

HANSA NOVA
MANAGING A MULTICULTURAL WORKFORCE
- KEY ISSUES IN THE **BALTIC SEA REGION**



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MANAGING A MULTICUTURAL WORKFORCE

- key issues in the Baltic Sea Region

This handbook is intended for persons planning to work in multicultural contexts in the Baltic Sea Region (BSR). It can be used by business students specializing in the area and by managers and team members commencing work in the region. The handbook contains well-structured information about knowledge areas essential for successful multicultural management in the region.

All chapters of the handbook have been produced by multicultural teams which include representatives of the following Higher Education organisations:

Denmark:	Tietgen Business College
Estonia:	Tallinn University of Technology University of Tartu
Finland:	Arcada University of Applied Sciences
Lithuania:	Vilnius University Vilnius College of Higher Education
Norway:	Buskerud University College
Russia:	St. Petersburg State University St. Petersburg State Polytechnic University

Furthermore, 20 companies have contributed information based on their experience of multicultural management in the region. A trade union, Tradenomiliitto, has also participated in the development work.

The chapters have been developed with the financial support of the Nordic Council of Ministers (Nordplus Neighbour) and the European Commission (Curriculum Development). The content of this handbook does not necessarily reflect the position of the Nordic Council of Ministers or the European Commission, nor does it involve any responsibility on the part of the Nordic Council of Ministers or the European Commission.



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1. INTRODUCTION

The countries in the Baltic Sea Region currently have an economic growth rate that ranks among the highest in the world. Trade organisations in the Baltic Sea Region also look positively upon the opportunities that the region offers. For example, the Baltic Sea Chambers of Commerce Association's (BCCA) vision, "3T - Triple Trade in Ten Years", is based upon a strong belief in the future opportunities of the region. Trade organisations in general regard increased knowledge about conditions in the region as essential for eliminating existing prejudices and for changing attitudes in favour of increased cooperation. This handbook attempts to meet such a need.

The handbook is especially intended for persons planning to manage multicultural teams in the Baltic Sea Region (BSR). It can be used by business students specialising in the area, and by managers and team members about to commence work in the region. The handbook contains organised information about knowledge areas essential for successful multicultural management in the region.

The handbook is structured in four chapters, each introducing the reader to the possibilities and challenges of the region. It contains the following sections:

- The social and economic environment of the BSR
- Business culture – country-specific information
- Project management for well-functioning multicultural teams
- Summary guidelines for managing a multicultural workforce

We will begin our journey through the region by looking into the social and economic environment of the 10 countries of the BSR: Estonia, Denmark, Finland, Germany, Latvia, Lithuania, Norway, Poland, Russia (Northwest) and Sweden.

2. THE SOCIAL AND ECONOMIC ENVIRONMENT

The social and economic environment of the BSR can be described with different indicators reflecting living and working conditions in each country.

Indicators of the social environment can include variables such as educational background, life expectancy and health care. Economic indicators generally reflect production and income levels, as well as household purchasing power. Together, these indicators describe the living conditions for a country's households. The indicators also help us grasp the socio-economic background of persons participating in different multicultural teams in the region.

There are big differences in the social and economic environments of the BSR countries. But many initiatives are under way to create more and better jobs, to improve health and the quality of working environments, and to increase business efficiency.

We will look into the differences, starting with the social environment and with demographic and human development factors.

2. 1. The demographic situation

Demographic indicators in general reflect the living standards of different countries better than many other socio-economic indicators. Important demographic indicators include life expectancy at birth and infant mortality.

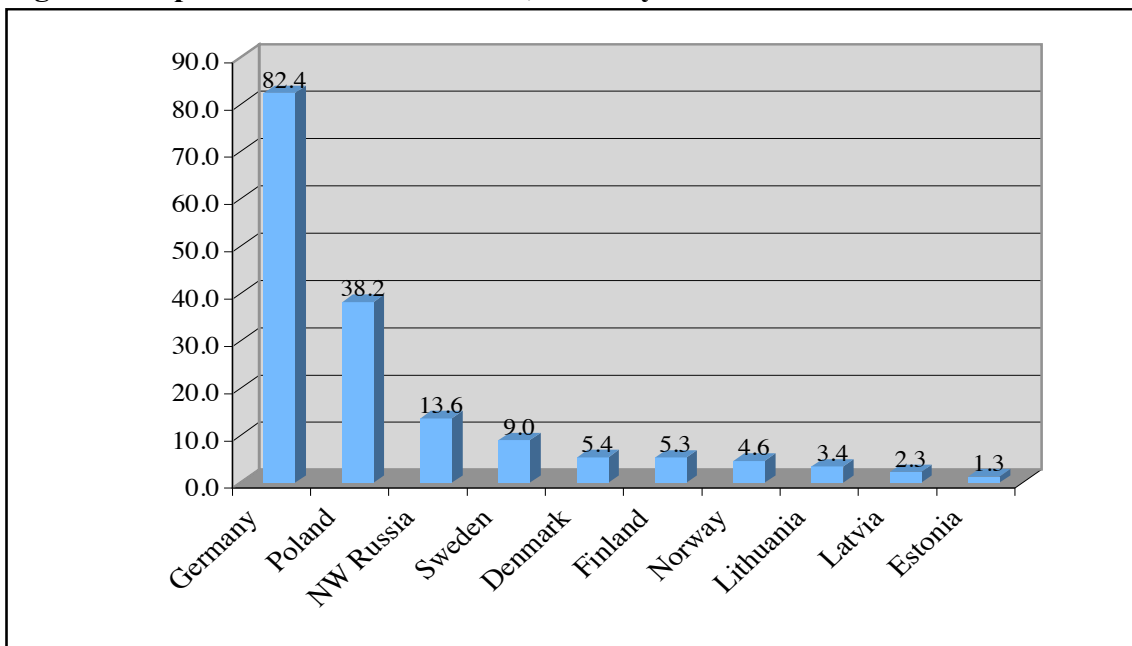
In the Baltic Sea Region, Sweden has the highest standard of living according to these indicators. Sweden is the only country in the BSR with a life expectancy of more than 80 years and an infant mortality below 3 (per 1000 children under 5 years), followed by Norway, Germany, Finland and Denmark.

Poland and the three Baltic countries have a life expectancy between 71 and 75 years, while Russia is lagging behind with 67.1 years – a figure lower than in some developing countries in Asia. Infant mortality in Russia is also higher than anywhere else in the BSR, but this number is nevertheless much better than in most developing countries: infant mortality is not the only reason for low life expectancy in Russia. There are certainly also other demographic factors influencing life expectancy and standards of living. We will now describe the social environment in more detail, starting with population-related indicators.

2.1.1. Population

The Baltic Sea Region is not very densely populated. The total number of inhabitants of the 9 countries and North-West Russia (NWR) is only 165.5 million people. In terms of population, Germany is clearly the biggest country, followed by Poland. Estonia is the smallest, with no more than 1.3 million inhabitants (see fig.1).

Figure 1: Population of BSR countries, January 2006



Source: Eurostat database.

The total population level of the BSR as a whole is stable; the growth rate is close to zero. However, the growth figures of the countries in the region differ: we see growth in the richer Nordic countries, stagnation in Germany and Poland, and a decrease in population numbers in the former Soviet satellite states.

Population density is comparatively low in Norway, Sweden, Finland and NWR. Most Norwegians, Swedes and Finns live in the southern parts of their countries, especially around capitals. Nearly half of the population of NWR lives in St. Petersburg (which at 4.5 million is the most populous city in the BSR) and in the surrounding Leningrad oblast.

The transition countries seem to be experiencing both a negative natural increment of population and a negative migration ratio (with the exception of Russia, where the inflow of immigrants is large). Thus, migration processes are important aspects of social and economic development all over the Baltic Sea Region.

2.1.2. Migration and ethnic groups

Due to international migration in the Baltic Sea Region, the ethnic structure of some of the countries is becoming more and more mixed, as can be seen in Table 1.

Table 1: Migration and ethnic mix in BSR countries in 2006

Country	Main ethnic group share, %	Net migration rate per 1000 population
Denmark	94.7	2.52
Sweden	94.8	1.66
Norway	95.7	1.73
Finland	93.4	0.84
Germany	91.5	2.18
Poland	96.7	-0.46
Lithuania	83.4	-0.71
Estonia	67.9	-3.20
Latvia	57.7	-2.26
Russia	79.8	1.03

Sources: CIA World Factbook; OECD International Migration Data

In some countries tensions between the main ethnic groups and newcomers have emerged. In this aspect, the BSR can be described with three-four groups of situations: those in the Nordic countries/Germany, Poland, the Baltic states and North-West Russia (NWR).

The high income countries, such as the Nordic countries and Germany, are most attractive for emigrants from developing and transition countries. Some of these emigrants are looking for well-paid jobs and some for social welfare. Thanks to traditions of culture, tolerance and respect for human beings, and probably to calm tempers, connected with calm climate, no difficult conflicts on an ethnic basis are visible in the Nordic countries. Germany is a more complicated case within this group, due to Eastern Germany with a higher rate of unemployment and the spread of the skinhead youth movement.

The ethnic situation in Poland is quite calm – it is a monoethnic country with a low immigration level.

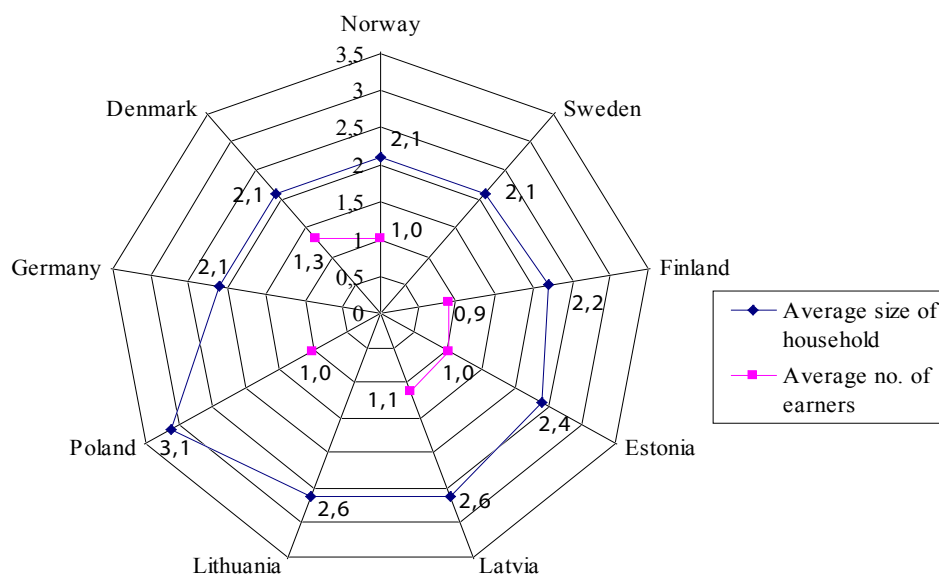
The Baltic countries have a special problem of relations between the main ethnic group and the Russian speaking minorities, originating from their Soviet past. The proportion of Russians is highest in Latvia, and most of the Russians are not granted Latvian citizenship despite the fact that they were born in the country. The Baltic countries do not experience inflow of migrants – on the contrary, thousands of their citizens are seeking better paid jobs in other EU countries. This may lead to the aggravation of the demographic situation, already difficult due to the low birth rates of these countries.

