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**Culture differenti nel fare business**  
**Different cultures in doing business**

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## **Abstract**

In this paper there will be analyzed the differences between countries in doing business. For this particular case, Sweden and Italy have been chosen. They are two European countries that present main differences in culture, that is translated in highly different societies, what also has an impact in doing business, as it will be shown.

I could experience these differences in behavior while working as an intern in (Bellitalia) in Sweden, being an Italian student. I could experience cultural crashes, that are also theoretically explained in the following pages.

This paper is composed by three chapters with the last purpose of compare, analyze and explain the characteristics and particularities between Italy and Sweden doing business: company cultures, ways of internationalization and penetration of new markets, among others.

The first chapter, called “Cultural perspective in doing business” gives an introduction about the importance and impact of cultures in companies and business and a general cultural comparison between Sweden and Italy and the core values and characteristics of both countries.

The second chapter gets more in deep in cultural aspects between these two countries. Through the Cultural Dimension Theory of Hofstede, it will be analyzed how societies are different and how it has an influence in behavior.

In order to finish, the paper will be concluded with material examples. In the last years where our world became highly globalized, internationalization seems to be directly linked with the phenomenon of differences in cultures and behavior. Even if it is true that globalization also played the part in homogenize cultures and palliate differences, it is undeniable that where a company is based, defines its core values, according to the society where it acts when it is constituted. Volvo, a Swedish company and Fiat an Italian company, being similar companies, moving in similar markets, will be used as example to show everything that has been previously written.

## **1. Chapter 1: Cultural perspective in doing business**

The cultural perspective has become popular in business studies because it offers a way of explaining and understanding several differences while performing. Even though it is only one way of analysing business, it is an interesting one, as it focuses particularly on the inside point of view; this is to say, focuses on how it is ‘really’ like to work in an organisation. There are many existing definitions of organisational culture. In this occasion, I will make allusion to the definition given by Schwartz and Davis, which is cited as follows:

*Culture is a pattern of beliefs and expectations shared by the organisational members. These beliefs and expectations produce norms that powerfully shape the behaviour of individuals and groups within the organisation.* (Schwartz and Davis, 1981, p. 33)

Where the culture of a business comes from, and how it develops, is undoubtedly a frequent topic of discussion within business studies. Every commentator seems to have their own list of key factors. Two models were made by Drennan and Hofstede, and they will be discussed in the next chapters.

### **1.1. Swedish business culture**

Knowing the goal of this study, it seems convenient taking as a starting point the analysis of the cultural differences between the main countries of interest: Sweden and Italy.

In the first place, beginning with Sweden, some of the main characteristics of the working atmosphere can be defined as the following:

- First names**

It's normal to call your Swedish colleagues by their first names, forgetting formalities, including bosses and upper management, no matter how senior. A general greeting of “Hej!” or “Hej” is used replacing formal salutations such as Mr or Ms.

- Management by meetings**

Sweden has a strong meeting culture, largely due to the well rooted tradition of gaining consensus before decisions are made. You can expect to be scheduled for information meetings, planning meetings, organisational meetings, follow-up meetings before ever getting to decision making meetings.

- **Planning skills**

Swedes like to plan ahead, which makes planning skills an essential requirement. Spontaneity is neither common nor appreciated in business life and it's normal to schedule meetings weeks or even months in advance.

- **Expect long decision processes**

Consensus building is a very time-consuming process. Numerous meetings will need to be arranged to keep everyone informed, to seek their opinions, to discuss and to provide feedback from other people's meetings. Don't expect any quick decisions or results.

- **Learn how to “fika”**

Coffee breaks or “fika” are an integral part of Swedish business culture. Fika breaks are your opportunity to socialise with your colleagues and to catch up informally. Missing fika on a regular basis will earn your black marks for lack of interest in building relationships.

- **The art of Swedish small talk**

Topics talked are usually restricted to safe and neutral topics such as the weather or quantifiable facts rather than opinions. Even if you are treating by first name to your colleagues, don't make the mistake of confusing lack of formality with being well acquainted. Work and private lives are separated.

- **Punctuality is essential**

Arriving late is considered extremely discourteous and unprofessional. There is no elasticity in the concept of “on-time” in Sweden, the “courtesy minutes” don't have space in Swedish culture. Punctuality means 1-2 minutes early for standard meetings and 5-10 minutes early if you are meeting someone for the first time.

- **Work/life balance is taken seriously**

A healthy work/life balance is considered very important in Sweden. Far from being appreciated, working overtime on a regular basis is considered by many to signal lack of competence or organisational skills. Taking holidays, including at least three consecutive weeks in the summertime, is viewed as maintaining a healthy work/life balance and showing commitment to your job by ensuring that you return to work well rested and fully revitalised for the rest of the year.

This bases are part of the culture of successful companies such as IKEA or H&M, showing that their work practices and customs offer many clear benefits to employees. [1]

## 1.2. Italian business culture

In the second place, following with Italy, some of the main characteristics of the working atmosphere can be defined as the following:

- **Meetings**

When referring to meetings, first impressions are vital in business as the person you put forward initially can prevail in an Italian's mind throughout a meeting. Keeping this in mind, make sure to present yourself neatly, stylishly and professionally in a conservative suit.

Being punctual takes part in giving a good impression, but do not always expect your Italian counterpart to do the same, mainly in Southern Italy.

Allow social conversation to pass before mentioning business and be aware that the length of socialising is usually longer with Southern Italians.

