligence is a multidisciplinary process, because the knowledge required for it covers different areas. However, in practice, financial, legal and tax due diligence are the most common forms, except in the conditions of acquisition of new technologies or capacities, when in-depth investigation of production or new technologies is a fundamental value being acquired. Due diligence includes the issue of sensitivity of various types of data, particularly as some national legislations ban record keeping for specific data. However, cultural due diligence, which is a specific challenge because of the cultural

plurality and dynamics, is often neglected. It is not possible to design a static model for cultural due diligence that would include all the necessary elements. Research of intercultural aspects of businesses, cultural due diligence and finding appropriate models will be an increasing challenge for both the researchers and managers.

The globalization process led to establishment of clusters, which represent a form of connecting and networking of companies. Establishment of clusters instigate, in one way or another, development of small and medium-sized companies, thus contributing to development of local communities, regions, states, as well as increasing competitive advantage. Clusters connect similarities and complementarities, that is, they connect globally and locally. Establishing virtual teams is a reality of modern business operations.

Cultural pluralism and dynamics are increasingly seen as an asset, while managing them is the greatest challenge for managers of our time. Cultures produce meaning and modern managers must recognize this, as the importance of intercultural management will only increase. Modern approaches are focused solely on successful and unsuccessful companies.

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