In Northwest Russia, the situation in terms of migration is controversial. On the one hand, many qualified specialists from Russia were and partly still are migrating to the West. On the other hand, some richer cities and especially St. Petersburg are now very attractive for job-seeking migrants from smaller Russian cities, from the countryside of Russia and from former Soviet republics. Migrants generally receive lower paid jobs, often illegally and without social insurance. Tensions have emerged between youth movements and in recent years several incidents have occurred in which migrants from Central Asia and the Caucasus region and students from developing countries have been attacked by Russian nationalists.

2.1.3. Family size

In general, families are small throughout the BSR. As Figure 2 shows, the average size of a household varies from 2.1 persons in most of the richer countries to 3.1 in Poland. Data concerning average number of earners per household is not available for all countries, but it is interesting to mention that this number is highest in Denmark (at 1.3) and that this figure is substantially higher than in all of the other countries.

Figure 2: Household composition



Source: ILO Database

The next section discusses what the different countries have achieved in terms of human development.

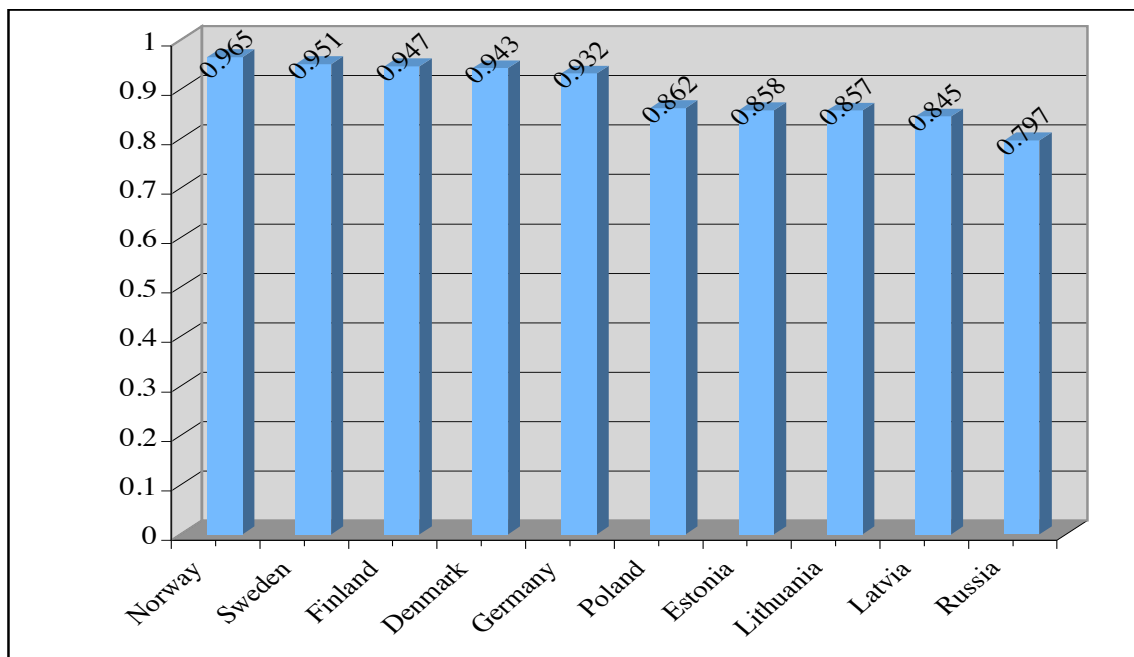
2.2. Human development

The Human Development Index (HDI) is a comparative measure of life expectancy, literacy, education and standard of living for countries worldwide. The HDI measures the average achievements in a country in three basic dimensions:

- Life expectancy at birth
- The adult literacy rate (two-thirds weight) and the combined primary, secondary, and tertiary gross enrolment ratio (one-third weight)
- gross domestic product (GDP) per capita at purchasing power parity

The HDI is therefore a composite index taking into account three basic categories of living standard – a long and healthy life, knowledge and a decent standard of living – and measuring the developmental stage of the country. The maximum value of the index is 1 and minimum 0. In Figure 3 the value of the Human Development Index (HDI) for each country is presented.

Figure 3: Human Development Index in 2004.



Source: UNDP: Human Development Report 2006.

The human development indicators for BSR countries reflect similar results as in the case of demographic indicators: The Nordic countries plus Germany have high figures, Poland and the Baltic countries lag somewhat behind, while Russia shows the lowest score in the region.

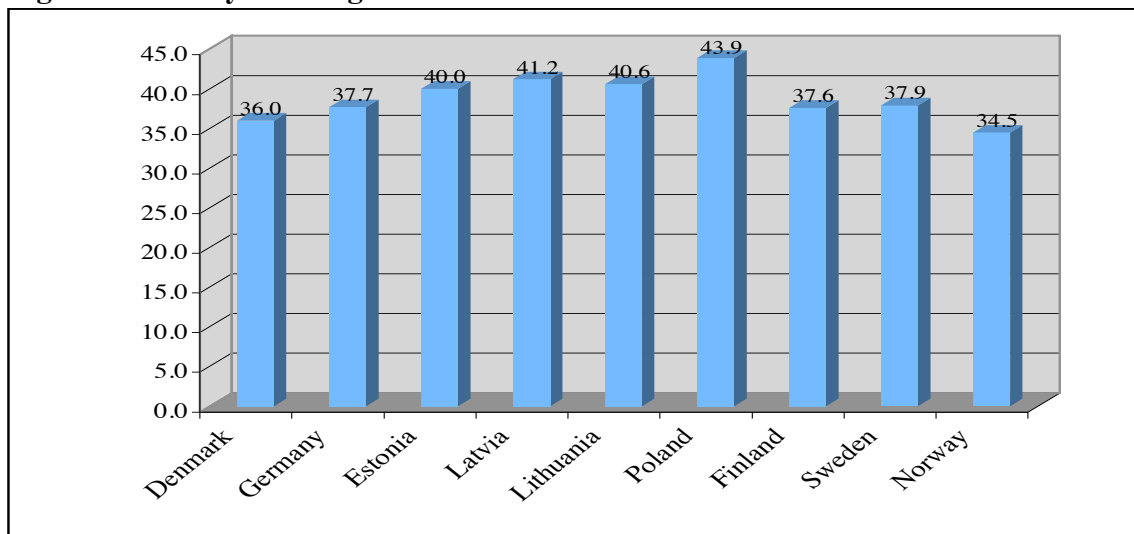
Other variables measuring social achievements include different aspects of a country's working conditions.

2.2.1. Working conditions

The figures in this section are based upon data from Eurofound's Fourth European Working Conditions Survey (2005). Since 1990 four such surveys have been conducted. During the fourth survey of 2005, approximately 30 000 workers from 31 countries were interviewed. Since this survey does not include Russia, the figures in this section are for the nine other countries in the Baltic Sea Region.

The working week is one indicator on social welfare. Figure 4 shows that the working week is longest in Poland (43.9 hours). In Estonia, Latvia, and Lithuania the weekly working hours are quite similar: 40 - 40.6 hours. There are also similarities between Germany, Finland and Sweden. Norwegians work only 34.5 hours a week – 7.4 hours or nearly a day less than Poles.

Figure 4: Weekly working hours in 2005



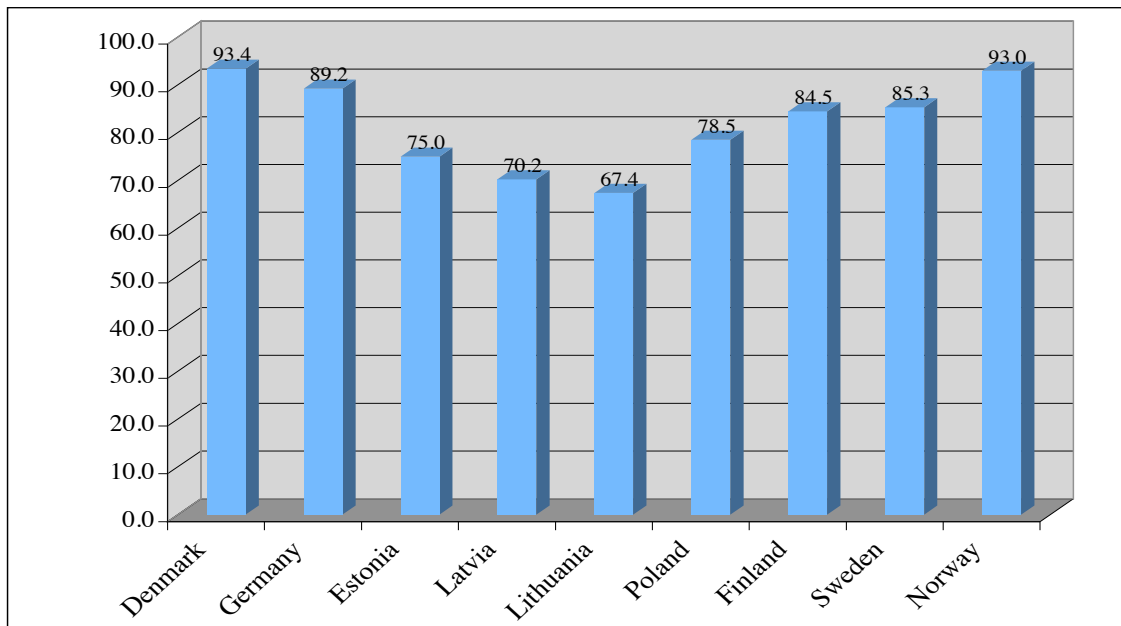
Source: Eurofound: Fourth European Working Condition Survey.

The Fourth European Working Condition Survey also measures work satisfaction. It showed that employees in Europe generally are satisfied with their working conditions. The value of this indicator is influenced by job security, a positive working atmosphere and opportunities to learn.