The agendas of business meetings serve as guidelines as to how the meeting should go but are not adhered to closely, as Italians often loop back to discuss previously settled points or jump ahead to details not yet touched on. Which also, are very animated, so expect many interruptions and tangents to unrelated topics. Expect also that decisions are not always reached during meetings as they often serve the purpose of exchanging ideas, hashing out details and hearing the perspectives of all who are involved.

- **Relationship Oriented**

Personal relationships play a large role in Italian business culture. Networking can be crucial to success; therefore, Italians invest much time and effort in their relationships and getting to know those whom they work with. It is also favoured that people meet face-to-face as often as possible as this deepens the personal relationship between partners. Verbal agreements are generally adhered to on the basis of trust and breaking them can jeopardise business relationships.

In order to deepen a relationship, try to be as talkative and transparent with them as possible. Your charisma can have a large influence on whether they like or trust you or not. Ultimately, as it has been stated previously, the impression you leave on an Italian can have a huge impact on the decisions they make and may even override business objectives.

- **Shortcuts in Italian Business Culture**

Italians like to be flexible about business. It is common for people to bend rules and put different interpretations on regulations in order to get around business constraints. They are generally not clear violations of rules, but for some occasions, shortcuts are seen with good eyes.

- **Other considerations**

Hierarchy is important in Italian business culture. Status is often based on age and position. For example, everyone is usually given the opportunity to speak during meetings; however, credit for decisions is almost always given to the person of the highest status.

Italians may aim to leave negotiations with evidence that they have gained something as they are generally very success and goal orientated.

Competition among work colleagues is common and can be considered healthy for free-flowing discussion and progress in Italian business culture. [2]

### 1.3. Italy and Sweden compared

Italian and Swedes gestures can be compared taking into account different issues and perspectives. It becomes important to bear in mind, before further discussion, that comprehensions aren't only grounded on an existent gesture, but also from the outside the existent values, prospects and personality. Vilket means that the same situation can be perceived fully else depending on who the onlooker is (Phillips-Martinsson, 1992). Another aspect that's important to keep in mind when describing individualities from different societies, is that the description given doesn't always correspond to a generality, according to Helgesson (1996), there will always be actions that are specific for the person.

In addition, it's much more delicate to distinguish between the objective verity as for the description of a culture and commodity that only applies concerning other societies (Helgesson, 1996).

According to Barzini (1965), the family is of great significance in Italy. There's a special law for individuals belonging to the inner family circle as well as other, like cousins, close workmates or close musketeers. For individuals who are outside the family circle, a different type of law prevails, when it comes to behavioural comprehension. This can be for people from another culture, perceived as a form of double norms. The Italians show within the family circle among

other effects trustability, honesty, liberality, discipline and a capability to be tone-immolating; which are parcels with which they aren't typically associated (Barzini, 1965 202; Mårtenson, 1998 68). Still, Lewis (1997) describes Italians as fascinating and intelligent. Lewis (1997:221-224) also mentions that in comparison with northern Europeans they can be perceived as further polite.

Swedes, on the other hand, are perceived as veritably serious, reticent and withdrawn by foreign businessmen/women; according to Rabe (2000). Fresh aspects that both Helgesson (1996) and Rabe (2000) bandy regarding Swedes is that in numerous cases they're perceived as stiff, shy, boring and quiet. In the subject area, utmost authors have dealt with Swedish culture and according to Lundberg (1991), all these feelings agree that Swedes don't like to show feelings and above all, not in public. Despite numerous preconceived sundries about the Swedes (Lewis, 1997), they are highly popular in the business world, especially in the English speaking countries. They are attributed positive characteristics by the English-speaking countries; they frequently emphasize about Swedes that they're honest, well-informed, effective work and besides, with good taste in clothes.

A commodity that makes a difference for the Swedes from other ethnicities is that they worry much further about what other Swedes think about them, which can be considered both a strength and a weakness. What Swedes have long been blamed for is, among other effects, their fear of battle: they aren't flexible mediators; also show disinclination to acclimatize and bandy; as well as they show slow decision making (Lewis, 1997:245-251; Phillips-Martinsson, 1992).

About the language, it can include both verbal and non-verbal communication. Lewis (1997) considers that Italians are excellent at communicating. An Italian sees his language as a tool for poetry and thus doesn't vacillate to use its entire tonal range to achieve maximum expressiveness. In order to convey their ideas as easily as possible, they make strong use of non-verbal expressions hands, arms and facial expressions combined with his expansive vocabulary. Lewis (1997:245-251) also describes how Swedish people use their language. He believes they do it popularly with a palpable informal equivalency. Swedes are further described by Lundberg (1991) to have a positive station towards silence and have a low forbearance for interruptions during a discussion.

Regarding close contact, Lewis (1997: 222) addresses how Italians are infrequently late to get hold of a counterparty arm, hugged or impertinence kissed to show their appreciation. The meaning of this is that Italians don't watch as important about the private sphere as Swedes do.

The Swedish private sphere is described by Rabe (2000) as a home or a type of distancing, where a Swede avoids making robotic contact with known people on both a physical and internal airplane.

In business situations, Lewis (1997, 245-251) claims that Swedes don't use their body language or facial expressions to the full, as has been mentioned in advance. On the contrary, describes Lewis (1997) Italians as enthusiastic with a good conclusiveness, which frequently gives rise to dubitation among many Scandinavians. In connection with business meetings, Italians don't follow the docket rigorously, meeting in a flexible and highway, which is a Swede's eyes can be perceived as unreliable (Lewis, 1997, 221-224).

It's further strengthened by Phillips-Martinson (1992) how Swedish businessmen and businesswomen presume that effectiveness is about holding meetings, with pre-arranged dockets, as has also been stated in former points. Swedes are frequently seen as well-organized but at the same time non-flexible.

Lewis (1997) is of the opinion that Italians have another 'time perception' than Scandinavians, as they frequently arrive for meetings later than agreed. However, in Italy, this is considered to be fully in line with the norm. This is further strengthened with Italians actions: general tendency to be late with payments or returns of effects they've espoused (Lewis, 1997 221-224). According to Lewis (1997), Swedes prefer to skip introductory courtesy expressions, because they want to get started as soon as possible with what's to be bandied.

In business situations and decision-making, one-acts Swedish business operations are decentralized and popular (Lewis, 1997 245-251). Still, Lewis (1997) describes how Italians in business situations appeal to the other party's reason, good heart and liberality when they've something to offer. They also anticipate direct responses, which Swedes can't always give (Lewis, 1997 221-224).

In Sweden there are bills that say that important opinions must be bandied with workers before the factual decision can be made, means that interested parties within the Swedish association may admit important information. Their collective decision-making leads to all staff having the opportunity to discuss a specific project carefully, as well as go through both the pros and cons before presenting one well-reasoned decision.

Despite differences in behavior patterns, there are hopes on enriching gains based on a possible business collaboration between Swedish and Italian organizations. "[...] if the Italians and

*"Swedes can get along, the cooperation will be very good combination. The Swedes are good at planning, enforcing and organizing and Italians are good at improvising and doing things even under stress and in one changing world."* Mårtenson 1998: 88 [3]

## **2. Chapter 2: Hofstede's cultural dimension theory**

Hofstede was an influential social psychologist, professor of organisational anthropology and international management at the Department of Economics and Business Administration at the University of Limburg in the Netherlands.

Hofstede's work aims to justify that there are cultural groupings at regional and national levels that affect the behaviour of societies and organizations, and that are very persistent over time. He developed the so-called Six Dimensions Model to identify the cultural behaviours of each group.

Hofstede (1980) postulated that a national culture can be defined in six dimensions of (a) *power distance*, (b) *individualism*, (c) *masculinity*, (d) *uncertainty avoidance*, (e) *long-term orientation* and (f) *indulgence*.

These dimensions as explained below form the foundation to the discussion on the impact of national culture on corporate cultures:

According to Hofstede:

1. Power distance measures the degree to which a less powerful member accepts inequality in power and considers it more normal. However, the degree of inequality tolerated among members varies from one culture to another.
  
2. Individualism measures the main interest to which a member is primarily looking after. In a high individualistic society, members mainly look after their own and their immediate family members' interests. On the contrary, more interest is assumed for the group made up of members in a collectivistic (low individualistic) society.
  
3. Masculinity refers to the culture's tendencies or orientation toward enforcing or reinforcing masculine and feminine roles in work. Masculine cultures tend to emphasize

ambition, control, competition, assertiveness, and achievement, whereas feminine cultures emphasize nurture, care, sharing, quality of life, and relationships. Sometimes these values are expressed as the “quantity of life” and the “quality of life.”

4. Uncertainty avoidance measures the extent to which members are made uneasy when faced with situations that are unstructured, unclear, or unpredictable.
5. Long-term orientation measures the degree to which members embrace planning and investing for the future. This dimension indicates a society's time perspective.
6. Indulgence. This dimension is shaped by the extent to which societies and cultures value a holistic lifestyle. This impacts on the extent to which people try to control impulses according to the way they were generated, which in turn impacts on the extent to which they allow for joy or self-control.

## 2.1. Hofstede's Theory applied to Italy and Sweden

The Swedish and the Italian cultures according to Hofstede's results take as reference Hofstede's values for each of its four original parameters, it is possible to calculate the overall “distance” between Italy and the other national cultures. This measure is based on a mathematical formula proposed by Kogut and Singh:  $CDJ = \frac{(I_{ij} - I_{il})}{\sum 24 i=1}$  Where: CDJ: is the cultural difference for the Jth country I<sub>ij</sub> : Hofstede's Index: I<sub>th</sub> Cultural dimension and Jth country I : indicates Italy The national cultural distance is this way estimated by summarizing the 4 independent variables of the author. It is extremely interesting to realise how the results provided by this formula for each country (see Table 5) reveal that Italy and Sweden are the two most “opposite” cultures amongst an empirical sample, which includes all European countries and the US (just the main ones are reported):

**- TABLE 5 Distance to Italy:**

<b>SWEDEN</b>	<b>82,02</b>
<b>NETHERLANDS:</b>	<b>61,48</b>
<b>FINLAND</b>	<b>51,48</b>
<b>AUSTRIA</b>	<b>45,48</b>
<b>UK</b>	<b>44,83</b>
<b>SPAIN</b>	<b>39,74</b>
<b>USA</b>	<b>35,07</b>
<b>FRANCE</b>	<b>34,63</b>
<b>BELGIUM</b>	<b>29,03</b>
<b>SWITZERLAND</b>	<b>24,68</b>
<b>GERMANY</b>	<b>20,54</b>

It was rather unexpected that, according to Hofstede's results, the Italian culture is by far closer to the German and the American cultures than to the Spanish and French ones, and how huge the distance from the Swedish national culture is. Also, according to the studies of Brewster and Larsen (2000), Sweden is the country with the most democratic approach to organisations, and this result is supported in the research findings of André Laurent that Swedish managers were far less inhibited than their European counterparts about by-passing the hierarchical line. Managers in Sweden pay in fact

very little attention to formal or hierarchical structures. Communication patterns are much more open and informal.