In a majority of the countries in the Baltic Sea Region, the proportion of employees who are very satisfied or satisfied with their working conditions is over 80%. As can be seen in Figure 5, people are somewhat less satisfied in Lithuania, Latvia, Estonia and Poland – the countries which also have the longest working days. For these countries, the figures

may also be explained by the post-Soviet transformation period. During last 15 years, economic development and the changes in the political order have been significant and fast. At the same time, the constantly changing environment, the establishment of new firms and the bankruptcy of some other firms may make people feel less secure about their jobs.

Figure 5: Share of employees satisfied or very satisfied with their working conditions.



Source: Eurofound: Fourth European Working Condition Survey.

2.2.2. Current initiatives

Today, a number of organisations are working to achieve better social and working conditions in the Baltic Sea Region. Below is a short presentation of some of them:

The Baltic Sea Network on Occupational Health and Safety (BSN) is a regional network of ten countries around the Baltic Sea. The partners involved are occupational health and safety institutions in Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Northwest Russia, Norway, Poland and Sweden. The purpose of the BSN is to strengthen peer-to-peer networking and collaboration between expert institutions and respective bodies in occupational health and safety (OH&S), between and within countries in the Baltic Sea Region. A major function of the BSN is to make OH&S information accessible through an advanced user-friendly information system (via the internet). The BSN is a forum for transmitting and developing good models and good practice guidelines, and for disseminating information on training possibilities in OH&S in the member countries (see <http://www.balticseaosh.net>)

The Baltic Sea NGO Forum is a meeting point for various non-governmental organisations from the countries in the region. The aim of the forum is to strengthen civil society by offering NGOs an opportunity to exchange ideas and develop new networks, and to carry on a dialogue with the public authorities (see <http://www.bsngoforum.org>).

In 1999 the trade union organisations of the Baltic Sea countries in 1999 founded by the **Baltic Sea Trade Union Network (Bastun)**, which serves as an umbrella organisation for the employee confederations of all the countries in the Baltic Sea Region (see <http://www.bastun.nu>). Through this organisation, social dialogue is promoted in matters of common interest for employees in the region.

The Baltic Sea Chambers of Commerce Association (BCCA) is an organisation of in total 50 Chambers of Commerce in Denmark, Estonia, Finland, Germany, Latvia, Lithuania, Norway, Poland, Russia and Sweden. The threefold task of the BCCA is to protect and uphold the interests of private entrepreneurship by advising politics in business related affairs, to offer services to the business community and to provide facilities for contacts, debates and meetings in the region (see <http://www.bcca.ws>).

The best way to find other organisations and networks that are active in the Baltic Sea Region is to visit the **Baltic Sea Portal**, <http://www.balticsea.net/>. The portal provides an up-to-date picture of the region by providing comprehensive information about a variety of areas of cooperation and cooperative activities. The aim of the portal is to be the main site of reference with regard to Baltic Sea regional information on events, news, ongoing activities and background information.

Some of the organisations above represent business life, with the aim of improving living conditions through well-functioning enterprises. There is certainly room for good initiatives in the different economies, as illustrated in the following section.

2.3. The economic environment

This section presents some main economic indicators of the BSR countries: GDP per capita, growth rates and income distribution in the countries. Together with the social indicators presented above, the economic indicators help to create a picture of the living conditions of the households in the region.

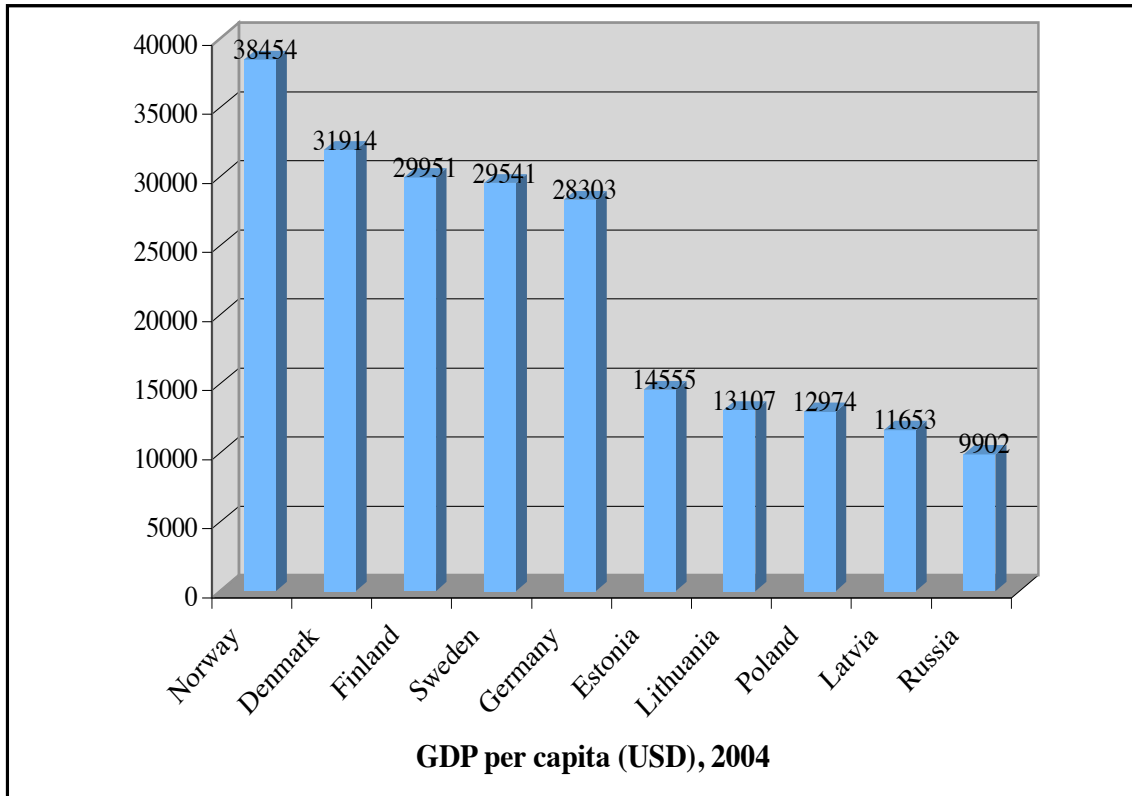
2.3.1. GDP and growth rates

The indicator most commonly used to describe the economic development of a country is gross domestic product (GDP). GDP measures the total value of goods and services produced in a nation during a year.

For international comparisons, GDP per capita (person) is often used. Furthermore, GDP per capita can be adjusted to reflect differences in the cost of living in the countries

compared. This is called GDP per capita adjusted by purchasing power parity (PPP). In Figure 6, the countries in the Baltic Sea Region are compared in terms of their adjusted GDP per capita.

Figure 6: GDP per capita in 2004



Source: UNDP: Human Development Report 2006

Norway is the richest of the ten countries based upon this indicator, and is followed by a group of countries with quite similar levels of GDP per capita. This group consists of Denmark, Finland, Sweden and Germany, where the value of GDP ranges from US\$31,914 to US\$28,303 per capita. The second group consists of Estonia, Lithuania, Poland, Latvia and the Russian Federation.

The GDP figures can be better interpreted over a longer time-span. Between 1996 and 2007 the Baltic Sea Region has experienced an average annual rate of growth of 4.4 % of GDP (IMF, 2007). This is quite an impressive performance by the region, and higher than the corresponding growth rate for the whole European Union during the same period. Table 2 shows these figures in more detail.

Table 2: Average annual growth rate of GDP in the Baltic Sea countries, 1996-2007**Annual growth rates 1996-2007**

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	Estimate 2007	Average growth
Denmark	2.8	3.2	2.2	2.6	3.5	0.7	0.5	0.4	2.1	3.1	3.3	2.5	2.2
Estonia	4.4	11.1	4.4	0.3	10.8	7.7	8.0	7.1	8.1	10.5	11.4	9.9	7.8
Finland	3.7	6.1	5.2	3.9	5.0	2.6	1.6	1.8	3.7	2.9	5.5	3.1	3.8
Germany	0.9	1.7	2.0	1.9	3.1	1.2	0.0	-0.2	1.2	0.9	2.7	1.8	1.4
Latvia	3.8	8.3	4.7	4.7	6.9	8.0	6.5	7.2	8.6	10.2	11.9	10.5	7.6
Lithuania	5.1	8.5	7.5	-1.5	4.1	6.6	6.9	10.3	7.3	7.6	7.5	7.0	6.4
Norway	5.1	5.4	2.7	2.0	3.3	2.0	1.5	1.0	3.9	2.7	2.9	3.8	3.0
Poland	6.2	7.1	5.0	4.5	4.2	1.1	1.4	3.8	5.3	3.5	5.8	5.8	4.5
Russia	-3.6	1.4	-5.3	6.4	10.0	5.1	4.7	7.3	7.2	6.4	6.7	6.4	4.4
Sweden	1.3	2.3	3.7	4.5	4.3	1.1	2.0	1.7	4.1	2.9	4.4	3.3	3.0
Average growth /year	3.0	5.5	3.2	2.9	5.5	3.6	3.3	4.0	5.2	5.1	6.2	5.4	4.4

Source: International Monetary Fund: World Economic Outlook Database, April 2007.

This table highlights the very strong growth of the three Baltic states. Together the Baltic sisters have a substantially higher annual growth rate than any other country in the region. The next countries are Poland (4.5 %) and Russia (4.4 %).

Finland lies in the middle with an average annual output growth rate of 3.8 %. Denmark (2.2 %) and Germany (1.4 %) have the lowest average annual growth rates in the region.

The differences in the average annual growth rates do not look very large, but over a longer period (e.g. from 1996 to 2007) even small differences can accumulate to result in significant changes in output. From a superficial point of view one might think that the countries with the highest growth rates have the most competitive economic models, which the lower ranked countries can learn from. Unfortunately this is not necessarily true. There are several problems in comparing simple GDP growth rates across countries – even when the handbooks for computing the national accounts are harmonized. Some of the pitfalls include the significance of demographics and a correct estimate of terms of trade. The economic efficiency at the starting point of comparisons also influences the growth figures. Still, the economic growth of the Baltic states is certainly impressive.