Given the Swedish view of communication as instrumental, rather than socio-political, there is a greater willingness to share information with anyone who has an interest in it, nearly all managers receive information about strategy and there are statutory requirements that strongly support the practice of keeping employees informed. Because of that, Sweden ranks highest in EU.

#### *2.1.1. Sweden: The low "Power distance" country*

According to Hofstede's survey, only Austria in the whole of Europe proves to have a more egalitarian culture than Sweden (at the same level are the other Nordic Cultures, together with Australia, New Zealand and the USA). Almost all of the world's other 5,500 cultures interact in business in a more hierarchical, formal way than the Swedes do. Also, according to the studies of Brewster and Larsen (2000), Sweden is the country with the most democratic approach to organisations, and this result is supported in the research findings of André Laurent that Swedish managers were far less inhibited than their European counterparts about by-passing the hierarchical line. Managers in Sweden pay, in fact, very little attention to formal or hierarchical structures. Communication patterns are much more open and informal. The power distance dimension is also strictly linked to the attitude towards spreading communication within an

organisation and among any levels of it. Given the Swedish view of communication as instrumental, rather than socio-political, there is a greater willingness to share information with anyone who has an interest in it, nearly all managers receive information about strategy and there are statutory requirements that strongly support the practice of keeping employees informed. Because of that, Sweden ranks highest in EU, according to a 1999 survey, when it comes to communicating information to employees at any level (Brewster and Larsen, 2000). This characteristic informality used by the Swedes to communicate with one another, along with the simplicity of business protocol and the flat structure of their organisations, is certainly a result of their strong belief in equality. Sweden has historically been amongst the most equally-minded countries for a long time. As far back as the pre-Christian era, for instance, Swedes already showed a low level of regard for rank, status and hierarchies. The Viking boat crews directly elected their captains, and already before the first century, they had established the world's first democratic legislative assembly when they colonised Iceland. Slavery was abolished in 1355, about 500 years before Britain and America, and even feudalism never appeared in its whole history.

#### *2.1.2. Italy: The high "Power distance" country*

The opposite high grade of Power distance in Italian firms can be explained by the fact that the most widespread organisations in Italy are the small-to-medium-sized family firms (more than 85% of the total). Consequently, the traditional attitude to status and hierarchies, and the leadership model, derive from the family: the boss (usually the owner of the firm) is still often an autocratic father figure and, in general, business relationships are based on mutual dependence and sense of mutual obligation, which are most easily satisfied by the members of the extended family. Authority then derives ultimately from the owners of the company and from the chairman (or the managing director) who represents them. It is rarely transmitted systematically through the organisation, but is usually informally delegated by the top managers just to individuals who can be trusted. The consequence is that *authority* is still often attributed by employees to those whom they know and who have the personal confidence of the owner or of the senior manager. Decision-making is so centred on one man, usually the founder/owner of the firm, who refuses to delegate responsibility for fear of losing control over performance or results. This leads to observe that the executives often act as "assistants to" rather than decision-makers in their own right. Regarding communication within a company, in larger Italian companies a conventional hierarchy is only found at the lower levels of the organization, in the sense of clear reporting lines from superior to subordinate. At middle-to-upper levels the true

hierarchies are based on personal alliances among people in different parts of the organisation, who trust and rely on one another to get things done, and information on strategy is usually not much spread downwards.

### 2.1.3. *Individualism in Sweden and Italy*

At first glance, it may be surprising to see Sweden ranking so high in Individualism, and especially since the definition provided by Hofstede refers to individualist as "*a person expected to look after himself or herself and his or her immediate family only*", since Swedish society is, on the contrary, well known for its Welfare state and mutual assistance systems, and the family ties are amongst the loosest in Europe. Like the USA (ranking as high as Sweden in this dimension, also according to Trompenaars), Sweden is a largely Protestant-influenced country, high in Universalism, Analysis, and Individualism, with codified approaches to morality as voluntary agreements. But Swedish Individualism has a very different nature compared to both the American and the Italian one. Swedes are mostly Lutheran, although their culture is highly secularised today, with two-thirds of them "never" going to Church and another 29 per-cent only "occasionally".

Individualism in Sweden means that its inhabitants are not born into a world of familiar obligation to parents and elders and, basically, regard themselves as born free: early encouraged by their parents into independence and then choosing whom to benefit through their work, including when and how to do it.

Since the first human settlements in this cold and inhospitable land, the Swedes have been obliged to co-operate for mutual survival. All countryside communities, from the earliest times, used to pay the salary of the local priest and the schoolmaster. Nowadays, Swedish corporations still perceive themselves as supporting the surrounding society and obliged to take great care of their employees' welfare. The Swedes begin with the individual integrity, uniqueness, freedom, values and needs, yet believe that the fulfilment and destiny of the individual lies in developing and sustaining others by way of his or her own work and effort. Interesting in this regard are the answers given by the Swedish managers to the Trompenaars dilemmas which aimed to assess their grade of Individualism: Swedes "are leading" the managers of all European countries surveyed in refraining from dismissing an employee with fifteen years of satisfactory service who is no longer performing well. Asked then whether individuals should be fitted into the tasks and jobs required by the organisation, or whether the organization should go to the trouble of redesigning a job to better fit the individual, only Swedish and Canadian managers opted for the

latter alternative. Individualism in Italy has more to do with the traditional “absence” of the State, which has historically compelled its inhabitants to rely only on their own efforts and to protect and trust only their parental nucleus. Some authors have justified Hofstede’s high Individualism in Italy with the fact that his results are based on the IBM location in the hectic northern metropolitan area of Milan.