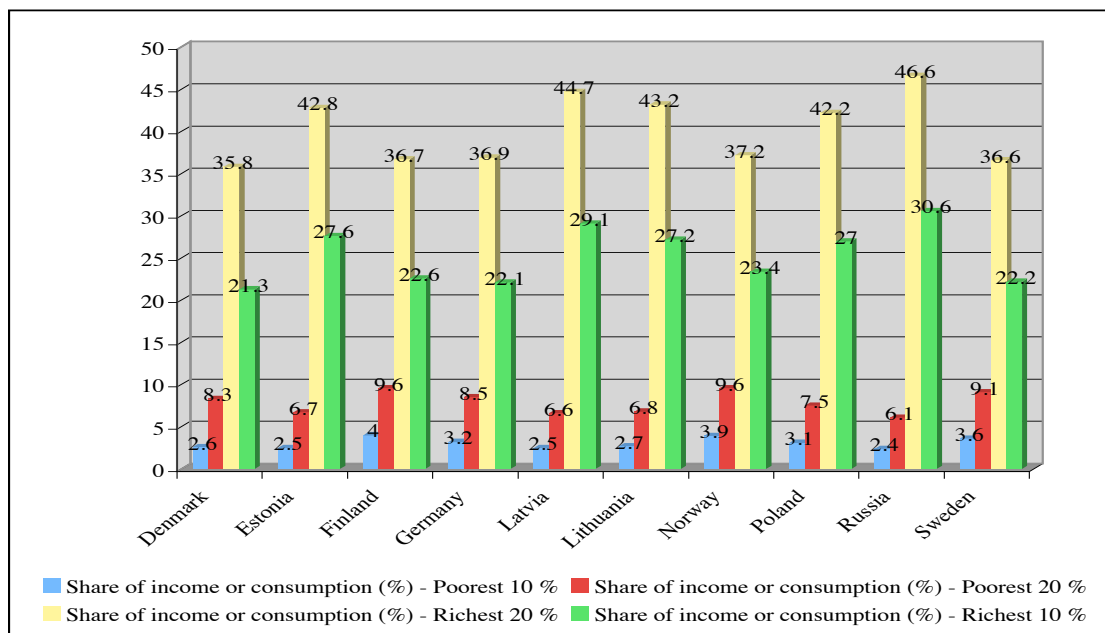
Production figures reflect only one aspect of a country's economy. Economic activity can also be studied in terms of the income flows in a society.

2.3.2. Income distribution

This section describes how income is distributed in the countries of the BSR. The figures can also be regarded as measures of economic inequality in a country, indicating consumption possibilities of different income groups. Figure 7 shows how the total national income is

distributed between different income groups in each country. For example, in Finland the poorest 10 % of the population receive 4 % of the total national income, and the richest 10 % receive 22.6% of the national income

Figure 7: Income distribution in the BSR



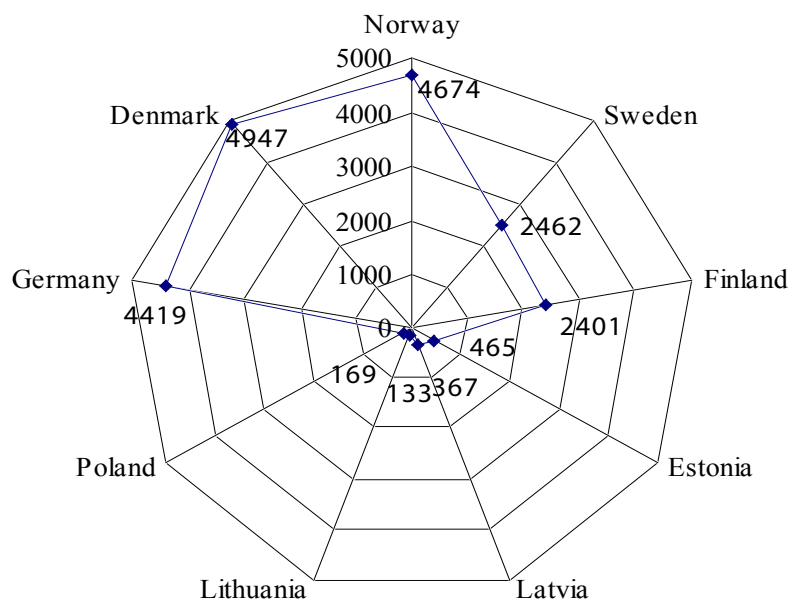
Source: UNDP: Human Development Report 2006.

In the Russian Federation the poorest 10 % receive 2.4% of total national income and the richest 10 % receive 30.6% of the total national income. The difference between the richest and the poorest in Russia is clearly the highest in the whole region.

On the basis of data presented in Figure 7, the countries can be divided into two groups in terms of income distribution. The first group comprises countries with a relatively even distribution of income: Norway, Sweden, Finland, Denmark and Germany. The second group is characterized by a more uneven distribution of income: Poland, Estonia, Lithuania, Latvia and the Russian Federation.

It is also interesting to analyse income distribution by household in the countries. For such a comparison, statistical data is gathered from the International Labour Office (ILO) and the corresponding exchange rates are imported from the homepage of the Estonian Bank. Unfortunately the data of the countries do not correspond to one year. Finnish data is from 2001, Norwegian from 2002, Latvian, Lithuanian, Polish, German and Danish from 2003; and Swedish and Estonian from 2004. The ILO database also does not include data about the Russian Federation. Despite these problems, Figure 8 also suggests that there are clear differences between the household incomes in different countries.

Figure 8: Average household's monthly income in euros



Source: ILO database

As you can see from the Figure 8, the highest income per month per household lies in Denmark, where the value of this indicator is equal to 4,947 euros. These figures can be further compared to the composition of the households. As presented earlier (see Figure 2), the average number of earners per household is the biggest in Denmark and at the same time the average size of the household is one of the smallest – 2.1 persons per household.

2.4. Conclusion

In terms of the social environment, this chapter shows that the social situation in the Baltic Sea Region as a whole is not bad, but there are large variations across the region.

The social situation is nearly excellent or at least one of the best in the modern world in the Nordic countries, average in the Baltic countries and worse, though improving, in some parts of Northwest Russia. The transition to a market economy also increased the social polarization in the former communist countries. The situation is now improving due to strong economic growth.

Economic indicators, such as GDP per capita adjusted by purchasing power parity, show that Norway is the richest of the ten countries. Norway is followed by group of countries

with quite similar levels of GDP per capita, consisting of Denmark, Finland, Sweden and Germany. The second group is formed by Estonia, Lithuania, Poland, Latvia and the Russian Federation. We have also seen that income distribution is more even in the countries with higher levels of GDP per capita.

Knowing these regional variations is useful when managing a multicultural workforce in the Baltic Sea Region. The socio-economic aspects generally influence demand for a company's product. These aspects also influence how team members react to different types of work incentives, e.g. combinations of salaries and fringe benefits. Certainly there are also other factors influencing the behaviour of multicultural teams – e.g. national and business cultures, as described in the next chapter.

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3. BUSINESS CULTURE – SOME COUNTRY SPECIFIC INFORMATION

How to do business in the Baltic Sea Region countries is the question that this chapter sets out to explore. When working with people from different countries, or when doing business in another country, there are certain cultural aspects to take into consideration. The business world in a certain country is governed by both written, but especially unwritten rules that can be very difficult to spot and acknowledge for the untrained eye.

A thorough working knowledge of business culture in the Baltic Sea Region is a prerequisite for successful multicultural management. This chapter provides a framework that assists the manager to avoid unnecessary misunderstandings or even insults.

3.1. Comparing cultures in the BSR: Hofstede's 4+1 dimensions

When comparing cultures it is essential to have a uniform framework. In this section we use Geert Hofstede's 4+1 dimensions. This framework can be used both for analysing and comparing culture at the level of society as a whole and at the level of business organisations. Below follows a brief description of the 4 + 1 dimensions (for further details see Hofstede, 1991), and a comparison of the dimensions for the countries in the BSR is made.

The first dimension is power distance (PDI). It deals with the degree to which people in a certain society or company accept inequality. In large power distance societies and companies inequality is accepted and expected. Companies are very hierarchical with status and power differences between those at the bottom of the pyramid and those at the top. In small power distance companies, you will find a flat pyramid with few inequalities between people. In the BSR, Russia and Poland have the highest PDI-values, and Denmark the lowest (see table 3).

The next dimension is collectivism versus individualism (IDV). In collectivist countries, the group is more important than individuals. As a manager in a collectivist society you manage groups, not individual persons. Group loyalty is a key factor and high-context communication is favoured to preserve harmony. In individualist countries, each person looks out for him- or herself. Following your own ambitions is in focus and low-context communication is used to clearly put forward your own points of view (high-context and low-context communication is described in section 3.3.). The most collectivistic societies in the BSR are Lithuania and Russia.

The dimension of masculinity versus femininity (MAS) is used to characterise the people in a country as very assertive, competitive, materialistic and dominant, which are some of the elements of masculinity or caring, modest, stressing solidarity and compromise, which are some of the aspects of femininity. The masculine values will lead to win-lose negotiations whereas the feminine values will favour win-win outcomes. Germany, Poland, and Lithuania are the most masculine societies; Norway, Sweden and Denmark the most feminine in the BSR.

Uncertainty avoidance (UAI) is concerned with the way people handle the uncertainties of life. Weak uncertainty avoidance countries solve problems when they appear and are willing to take risks. They accept ambiguity and tasks that are not that well-defined. Strong uncertainty avoidance countries on the other hand apply many formal and informal rules to avoid uncertainties and ambiguous situations. They prefer more structured and well-defined tasks. Uncertainty avoidance is very high in Russia and in Poland, low in Denmark and Sweden.

Finally there is the extra dimension of long-term orientation versus short-term orientation (LTO), which was added because the initial 4 dimensions have a strong western bias. The extra dimension is founded on Asian values. Long-term orientation includes values such as persistence, ordering relationships by status and observing this order, thrift, having a sense of shame (Hofstede 1991, p. 165). Short-term orientation includes the values personal steadiness and stability, protecting your “face”, respect for tradition, and reciprocation of greetings, favors, and gifts (Hofstede 1991, p. 166). Companies which are long-term oriented focus on long-term results. Employees subordinate themselves for “a higher purpose”. Short-term oriented companies on the other hand, expect quick results and returns on investment. Employees want immediate rewards. Information on LTO is available for only a few countries in the BSR. Where they exist they indicate rather short-term than long-term orientation.

Table 3: Hofstede's 4+1 dimensions for the BSR

	PDI	IDV	MAS	UAI	LTO
Denmark	18	74	16	23	-
Estonia	40	60	30	60	-
Finland	33	63	26	59	-
Germany	35	67	66	65	31
Lithuania	45	50	65	67	-
Norway	31	69	8	50	20
Poland	68	60	64	93	32
Russia	93	39	36	95	-
Sweden	31	71	5	29	33

Source: Hofstede 1967-2003. Lithuanian figures are from Baltrimienė. Latvian figures are not available.

PDI= Power distance. A low score indicates small power distance. A high score indicates large power distance.
IDV=Individualism. A low score indicates a collectivist culture. A high score indicates an individualistic culture.
MAS= Masculinity. A high score indicates a masculine culture; a low score indicates feminine values.
UAI=Uncertainty Avoidance. A low score indicates weak uncertainty avoidance. A high score indicates strong uncertainty avoidance.
LTO= Long term orientation. A low score indicates short-term orientation. A high score indicates long-term orientation.