#### *2.1.4. Masculinity in Sweden and in Italy*

No other researchers have provided results on indexes comparable to Hofstede’s Masculinity. Swedes are famous in the world of international management for the “soft”, “feminine”, and mild aspects of their managerial style. They also rely far less than Americans on formal assessment and evaluation instruments, far more on good relationships and achievement of “consensus” within the group, and an almost silent (to outsiders) agreement that a mutually satisfactory decision has been achieved: somewhere between the opinions expressed lies an optimal position. Besides, Swedish managers are much more likely than most leaders in other nations to seek promotion, because it brings them into contact with a new and interesting group, more than because of private benefits such as income, social status, power, and sense of responsibility.

Also, sexual equality, another element of the “masculinity” index, is a strong aspect of the Swedish society. Since the Viking era, women took fully responsibility for managing the family farm while men were out at sea. Even then, women were able to own and inherit property and were free to divorce their husbands. The result is that nowadays in Swedish companies there is a high percentage of well-educated, self-confident women, making decisions as managers and executives (and one of highest percentage of female employment: 47% of Swedish women work). Italy has, on the contrary, a more sexist and “macho” culture, in which the roles between men and women are much more distinct, especially in the South, as it will be extensively analysed later in this dissertation.

#### *2.1.5. Uncertainty avoidance and Long-term Orientation*

The dimension Uncertainty Avoidance has to do with the way that a society deals with the fact that the future cannot be known. Should we try to control the future? Or, just let it be? This nebulosity brings with it anxiety, and different societies have learnt to deal with this anxiety in different ways. The extent to which the members of a culture feel hovered by nebulous or unknown situations and have created beliefs and institutions that try to avoid these is reflected in the score on Uncertainty Avoidance.

At score 75, Italy has a high Uncertainty Avoidance which means that, as a nation, Italians aren't comfortable in nebulous or unclear situations. Formalities in Italian society are important and the Italian correctional and civil law are complicated, with clauses, supplements etc. What's surprising for the outsider is the apparent contradiction between all the being morals and procedures and the fact that Italians don't always misbehave with them. But in a regulatory country, one learns veritably soon which the important bones are and which are not, to survive the red vid. In work terms, high Uncertainty Avoidance results in large quantities of detailed planning. The low Uncertainty Avoidance approach, where the planning process can be flexible to changing terrain, can be veritably stressful for Italians.

In Italy, the combination of high Virility and high Uncertainty Avoidance makes life veritably delicate and stressful. To release some of the pressure that's erected up during the day Italians need to have good and comforting moments in their everyday life, enjoying a long mess or frequent coffee breaks. Due to their high score in this dimension, Italians are, in fact, passionate people. Feelings are so forcefully that individualities cannot keep them outside and must express them to others, especially with the use of body language.

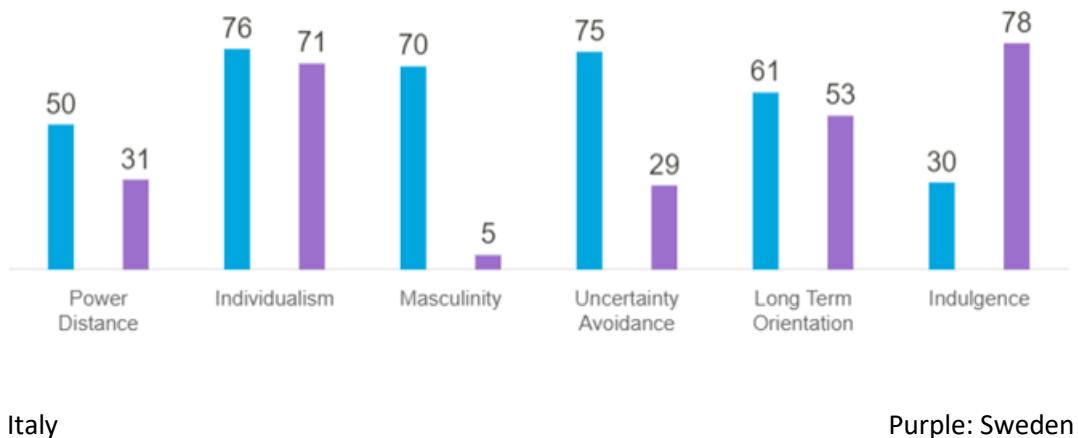
#### *2.1.6. Long term orientation*

This dimension describes how every society has to maintain some links with its history while dealing with the challenges of the present and unborn, and societies prioritise these two empirical pretensions else. Normative societies, are the ones which score downward on this dimension, for illustration, prefer to maintain time-fete traditions and morals while viewing societal change with dubitation. Those with a culture that scores grandly, on the other hand, take a more realistic approach, they encourage providence and sweats in ultramodern education as a way to prepare for the future.