We will now look closer at selected aspects of business culture in the BSR countries, i.e.

- timing and scheduling
- communication
- levels of formality
- negotiator styles

3.2. Timing and scheduling

The perception of time differs from one part of the world to another. In some cultures time is perceived as something rigid and very fixed. Hall and Hall (1990) refer to such cultures as **monochronic**. In monochronic cultures, punctuality is a virtue and people are expected to meet deadlines and adhere to the schedule. Things are dealt with in a linear fashion, one item at a time. **Polychronic** cultures on the other hand, perceive time as fluid. Polychronic cultures prefer multi-tasking, engaging in parallel activities at the same time. Gesteland (2005) points out that in polychronic cultures, people take precedence over tasks, therefore schedules are loose and meetings often start later than planned.

What becomes evident here is that monochronic cultures stress the task at hand and the goal is to accomplish the task within the allocated time. Polychronic cultures, reversely, emphasise people and relationships. The goal is to build up and maintain good interpersonal relationships, respecting your network of people by acknowledging their presence and meeting their needs. Time is not seen as an obstacle, but is stretched to accommodate people who are seen as important. This difference in focus and goals can cause misunderstandings.

People from polychronic cultures tend to see people from monochronic cultures as very pushy and impatient. Reversely people from monochronic cultures tend to perceive people from polychronic cultures as lazy and reluctant to get to the point.

3.2.1. BSR Cultures with a primarily monochronic approach: Denmark, Estonia, Finland, Germany, Latvia, Norway and Sweden

In the Baltic Sea Region the cultures which have a primarily monochronic approach to timing and scheduling are: **Denmark, Estonia, Finland, Germany, Latvia, Norway and Sweden**. The focus is on the task rather than the relationships through which the task is done. They expect meetings to begin on time, and schedules and deadlines are taken seriously. They expect their partners to do likewise. Agendas are clearly set for meetings with a stated purpose to brief, discuss or decide an issue. They usually expect punctuality for social engagements as well.

Especially in Denmark, Finland, Norway and Sweden avoid making appointments during the summer months. Business people's vacation periods vary from 3-4 weeks and are usually taken from mid June to late August. This period is strictly reserved for leisure activities.

3.2.2. BSR Cultures with a more polychronic approach: Lithuania, Poland and Russia

The BSR cultures which have a more polychronic approach to timing and scheduling are: **Lithuania, Poland and Russia.**

In **Lithuania**, business people are variably monochronic. Schedules are relatively detailed and are followed rather strictly, but meetings are often delayed 5-10 minutes. The idea of time is less rigid than in the West (the attitude that time is money is not particularly respected). Time schedules are not as important as feelings.

In **Poland**, it is good business practice to arrive on time for business meetings. However delays of 15-20 minutes can occur. Although meetings often have no specific end time and can go on longer than planned, punctuality is vital for establishing reliability. When making a business appointment, make it four to five days in advance and confirm the meeting the day before. Polish colleagues can be flexible and are often prepared to change schedules if necessary. Sundays are reserved for family and often church.

Russian business partners expect their foreign counterparts to be punctual, but a few minutes delay is of a little importance. Russians try to be on time with foreigners. They have a short-term perspective and great emphasis is placed on instant gratification. In Russia, patience is far more important than punctuality and delays are common in all spheres of life. Russians don't appreciate short-notice appointments; reconfirm an appointment several times before the scheduled date. Lunch break is usually an hour between 1p.m.-3p.m and places of business are quiet during these hours.

3.3. Communication

Further misunderstandings can arise from the very different communication patterns found when travelling and doing business abroad. Hall and Hall (1990) have established a framework for categorising and understanding these communication patterns. The framework consists of the two dimensions: **high-context communication** and **low-context communication**. In low-context communication, most of the meaning is to be found in the words spoken. Messages are very direct and precise. Frankness is respected and preferred. Being correct and to the point is emphasised. In high-context communication, the reverse is true. Most of the meaning lies in the context, i.e. the situation, the time, the physical environment, the people present and their relationship.

Paraverbal and non-verbal cues (Gesteland, 2005) play an increasing part in the message being communicated. It is not the words spoken that carry the message, but the context surrounding these words. Thus silence can speak and you may be told "NO", without even noticing it. Being aware of the preferred communication pattern of the culture in

which you are to do business, will help you adapt and choose the relevant communication style in a given situation. Again we see a difference in focus, in which cultures that engage in high-context communication stress the interpersonal relationship and harmony, avoiding direct speech which might cause a person to lose face. Cultures that favour low-context communication emphasise clarity of the subject matter at hand and wish to avoid confusion. With respects to non-verbal communication, you will meet cultures that are very reserved and only use a small amount of body language. Other cultures are much more expressive using their entire body to communicate (Gesteland, 2005).

3.3.1. BSR Cultures with a more low-context approach: Denmark, Estonia, Finland, Germany, Latvia, Norway and Sweden

Denmark, Norway, Finland and Sweden tend to value direct and frank communication as a sign of sincerity and honesty. They tend to be very low-key, distant and reserved, and they respect privacy. Interrupting a speaker is considered rude. It is considered rude to ask personal questions for example, about religion, income, or family. Especially in Sweden and to an even greater degree in Finland, silence is an integral part of social interaction and it is not necessary to cover up silent pauses. Finns believe that if people talk too much they do not have time to think or regard what the other person has said. Regarding non-verbal communication, they are low-contact people. Eye contact should be moderate and steady. You should shake hands with everyone present -men, women and children- at a business or social meeting.

Estonian business culture and communication is quite formal and it is important to follow established protocol when doing business there. Estonians are thrifty and ambitious and can come across as slightly cool and detached. Criticism will be taken as an insult and will not soon be forgotten. Patience is highly valued. It is considered impolite to interrupt someone, when he is speaking. Long pauses during discussions are very common in Estonia. Small talk is generally avoided in business and will make an Estonian feel ill at ease. Younger Estonians may carry the burden of small talk in business dealings. Silence is just one way of speaking in Estonia but in contrast all parties involved are expected to speak their minds, to actively and openly express their opinions whether in agreement or disagreement. If a business partner doesn't actively take part for too long a period of time, sooner or later this will begin to disturb the Estonians. The culture does not promote any undue physical contact. Good eye contact is important. It is customary in Estonia to shake hands before and after a meeting, but this gesture should always be initiated by the Estonian associate.

In **Germany**, a vital component for successful business relations is the direct, seemingly confrontational, German communication style. In business discussions or planning, for example, openly-expressed criticism tends to be directed at aspects of the problem, project, or business at hand; it should not be considered as personal disapproval. Germans are simply very low-context stressing clarity above anything. Giving compliments and

asking about WW II, personal questions etc. should be avoided. It is also important to maintain direct eye contact when addressing German colleagues. German business protocol requires that colleagues should be greeted with a firm, but brief, handshake on both arrival and departure. Germans shake hands at every meeting during the visit (many times a day).

When doing business in **Latvia** you will notice that Latvians are not particularly emotive speakers. They do not have a problem with 'awkward silences'. Latvians are extremely courteous in their communication and perceive interrupting others as bad manners. It is important therefore, that you give meeting attendees ample time to complete what they are saying before speaking. Latvians are fairly direct in their communication and will often 'say what they mean'. They prefer to state cold, clear facts as a basis for their arguments. Latvian communication is very low-context. However, they will also moderate what they say to avoid potential offence. Make sure that any responses will not be perceived as critical of another individual. They do not ask questions because they are afraid to lose face. Decision making can take time because all the details must be formalized. Avoid conversational topics such as politics, Russia, personal life etc. The standard greeting in Latvia is handshaking, establishing eye contact with your business partner. It is also appropriate to shake hands with women, but wait until the Latvian woman initiates the greeting.

3.3.2. BSR Cultures with a more high-context approach: Lithuania, Poland and Russia

Baltic Sea Region countries that have a more high-context approach are: Lithuania, Poland and Russia.

In **Lithuania**, communication can be characterised as somewhere in between high- and low-context. The communication style is direct, but more emotionally expressive than in Latvia or Estonia. However like most of the Baltic Sea Region countries, Lithuanians do not use a lot of gestures or facial expressions. Lithuanians do not touch others while speaking and can appear reserved upon the initial meeting. They do not interrupt others while they are speaking, and patiently wait for their turn. They also prefer to listen to what others say, collect information and then make a decision. They have a Germanic style but avoid conflicts and try to convince their opponent. The most common greeting is the handshake and direct eye contact is important.

In **Poland**, business communications are reserved and contemplative in their approach to settling deals. Extended periods of silence are not uncommon and are an essential part of negotiating. Therefore, you should try not to fill the silences with unnecessary talk and avoid pressing your Polish counterparts for final decisions. Smiling and maintaining direct eye contact during conversation with your Polish counterparts helps to develop a feeling of trust with the people you are meeting. Business meetings in Poland will start with some introductory small talk.

After initial meetings Poles like a fairly personal approach especially when business will be conducted over an extended period of time. This allows you to become more acquainted with your Polish counterparts and establish business rapport. Conversations are highly valued and topics may cover a wide range of issues; including public life, your work experience and family. Avoid the subject of money. If you ever compliment your Polish business colleagues it may create the impression that you are insincere in your business dealings. An open and honest communication process helps in building trust for future business transactions among Polish colleagues.

In communicating with Polish colleagues showing feelings and emotions is accepted. The Polish are particularly perceptive to nonverbal cues. The custom of kissing a woman's hand is not totally out of fashion and a Polish man will never walk through a door before a woman. Shaking hands is the normal form of greeting and shake hands after a meeting as well. It is polite to wait for a woman to offer to shake hands first.

Russia is a country of the high-context culture. Russians tend to be suspicious and cautious of foreigners in business. Therefore it is important to build personal relationships with Russian counterparts, to get things done. One way to strengthen the friendship aspect of a Russian business relationship is to provide more opportunities to imbibe in a few drinks. This is in order to provide an opportunity to get close to each other and talk about your family and interests and to take a break from business. Russians have a good sense of humor and enjoy jokes at all times.

Concerning the Russian way of communication, expect emotional expressiveness but try to maintain a moderate voice volume and avoid loud conversation. First presentations should be packed with facts and technical details to show Russian counterparts that business is taken seriously. Be prepared for a long wait before Russian associates will come to a decision. Russians insist on building a personal relationship with their foreign partners before any agreements are reached.

It is quite natural and important for Russians to communicate non-verbally, through sending and receiving wordless messages. Such messages are expressed through gestures, body language, facial expression and eye contact as well as clothing and hairstyles. Non-verbal greetings forms in Russia are head bowing and hand-shaking. Men in Russia will always shake hands when they greet for the first time during the day. However, it is taboo to shake hands with gloves on. Traditional Russian cheek kissing is done using three kisses, but it is not widely upheld all the time, especially in business sphere.