Italy's high score of 61 on this dimension shows that Italian culture is realistic. In societies with a realistic orientation, people believe that verity has high dependence on the situation, environment and time. They show the fluent capability to acclimatize traditions to changed conditions, a strong propensity to save and invest thriftiness, and perseverance in achieving results.

Sweden scores 29 on this dimension and therefore, has a veritably low preference for avoiding uncertainty. Low UAI societies maintain a more relaxed station in which practice counts more

than principles and deviance from the norm is more fluently permitted. In societies flaunting low UAI, people believe there should be no further rules than are necessary and if they're nebulous or don't work they should be abandoned or changed. Schedules are flexible, hard work is accepted when necessary but not for its own sake, perfection and promptitude don't come naturally, the invention isn't seen as hanging. With an intermediate score of 53, Sweden is seen to not express a clear preference on Long Term Orientation.



Source by: [4]

### 3. Chapter 3: Influence of cultural factors in the penetration of foreign markets

#### 3.1. Internationalization

The internationalization concept has been the subject of numerous studies over time. Those explorations were substantially fastening on the internationalization process in earlier propositions. Recent studies have concentrated on the motives that push companies to go offshore (Quintens & Al, 2006; Orser et al., 2008; Rammer & Schmiele, 2008) and also, re-open the debate about the factors impacting the decision to establish conditioning of a company in a foreign country.

Thus, the literature identifies several factors that drive enterprises towards internationalization. One of the first motives that appear as an abecedarian condition to pursue internationalization is the stations of the directors or the directors of a company. Some experimenters have linked the directors or the directors' station as crucial rudiments in the motives for successful internationalization. They plant that the directorial aspiration and anticipation about establishment's growth, were one of the starting points to intend to export products and so start

internationalizing an establishment (Cavusgil & Nevin, 1981, p. 119). In other words, when directors decide to grow a company they will see the internationalization of their company like one of the growth options. Indeed, rather than trying to diversify their products and ameliorate deals in the home request, the import of the factual product appears as the restatement of the stations of the directors toward the company's growth. Besides, they link these motives with another main motive which is the competitive advantage.

A factor similar to discriminatory company advantage is necessary to intend this internationalization through the import of product in foreign request (Cavusgil & Nevin, 1981, p.119). Directors must identify that they could have an advantage by the only fact of being different from the challengers in foreign requests. Also, this point will be seen as another motive that complete the station of the director and so tend to impact or drive the internationalization of an establishment.

Latter in the literature, Calof and Beamish (1995) confirm some of the motives exposed ahead. After carrying a study on Canadian companies, they agreed on the significance of the station of the company's directors. They pose that the station of directors was a factor that drives internationalization besides the usual environmental factors (Calof & Beamish, 1995, p.129). They stressed the stations of the directors as a factor inferring success in internationalization and mention that the strategy or the product of a company wasn't the only crucial rudiments. In other words, the station must be applicable as it impacts the internationalization pathway through the perception of pitfalls, costs and benefits. Piecemeal from the directors or directors' station that will impact the expansion of the company, the growth itself appears as another motive in the literature. Indeed, other experimenters linked growth motives as one of the main internationalization's motorists (Orser et al., 2008, p.2). In fact, after carrying out a study on Canadian enterprises about gender and the import propensity, they plant out that the growth motives, in terms of fiscal structure. was a reason driving companies abroad. Internationalization appeared in this study as a system to expand a company's investment. Another experimenter, Reijo Luostarinen (1979), has before exposed this growth motive in the literature. He concludes that fiscal aspects were an important motorist towards internationalization. Thus, minimizing means while maximizing return in the product, was one of the primary provocations to go offshore (Luostarinen R., 1979, p.13). The findings of Luostarinen (1979) have shown that fiscal motives can be reflected in different aspects of internationalization. When it comes to cost reduction in terms of coping or product, this could be related to outsourcing and when it comes to cost reduction in terms of deals, this could be related to exporting. Also outsourcing and exporting are both different ways to pursue

internationalization, and then again, other experimenters have linked other motives specifics to those two aspects of internationalization. When internationalization is seen as exportation, some experimenters put forwards others. motives. Indeed, import can be seen as a way to increase a company's profit (Orser et al., 2008, p. 2). Rammer and Schmiele (2008) present that this motive is particularly true when it comes to companies located in high technological sectors with a niche request position. Then, the companies will try to increase their request share and so their deals return by keeping the same position in every niche that they will identify abroad. It's also intriguing to mention that those enterprises will decide to go offshore when they have a niche request position thanks to innovative conditioning and not necessarily because of the trouble of new challengers intending to enter the home request (Rammer & Schmiele, 2008, p.3). In outsourcing conditioning as part of the internationalization, the motives linked by experimenters can be slightly different. Some experimenters see outsourcing as one of the most important motives for internationalizing because it can concede sustainable competitive advantages. Indeed, this can help enterprises to lower product costs and increase knowledge which will allow them to ameliorate their position in their home request and face more fluently every challenger. In the exploration about internationalization, Quintens and Al (2006) concluded that utmost of companies will pursue internationalization because they want to profit from technological literacy, cheap labour seacoast abroad, increase product inflexibility or again ameliorate product quality and design.

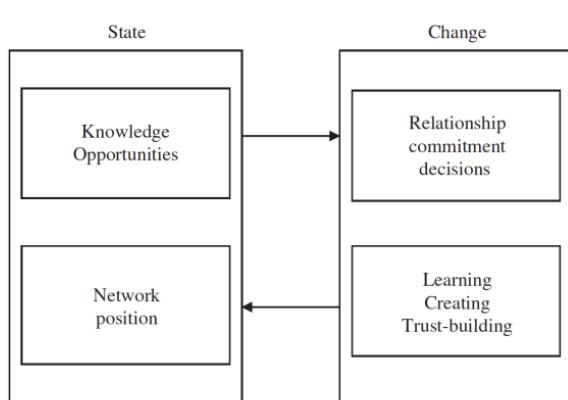
Other experimenters also mention the knowledge as a provocation to go abroad. Still, it's important to conclude by mentioning that there's no constant motorist towards the internationalization process of companies. As Rammer and Schmiele (2008, p3) precise in their study, entering foreign requests, will frequently bear small changes or adaption to specific terrain in the targeted country. Thus, different terrain, culture or assiduity might be some of the reasons why enterprises can have different motives and so follow a different internationalization pathway. In addition, Johnson and Vahlne (2008) stressed the need to acquire strong knowledge about a foreign request before entering it (Johnson & Vahlne, 2008, p.168).

### 3.2. The Uppsala internationalization model

This model of internationalization was exposed for the first time in 1977 by two Swedish experimenters, Johanson Jan and Vahlne Jan-Eric. The model that they developed focuses on environmental parameters that need to be taken into account by the companies when they

intend to expand themselves offshore. Actually, they punctuate throughout their exploration that companies will need to gather information and incorporate knowledge about a targeted foreign request before adding their commitment in it (Johanson & Vahlne, 1977). After probing several Swedish companies, present both in Sweden and internationally, the authors came up with the conclusion that transnational enterprises tend to pursue their transnational conditioning step by step rather than largely investing at formerly in a foreign request. In other words, enterprises will follow a progressive development in their internationalization process and so on a certain period of time (Johanson & Vahlne, 2006, p.169). Likewise, the internationalization then, not defined as a strategy, that intend to allocate in the most possible way coffers to transnational request but, as stated "*a process of incremental adaptations to changing conditions of the establishment and its terrain*" (Johanson & Vahlne, 1990, p.14).

The result of the study conducted by Johanson and Vahlne (1977, p.27) shows that the Swedish companies generally start their internationalization process with no harmonious transnational conditioning. They actually start their foreign expansion by exporting and dealing products abroad through a distributor or via independent representatives. After a certain period of time, they will continue their transnational conditioning through accessories and at last, carrying to some companies in the host country the manufacture of products. In addition, they expose the fact that the psychic distance between the home country and the host one will regulate the order of entry in foreign requests. The psychic distance is defined as "*the distance between the home request and a foreign request, performing from the perception of both: artistic and business differences*". (Evans and Mavondo, 2002, p.517).



**Figure 1:** The Uppsala Internationalization Model Framework.  
Source: Taken from the article of Johanson & Vahlne, 2009, p. 1424.

This frame on figure 1 easily shows that the Uppsala model promotes a gradational expansion of enterprises in foreign requests. As explained before, most of the enterprises will start their exportation with no regular conditioning in the host country and will at a later stage and after

several develop in their own manufacturing system. In addition, this frame exposes the fact that the knowledge related to the coastal request will allow precipitously companies to increase their commitment abroad. It's also important to mention that this way, expansion is followed by companies in order to reduce costs and pitfalls. Indeed, if companies start internationalization by exporting it's because it can reduce their cost of request development as it helps them to identify the nature, the size and the practices of the request, and so without investing in any request exploration. Likewise, gathering this information and pursuing deals through accessories at an early stage will allow companies to overcome queries and risks after, when developing product installations abroad (Johanson & Vahlne, 1990, p.16). This model also includes the notion of time. Time will allow companies to gather knowledge and increase experience over the times thanks to this gradational expansion. The result of every progressive step will allow moving towards the coming step of internationalization. In other words, the result of a decision will contribute to the perpetration of the coming decision.

Johanson and Vahlne (2006, p.171) put forward that every decision taken in order to expand a company, will be the result of the knowledge acquired in the foreign request. According to them, different kind of knowledge can be acquired. Originally they mentioned the specific request knowledge, which include artistic patterns, business practices, structure of the request system and characteristics of the guests in the foreign request. Secondly they mention the general request knowledge which relies on marketing styles and general characteristics of the Guests and so anyhow the geographical position of the request.

Still, they admit that acquired knowledge can either be gained through the education or the experience after several times in the request (Johanson & Vahlne, 2006, p172). It's also apparent that the intensity and the number of countries where enterprises export will be link to their transnational development phases. Actually, regards to this model, companies operating in transnational request for a long period would be anticipated to export in further requests and have an advanced chance of deals than companies acting internationally since many time.

To conclude, this model easily exposes the internationalization process as a gradational development of enterprises towards their foreign expansion, and so over a long period of time; between the decision to go abroad and the establishment of product installations in the host country. The authors assert this slow internationalization to the need of companies to make and gain experience, in order to avoid query and lessen the pitfalls involved in transnational conditioning, due to the psychic distance between countries (Johanson & Vahlne, 1977.p. 29).

### 3.3. VOLVO

The establishment of Volvo started in the 1920s and innovated Volvo Trucks in 1927, erecting its first truck in 1928. Nowadays, they're one of the world's largest manufacturers of heavy trucks for marketable use and diesel engines while creating dependable transport results for guests worldwide. Originally Volvo trucks were an assembly factory and in the 50s changed towards mass production. Hence internationalization came into Volvo relatively fast.