3.4. Levels of formality

The world is divided into formal and informal cultures (Gesteland, 2005). In **formal** cultures, it is very important to dress appropriately for a given occasion and display the proper behaviour. Respect and status are essential elements of life as are rituals that act to reinforce these elements. What counts is background and position. Even age and gender can play a role with the most formal countries awarding men more status than women and valuing senior staff over junior staff. In formal cultures, inequality is accepted which means that there is a large power distance in society and in business life as well. The further placement up the hierarchical ladder, the more status and the respect the employee will be entitled to from those beneath his position. **Informal** cultures, on the other hand, do not accept inequalities. People are treated equally and valued for their merits, not their background, position, gender or age.

3.4.1. BSR Cultures with a more informal approach: Denmark, Estonia, Finland, Norway and Sweden

The more informal Baltic Sea Region cultures include the following countries: Denmark, Estonia, Finland and Sweden.

In **Denmark, Finland and Sweden**, it is appropriate to use a person's title until the use of first names is welcomed, but quickly ask if it is suitable to use the first name. Male business associates can be addressed by their family names. In **Norway**, professional titles are seldom used. They tend to explain their positions of responsibility as a part of their introduction. The Nordics are informal and egalitarian, which means that people are treated the same way irrespective of seniority, title and gender. Women are highly accepted and respected in business and hold both managerial and professional positions. In business they are reasonably relaxed, informal and tolerant yet expect professional standards of behaviour.

These countries can be characterised by a strong informality concerning interpersonal relationships. This is a norm in personal interaction both within and between all levels of hierarchies. Informal channels of communication are common and important; vertical as well as horizontal communication links penetrate the organisation. It is expected that a business partner will appear professional and well dressed. Dress and manners should be kept low-keyed. In some cases, the dress code can seem very relaxed to a foreign business person –some small entrepreneurs can show up in jeans and a windbreaker: this is as much a signal to their own employees as to the foreign partner. Business gifts are not very common. However, quality logo gifts, an item a country is famous for or a good book about the home country would be suitable gifts. For social occasions, flowers or wine are typical gifts for the host and hostess.

When meeting an **Estonian** for the first time, it is proper to address him by using his professional title, not only by his first name. In regular business the use of titles is neither common nor important. On the contrary, Estonians do not revere anyone only because of his title. Since relations between Estonians and all kind of authorities have always been complicated, an Estonian never trusts someone only because of his or her status. An Estonian is particularly sceptical about people trying to teach him how he should go about his business. Stubbornness is a quality, which an Estonian likes to include in the list of his positive attributes. Estonians combine it with their love of work and faithfulness to the place they live in. At business functions it is important to dress formally. This reflects both a sense of what is proper and a strong belief in the importance of being proper. Younger Estonians (under age 45) may be more flexible in their dress.

3.4.2. BSR Cultures with a more formal approach: Germany, Latvia, Lithuania, Poland and Russia

The more formal Baltic Sea Region countries include: Germany, Latvia, Lithuania, Poland and Russia.

Professional rank and status in **Germany** is generally based on an individual's achievement and expertise in a given field. Academic titles and backgrounds are important conveying an individual's expertise and thorough knowledge of their particular area of work. First names are generally only used with family and close friends and colleagues. Within an organization, the person of higher rank is responsible for introducing anyone who is new to the group. As most Western European cultures, Germany is marked by a strong sense of individualism. Nevertheless, the desire to achieve one's own goals and success is coupled with a keen sense of responsibility for "the good of the community." For example, in many business decisions, not only the financial benefits to the company are important, but also those of its employees.

Managers have authority and there is a clear chain of command in each department and information and instructions are passed from the top. The general structure of German business decision-making requires consensual input from both employers and employees—which can render a slow decision-making process. In formal German business meetings, it is customary for the highest-ranking person to enter the room first. However, in more informal business situations this is less important.

The Germans are very private, evidenced, for example, in the strict separation between private life and work. It therefore takes time to forge more personal relationships. Business relationships are often based on mutual advantage, with the overall task as the central focus. German culture is not a gift-giving culture. But receiving small presents is appreciated. At a business dinner, the host will give the guest a designated place at the table. The dress code is formal and even in sweltering temperatures; Germans will often remain in their suits and ties and expect their counterparts to do the same. Germans also expect shoes to be cleaned and well polished.

Using professional titles is customary in **Latvia** and using a first name after a first meeting is considered disrespectful. Reflective of the hierarchical culture, Latvians tend to conduct business in a more formal way than for example their Scandinavian counterparts. Normally there is a formal distance between the president of a big company and his employees. However, there can be a friendly atmosphere between department head and subordinates although the relationship is not one of equality. When you meet older and senior Latvian persons, remember to show a certain degree of respect for them.

Latvians are fairly reserved at the beginning of the business relationship. Though, in Latvia they discuss the concrete subjects direct and open as well. Decision making is done by Latvian top managers and chief executives, not all participants contribute and the senior management's opinions dominate. Business dinners usually take place in restaurants. Latvian business people feel responsible for entertaining foreign business guests after normal working hours. The restaurant bill usually includes a small tip. Generally the home is only open for family and close friends, if invited giving a bouquet of flowers is obligatory. Appearances are important to Latvians, so it is important to dress in formal business attire.

In **Lithuania**, it is also customary to use proper titles when addressing a business colleague, proper respect is given to status and rank. People are addressed by their honorific title and their surname. Business associates should wait until invited before moving to a first name basis. When conducting business adhere to conservative etiquette and protocol. Lithuania is a masculine-orientated country and there is hierarchy in the workplace. Immediately, after shaking hands at the start of the meeting, it is customary to exchange business cards. Lithuanians prefer to do business first and then to entertain. Business is conducted in a fairly formal manner and the acceptable dress for a business meeting is a business suit for men. Women wear a formal dress or a suit.

In **Poland**, it is important to use personal titles where possible or the basic courtesy titles, Mr. and Mrs. followed by a surname. Poles are ceremonial and organisations in Poland have a strong respect for hierarchy and authority, with structure and delegation coming from above. This hierarchical style is reflected in many Polish business formalities and settings, including the decision making process and the use of professional titles. When conducting business in Poland, in order to be successful, it is important to remember that relationships are a key factor. Building individual business relationships is essential to effectively achieve business objectives, especially when business will be conducted over a long period of time.

Rules and regulations are an important part of the Polish business environment, Polish counterparts will expect their partners to know and appreciate established protocol and business etiquette. Age and educational background often form the basis for corporate hierarchy. There are relatively few woman managers. For this reason, when negotiating, it is advised to send delegates of a similar status to Polish colleagues, both in age and professional qualifications. The exchanging of business cards is an accepted part of Polish business etiquette and should be done at the start of any initial meeting. The visitor should hand over their card first. Business cards printed in English are quite acceptable, so there is no need to translate them into Polish. A small gift both at the beginning and the end of

a business relationship to your Polish counterpart is welcomed. Items are generally those typical of your culture, but avoid giving overly expensive gifts as these may create the wrong impression. If invited to a private home bring an odd number of flowers (never red roses or chrysanthemums). Fairly conservative casual wear is most suitable for business but more formal wear when specified for entertaining in the evening or in an expensive restaurant.

Russian culture is rather formal and hierarchical. Russian formality shows up in the way the people dress and in their meeting and greeting rituals, while hierarchies are evident in the top-down approach to management. All important decisions are reserved for the top management in the organizations. In Russia it is important to make sure one is negotiating with the real decision-maker.

People tend to expect obedience to superiors and clearly distinguish between those with status and power and those without it. Bureaucracy is very rigid. Typically, power in Russian organizations rests in the hands of the director with little influence on the decision-making process by middle management. Many Russians associate age with experience. Russian women want to have a career, yet European feminist ideas are not clear and compatible to the Russian reality. When meeting a Russian business partner for the first time, address them by their correct title and last name. It is also accepted in some business environments, to eventually use a partner's first name but only if the Russian counterpart suggests it.

Networks on a personal level work very well. It is said that nothing works on a personal level without "szvyazi" (personal contacts). After greetings and handshakes it is rather acceptable to exchange business cards. Russians are very hospitable; it is traditional in Russia to invite business partners to restaurants. It is also quite normal for Russians to invite business partners to their homes and such an invitation indicates that the foreigner is important for the Russian business partner. It is appropriate to bring a gift. Alcoholic beverages (or desserts) are a common gift to bring. Many Russians consider giving sharp objects, like knives or scissors, a taboo. It is traditional in Russia for men to give flowers to women on nearly every occasion, but only an odd number can be given. It is traditional to always propose some kind of toast when drinking. Refusing to drink vodka on certain occasions or to a certain toast (honor) may sometimes be considered rude but avoid overdoing this traditions if you don't have a high tolerance for alcohol. Conservative business suits are appropriate for all occasions, including formal evening functions. Russians might judge their foreign counterparts quickly by what they wear, including accessories such as a high-quality watch.

3.5. Negotiator styles

Some cultures see negotiation as a battle to be won viewing the other party as an opponent. Other cultures take a win/win approach to negotiation and prefer to collaborate with the other party in the attempt to create a mutually beneficial agreement (Mole 2003, p. 49). Win/win negotiators tend to be very open sharing information and objectives and respecting each other's integrity, believing that this will secure the best and quickest deal.

Others use tricks and tactics, believing "that the end justifies whatever means are at their disposal to get the best deal" (Mole 2003, p. 49). Opinions on when the deal is closed also differ across cultures. Some cultures believe that once the contract has been signed, the deal is done and cannot be renegotiated. The contract is often very comprehensive and is followed quite literally. Opposite this very rigid attitude, we find more flexible cultures, who believe that there can be good reasons for reopening negotiations and who see the contract more as a guide. A final difference in negotiating behaviour deals with dominance versus equality. Some cultures prefer to dominate a negotiation; other cultures prefer to collaborate on an equal basis undertaking shared decision making and accountability. Mole has compiled a chart that illustrates the values and expectations of different cultures about negotiation.



Source: Mole 2003, p. 51. The BSR countries have been highlighted by the authors.

3.6. Conclusion

Even if co-operation takes place between neighbouring countries in the Baltic Sea Region, each country has a unique course of development. The cultural identity of a country is formed by certain historical and political factors together with the resources available. The countries situated in the Baltic Sea Region have during the last decade been getting closer day by day. After years of separation the Baltic Sea countries are finally integrating as a region. Today we see increased collaboration in business, creating an increased need for cross-cultural awareness and understanding.

This chapter has described the cultural identity of the people of each of the 10 Baltic Sea countries. We hope that it assists the multicultural manager to interpret cultural differences; not judging good or bad, right or wrong, but instead applying one's cultural competency for a successful business outcome.

Cultural competence is certainly needed when managing project teams with participants from different BSR countries. Next chapter therefore focuses on multicultural project management.

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4. MANAGING MULTICULTURAL PROJECTS

Companies with activities in the Baltic Sea Region face economic challenges due to the increasingly competitive markets in the region. Functioning in such an environment requires new ways of thinking and an ability to react quickly to market changes. Projects and project teams are one way of responding to changing market conditions.

Trans-Baltic projects, including participants from different countries in the region, require specific knowledge and skills. The partners creating this handbook have therefore interviewed 20 project managers from different companies in the Baltic Sea Region in order to learn more about project management in the region. The methodological approach used was multiple case study research of companies with solid experience of Trans-Baltic projects. The companies represented different industries and sizes.

Within our investigative framework, project managers were generally asked about the internal and external environment of Trans-Baltic projects, and about different challenges facing the project manager. There was a particular focus on the **competencies** required for successful project management and participation.

Project Management competencies are generally defined as *a set of skills, knowledge, and personal attributes that describe a highly successful performer* (e.g. Boston University <http://www.butrain.com/mdp/CompModel.asp>). In theory and practice, these competencies have been further grouped in a variety of ways (e.g. Project Management Partners <http://www.pmpartners.com/consulting/competency.html#perfmeas> , ESI http://www.projectsart.co.uk/top_10_qualities_project_manager.html , Gardiner, 2005).

For the interviews, the project managers were given several open-ended questions concerning competencies. They were also asked to evaluate the importance of skills, knowledge and personal attributes in the following areas:

- master project management tools and techniques
- show expertise regarding the specific type of project
- show an optimistic attitude that prevails throughout the project
- have a tough skin to accept blame that can come
- assume risks in the management of the project
- possess cross-cultural communication skills
- communicate and work with the major political players
- be imaginative and creative
- be able to assess the motivation and commitment of people
- establish one's authority as project manager

Furthermore, project managers were asked about competencies required for project team members, which will be described in more detail in section 4.3.

The answers in general showed that project managers need both relational and technical competencies, as well as knowledge of the project specific area. In particular, the **relational competencies** were ranked very high in importance. The **technical competencies** were certainly of value, but were not as significant as the relational.

Regarding **expertise in the specific type of project**, most of the companies strongly emphasized such a need. As expressed by a project manager from Estonia:

“It is important to show that the project manager has good experience regarding the specific type of project. In this case partners can trust and rely on the project manager, and, as a result, partners are able to communicate more freely”.

A project manager usually acquires project specific expertise through education and through experience within the industry and company. Since projects are conducted for a variety of purposes, project-specific expertise is beyond the scope of this handbook. Here, we focus on relational and technical competencies needed in the BSR.

4.1. Relational project management competencies

The interview results clearly underscore the importance of **relational competencies** when managing multicultural projects in the Baltic Sea Region. Relational (or soft) competencies generally concern “managing people” and include *interpersonal communication, commitment to success, negotiation, consensus problem solving, leadership and motivation* (Gardiner, 2005, p.7).

Interpersonal communication in the BSR often takes place between project team-members situated in different countries. Information technology can assist in such situations, but most project managers strongly emphasized the need to meet regularly with the team. As expressed by a project manager from Lithuania:

“Everything is possible if communication is ok. You must personally meet with the people and talk to them constantly, management at a distance is not effective”.

A key aspect of interpersonal communication in Trans-Baltic projects is cross-cultural communication skills that were emphasized by most of the companies interviewed. The ability to work together with the multicultural project team was described as a key to success to the region. As a manager from Finland expressed it:

“Undoubtedly, all of the criteria ranked high are of great importance. However, the capability to adapt to the new environment, i.e. the cross-cultural qualifications, has a greater value. Unfortunately, there was no special education on the subject prior to the projects, therefore, everything had to be learned and discovered throughout the progress. The current training courses are based on experience and previous results”.

The project manager's own *commitment to success* was reflected in the requirements to "show an optimistic attitude that prevails throughout the project", "have a tough skin to accept blame that can come" and "assume risks in the management of the project". These statements relate to personal attributes, also indicating that a project manager often works under substantial pressure. Such situations are certainly common in projects in the Baltic Sea Region. As expressed by a project manager from Lithuania:

"While implementing projects sometimes an exaggerative pressure related with financial control can appear. Managers can be afraid to take responsibility if they don't get profit from the project soon. That's why only psychologically strong personalities should participate in the project implementation process, because they have to deal with that pressure and achieve the planned results even if it may take longer than expected".

Skills in *leadership and motivation* were ranked high, as could be seen e.g. in the scores for the project manager's ability to "be imaginative and creative" as well as to "assess the motivation and commitment of people". Project managers should also focus on the existing situation and not be too theoretical – the ability to transform vision into practice was emphasized.

Negotiation skills were reflected in the open-ended questions and partly in the requirement to "communicate and work with the major political players". This statement was the only area **not** ranked of high importance. This fact might be explained by the type of assignment of most project managers, namely implementing projects already agreed upon. It appears to be rare for project managers to enter situations where communication with major political players would be needed. However, most of the companies emphasized the need to work with other local partners in acquiring local knowledge. Local partners were also recommended for providing access to expert knowledge – e.g. in legislation and for different consulting needs.

Consensus problem-solving was not mentioned explicitly in statements of abilities. As described in chapter 3, attitudes towards authorities and consensus vary considerably in the BSR. Still, the respondents had the opportunity to comment on that issue in the open-ended questions. From Norway we had the following answer:

"We need to understand those we work together with and their environment. Our democratic comprehension is more or less internalized in our culture and if we transfer our democratic competence and democratic practice uncritically we will have trouble. And the reason is a different attitude to power".

This answer underlines the need for insights into Hofstede's cultural dimensions, as described in the previous chapter.

In general, the answers regarding relational project management competencies were well in line with previous studies. Still, through the interviews, key issues regarding skills, knowledge, and personal attribute in this region emerged. Based on the experience reported, we have developed a model for building well-functioning multicultural teams, which is described below.

4.1.1. Building Trans-Baltic project teams

Our model suggests project managers should take certain steps when building efficient Trans-Baltic project teams. The model is strongly rooted in the experience reported by the project managers we interviewed.

1. The first step is an increased awareness of different national cultures within the team. In the Baltic Sea Region, the national cultures are rather close to each other if compared e.g. to Asian/Confucian cultures. Still, culturally related problems have been observed in project teams in the region. Problems have often concerned decision making and the degree of autonomy permitted (see e.g. Mäkiluoko, 2005). Cultural differences are described in detail in chapter 3.

2. The second step is an increased awareness of different organizational cultures that can exist between the team participants' organizations. It is therefore likely that project teams will also experience cultural clashes between organizational cultures at headquarters versus at subsidiaries abroad.

An increased understanding of different organizational cultures can be reached through communication and demonstrations of different kinds.

As expressed by a project manager from Finland:

“In order to introduce the corporate culture to partners, they were invited to Finland, to observe the processes and the plants. Similarly, representatives from the Finnish side have travelled to the Baltic States to study the situation there and to learn the thinking of the partners. It is important to add that learning goes both ways, which is precisely why communication and mutual flexibility are important”.

3. The third step is to divide work efficiently between team members. A clear understanding of the organizational structure of the project and each team member's role has been found to positively impact the performance of international project teams. Another positive impact relates to a shared understanding of team goals and schedule (e.g. Higgs, 1996). As expressed by a project manager from Lithuania:

“Managers hiring people for project development should follow the principle that employees may have different potential but they all unreservedly have to work as a team. The team has to be a Star itself not a team of stars”.

The companies interviewed also mentioned the importance of operative assistance of other departments of the company. The successful project team receives advice from (or can be extended by) members from legal, finance and other departments, especially in the case of conflict situations with external parties.

4. The fourth step is effective knowledge sharing and learning. The special challenge for the project manager is to encourage knowledge sharing and learning, thereby making full use of the resources available in the team.

This step is especially important when knowledge gaps are experienced, as was the case in many of the companies interviewed. Competency gaps had been closed when new people were recruited to the project team. In other situations, buy-in of knowledge was preferred, e.g. by hiring external consultants for special tasks.

A more long term approach also builds on in-house initiatives for knowledge sharing and learning. Several examples of successful initiatives were mentioned in the interviews, including:

- *seminars for participants from different countries*
- *training programs locally and at headquarters*
- *experienced colleagues instruct those who are less experienced*
- *colleagues from different countries work on a common strategy or a specific case*
- *specialists work across national borders*
- *informal intra-company networks*
- *information (reports, statistical analyses etc.) stored in database to prevent information loss.*

5. The fifth step is to use the right type of work incentives. As shown in the previous chapters of this handbook, the social and economic environment differs in the region, leading to differences in how willing people are to work hard for their money. Some project managers interviewed e.g. regarded employees in the Baltic countries as more efficient when they are driven by the inevitable need for and prospect of money. Still, money is not necessarily the main key to success, as expressed by a project manager from Finland:

“The most important tool for managing a project is to get people to commit to it. This means that the financial compensation should be adequate, but equally important is the task of convincing people why they are doing it. Workers should enjoy what they are doing and this is only achieved by interacting with the people involved”.

The steps recommended above concern the project manager’s relational competencies. But also technical competencies are needed for successful project management.

4.2. Technical project management competencies

Technical (or hard) project management competencies generally refer to the more mechanical aspects of project management and involve skills in *planning, estimating, scheduling and controlling* a project (Gardiner, 2005, p. 7). Technical skills have traditionally been taught as part of project management education, and they are largely supported by project management software of different kinds.

In general, technical competencies were also regarded an important skill by Trans-Baltic project managers in the Baltic Sea Region, even if they were not as important as the relational competencies. A variety of project management software is also used in the Baltic Sea Region. Smaller companies seem to manage with less sophisticated tools, while bigger companies with several projects need more advanced project portfolio management software.

In terms of *planning and estimating*, the project managers were asked to rank the importance of “mastering project management tools and techniques”, as well as to comment on technical competencies in the open-ended questions. A holistic approach to planning and estimating was generally recommended, as expressed by a project manager from Russia:

“A project manager must envisage the entire project from start to finish and have the ability to ensure that this vision is realised. It is very important to have some professional ability to calculate expenses and divide the work into several smaller pieces so that it is easy to follow. That’s why it’s necessary to visualise the planning process”.

The project life-cycle was mentioned as an important planning tool, involving the different phases of a project (initiation – planning – execution – control). One question for the companies in the BSR was “do the challenges vary in the different phases of the project life cycle?” Where differences were experienced, the initial and planning stages were very generally reported as being most difficult. These are the phases where the scope of the project is defined in practical and financial terms, requiring much thinking and careful consideration.

Scheduling and controlling were brought up as important aspect of reaching deliverables on time. Usually project schedules are tight, and time management skills therefore of high value. As expressed by a project manager from Finland:

“The most important thing to keep track of in Trans-Baltic projects is the schedule - and this applies to almost every project I have managed. If one thing comes to a halt at one end it might postpone a task at the other end. This can also increase the total cost of the project”.

Controlling (or monitoring) can relate to financial, technical, time and cost goals, with a variety of specified approaches. No matter how perfect the planning has been, ongoing monitoring and control ensures that shortcomings are revealed and corrective action can be taken before the project runs into severe difficulties. The project manager is responsible for controlling the on-going activities of the project. But the project manager, at least in bigger projects in the BSR, is also monitored by being required to report to a group of nominated people (steering group).

Efficient controlling requires good baseline plans, towards which actual results can be compared. But such plans do not always exist, as reported by a Danish project manager:

“Sometimes there can be a general idea of how much a given project will cost. However, there will be no budgeting, monitoring and planning – flexible planning in particular is lacking in regard to the way we work”.

But certainly different companies use different monitoring and evaluation approaches. For example, a Finnish company’s employees in the Baltic region are evaluated on the basis of performance, and the rules tend to be rather strict. It is also the prime business of the management to monitor the work environment. The measurements include performance-based sales, and annual assessments of various managers. The head company in Finland assesses top managers in the Baltic countries, whereas local managers assess local project managers.

Technical competencies and tools are also useful for communicating between project participants, as described in the next section.

4.2.1. Use of ICTs for communication

Trans-Baltic project teams also take the form of networked groups, forming virtual teams using different types of ICTs. The communication tools used for project management can have very different purposes and functionality. Depending on the project management software used, communication tools may have been integrated into the project

management system, or other communication tools may need to be used. When selecting communication tools, the following aspects are usually considered:

- What is the security level of communication?
- What is the estimated volume of communication?
- Do we need to share documents?
- What platforms are used by project members (PC, Mobile device, etc.)?

For example, social networking software has the advantage of being free of charge, but at the same time data security might be a risk.

In previous projects in the Baltic Sea Region, recommendations were given for choosing technical infrastructure in international projects (Intern, 2002), presented in Table 4. We find that these recommendations are also useful for Trans-Baltic projects.

Table 4: Guidelines for choosing IT-infrastructure s in Trans-Baltic projects

DO	DON'T
<ul style="list-style-type: none"> • choose a technical infrastructure that fits the activity you want to do • use common and standardised versions of all software • make explicit the specific infrastructure to be used • opt for simple ‘lowest common denominator’ solutions • provide sufficient training and orientation for everyone involved BEFORE they begin to use the tool or infrastructure • make sure there is a suitable help-desk facility available for everyone who needs it • keep records, reports and evaluations of all ICT tools used for future demonstration and evaluation purposes 	<ul style="list-style-type: none"> • force the use of a platform or tool which is only to be used for a single application • use low-quality solutions that are unlikely to be fit-for-purpose • choose your infrastructure before you decide on the work to be undertaken <ul style="list-style-type: none"> - match the structure to your needs instead • underestimate the importance of having a fully functioning ICT infrastructure in place – small bugs and problems can have a devastating effect on the success

In all the companies interviewed, ICTs are extensively used for communication. Different tools were mentioned, such as:

- e-mail
- teleconferencing
- videoconferencing
- discussion forums
- eROOM (all data and comments saved in a work room)

But we also have to remember that all the companies interviewed for this handbook emphasized the **importance of face-to-face contact**, especially for knowledge sharing and learning. The wish was for partners to spend more time together in order to increase mutual understanding. Excessive use of ICTs was even seen to prevent shared problem-solving and understanding.

The next section focuses on the competencies needed by team members in Trans-Baltic projects.

4.3. Project participants' competencies

When gathering information about competencies for project participants, the partners have used the theoretical framework for competencies in modern companies developed by the Danish Ministry of Education in the so-called National Competence Accounts in 2005. The National Competence Accounts are a development project indicating new ways of analysing human resources. The Accounts map out the ten following competencies:

1. *Literacy competence*: ability to understand and utilise the written language applied in the project
2. *IT competence*: ability to use information technology in a business context, such as software for word processing, calculations, and graphics
3. *Learning competence*: ability and desire to acquire new knowledge
4. *Self-management competence*: ability and desire to, through personal initiative, decide on and implement work assignments in accordance to project strategy
5. *Creative and innovative competence*: ability to implement change in adapting to new knowledge and customary practices
6. *Social competence*: ability to create constructive relations to others, understand others' reactions/feelings and communicate one's own reactions/feelings
7. *Communicative competence*: ability to create communicative contact through understanding and appropriate response
8. *Intercultural competence*: ability to understand cultural complexity and conduct unbiased dialogues with other cultures
9. *Democratic competence*: ability and desire to influence decision-making processes in the areas of responsibility
10. *Project-specific competence*: ability to carry out expert tasks within the specific type of project

Regarding project participants' competencies, the empirical observations also seem to support previous studies. On a general level, the observations showed that most of the abilities listed were evaluated to be of very high or some importance, thereby supporting the theoretical framework well.

When analyzing the competencies most often given the highest scores for importance in the Baltic Sea Region, the data seem to indicate a triangle of complementary competencies. For successful project participation, the team members would need:

- literary competence
- communicative competence and
- project specific competence

Literary competence was defined as “the ability to understand and utilize the written language applied in the project”. Since English is very often the working language in Trans-Baltic projects, employees with a good command of English seem to have a competitive edge for such projects.

Communicative competence was defined as “the ability to create communicative contact through understanding and appropriate response”. This competence is a quite natural complement to literary competence, in that the team-member is expected not only to understand and utilize the language applied, but also to be able to communicate his/her understanding of the issue communicated. Or, as expressed by a project manager from Lithuania:

Organizing projects in the field of information technologies requires specific language skills. These language skills are understood not as a tool for better communication, but as a tool for understanding specific vocabulary, which includes specific language, terms and technological slang. The problem usually appears when both project partners have in mind the same things, but talk about them using different words or definitions”.

Project-specific competence relates to the content and the specific type of project conducted. It is quite naturally expected that the team member is skilled in the tasks the project demands, and such skills can also be assumed to have been demonstrated before the person was selected for the project team.

These three competencies seem to form a solid ground for success in Trans-Baltic projects. But certainly anything that can be added to the competencies further increases the competitive position of a team-member. Among such factors is the understanding of cultural diversity, which was stressed in many answers, here by a Finnish manager:

“Once again, the intercultural competence should be emphasized. Dealing with a project which involves several cultures requires a strong sense of flexibility and adaptation, the ability to listen in order to understand the partner, as well as diplomacy”.

We can clearly see that relational skills are very much needed in Trans-Baltic projects. In the previous section, we could draw such a conclusion for the project managers – and the same is certainly true for project participants. And for project participants, the Norwegian manager underlined the interdependency between the competencies listed for project participants:

“It is almost impossible to separate communicative competence from the other competencies listed above. All of the above listed competencies are based on the participants` ability to create communicative contact through understanding. And understanding cannot be obtained without a dialog where you both give and receive appropriate responses. This is probably the most important condition for developing and exchanging competencies”.

The lowest value of the competencies stated was given to democratic competence. For project participants as well, one can assume that a person’s democratic comprehension is more or less internalized in his/her culture. Therefore, transferring democratic practice uncritically might not be that easy.

4.4. Conclusion

In general, there seems to be a high demand for project management competencies in the Baltic Sea Region, as well as for well-qualified project team members. The number of international projects is growing steadily. At the same time, there are only a few programs in universities offering in-depth training in project management. Most universities only offer shorter courses in project management, and therefore the bulk of project management education still happens in the work place.

Different project management associations in the BSR are therefore highly valuable for disseminating knowledge in the area. These organizations can also provide more information about the present situation in project management in their countries, as well as courses, especially in technical project management skills. Examples of these organizations can be found in Table 4.

Table 5: Some project management organizations in the Baltic Sea Region

COUNTRY	ORGANISATIONS	WEBADDRESS
DENMARK	Dansk projektledelse	http://www.projektforeningen.dk/
	Project Management Institute	http://www.pmi-dk.org/
FINLAND	Project Management Association	http://www.pry.fi/
GERMANY	GPM Deutsche Gesellschaft für Projektmanagement e.V.	http://www.gpm-ipma.de/docs/01001
	PMI Frankfurt	http://www.pmifc.de/
LATVIA	Latvian National Project Management Association (LNPVA)	http://www.lnpva.lv/
LITHUANIA	Lithuanian Project Management Association	http://www.lpva.lt
NORWAY	Norsk forening for prosjektledelse	http://prosjektledelse.com
POLAND	Project Management Institute	http://www.pmifc.de/
SWEDEN	Svenskt projektforum	http://www.projektforum.se/
RUSSIA	The Russian Project Management Association - SOVNET	http://www.sovnet.ru/

Next chapter shortly summarizes our main findings on managing a multicultural workforce in the Baltic Sea Region.

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5. SUMMARIZING GUIDELINES FOR MANAGING A MULTICULTURAL WORKFORCE

Managers need both relational and technical competencies when guiding multicultural teams in the Baltic Sea Region. A culturally diverse team offers a range of challenges due to the team members' different backgrounds and geographically dispersed locations – but it also offers new opportunities. International teams can enable organizations to respond more effectively to the changing market conditions, and they strongly contribute to intra-company knowledge-sharing and learning.

We therefore encourage multicultural project teams to be formed in the region, and conclude this handbook with some summarizing recommendations for the responsible project managers. All the recommendations below are based upon real-world experience reported by project managers from the companies interviewed and on previous research.

DO	DON'T
<ul style="list-style-type: none"> • focus on personal communication • work with local players for local information • learn about cross-cultural differences and similarities • support inter-company informal networks and training initiatives • define clear roles for project team members • use the right type of work incentives • relate project activities and communication to the overall project vision • monitor progress and milestones carefully • be imaginative and flexible • document project activities using facts and figures 	<ul style="list-style-type: none"> • rely too much on ICTs for communication • assume everyone understands just because you all use English • underestimate the need for clarity in processes • copy work methods from one country to another without cultural considerations • transfer democratic practice uncritically • neglect present status of the social and economic environment

The partners creating this handbook continue their R&D efforts for increased knowledge on the topic “Managing a multicultural workforce in the Baltic Sea Region”. You are welcomed to follow progress on <http://hansanova.arcada.fi> , where you also find the names and contact details of the companies involved.

We warmly thank all the participating companies and project managers for their valuable contributions!