The replier holds the position of the process director within the company and is technical in the face treatment process. The transnational experience includes working as a design director 3 times in Brazil and US. Network global manufacturing, support, specialized issues, has been part of transnational gambles. Languages familiar with are Swedish, German, English and Portuguese. As the replier has been involved in the expansion of manufacturing shops internationally the focus of the information is grounded on the educated gain through internationalization of Volvo exchanges manufacturing.

Overall, in the internationalization strategy, the establishment's expansions are deals motivated and incompletely manufactured depending on the need. Eighty years of experience has given the company plenitude of access for good information and knowledge from its own experience and other third party sources. Global standardization products and sourcing standardization strategy help the company to access and be represented inversely around the world.

Most frequently, network or expansions starts with independent dealership and also eventually invest locally after a specific period of learning the original regulations and its request. Though it's largely represented around the world the exchanges aren't largely consumed. For this reason, not only an auto is demanded, besides, time and fidelity is needed, due to the complexity of the product. The establishment needs to be aware of the transnational atmosphere for exchanges in terms of the new machine, environmental demand, International regulations that apply to the product. The tricky part is to get information in a defended request. Control medium within the countries similar as original protectionism, immunity on significances or necessity to invest locally too. Taking advantage of the original benefits also drives the enterprise's internationalization. At the same time, people also fail to have a whole picture of the subject matter.

Most frequently people are too focused and unrestricted hinders the internationalization process. Hence, knowledge gains and understanding of the difference in these factors, can affect

the company's opinions on deals or manufacturing acquainted expansion. In terms of connections, it isn't delicate to get or make new connections in foreign requests. The network is developed through common interest and it's necessary to be pursued to be successful in the long term. The link could be made through networking, likewise specialized people to gain benefits, though langue is a burden.

Differences in prospects during internationalization are affected by the changes in frugality or other willful factors. Changes can affect the extent that the company expands as planned. In a way, it also has positive goods on the company as it brings a different perspective for the future.

Good disquisition and adaption are important. New changes and setups make the enterprise to be more dynamic. Volvo expanded internationally in terms of deals first in Europe, also Middle East, North Africa, Brazil (SA), US and China. The exchanges are vented in 140 countries around the world through 650 dealerships and have 1450 shops. The biggest requests for Volvo are EU, Eastern Europe, Brazil and US. The company also has 9 assembly shops and 8 manufactories possessed by original mates. The transnational request is approached in terms of three regions. Region 1: south and north America; region 2: EU, Middle East, Africa; region 3: Asia pacific. Each region is tone supported in all areas of operations and continues to acclimatize in such a manner. Volvo generally takes its time and is careful every step of the way. Especially opening transnational manufacturing shops due to the threat associated with it. The company has no way been an aggressive approach to internationalization in manufacturing. Hence, it's further of a progressive expansion. The developments would be in Asia, Brazil, Russia, India, China as it is composed by new and forthcoming challenges.

According to the replier, the major entry hedge is the associate artistic differences that are harder to handle than the public societies. There are a lot of differences in how the association operate around the world for an enterprise like Volvo. In Sweden, Volvo practices a matrix structure that helps it to handle other hierarchical association structures acquainted establishment with ease.

Language is another biggest hedge to come over. For example, if we use technical knowledge from Brazil to another part of the world or vice versa is relatively delicate when the technical masterminds aren't multilingual. Where communication becomes a major issue, it isn't a hedge at the advanced position, as the utmost of the people can speak in English.

The company overcomes similar walls through adaption, as it's a necessity and is learning from experience. Capabilities are developed through *data collection and analysis* and it was also stated that it's common sense to observe and understand. Development of capabilities and literacy works bidirectional way: for the company and its guests: "*Understanding negative effects in a new terrain and concentrating on the differences help literacy while you contemporaneously fete the parallels as well*". Also, you can acclimatize to new societies. Understand the societies before you notice the differences. Through travelling, people are veritably fluently exposed to different societies. Experience also helps over a while to be prepared to face the unknown terrain. [5]

### 3.4. FIAT

Fiat was formed with the objectification of the Torino Motorcar Mfg. Co. in 1906. With passenger buses and marketable vehicles as the base of its business, the company began to produce iron and sword, light essence and corridor and factors, growing into a mammoth enterprise in Europe after World War I. In the alternate half of the 1960s, Fiat consecutively choired OM, a marketable vehicle manufacturer; Auto Bianchi, a passenger automaker; Lancia, a high-quality machine patron; Ferrari, the notorious sports auto and racing auto manufacturer and other small automakers. As befitting the company's golden age, management to boast that "*All roads lead to Torino.*"

Since 1907 Fiat has promoted its overseas systems by furnishing licensing and specialized backing, rather than capital to original enterprises. Licenses were awarded in the U.S. 1909, Poland and France in 1934, Yugoslavia in 1954, Thailand in 1962, Malaysia in 1967 and Indonesia in 1971. Licenses were also granted in Costa Rica, Bulgaria, Romania and Korea. In 1949 and 1971; licenses and capital were handed to Spain and Turkey, independently.

After the Second World War Fiat also made capital investments in Ireland in 1952, Argentina in 1954 and 1960, Venezuela and Chile in 1962 and Brazil in 1973. Most of this investment was for knockdown production. Fiat is also carrying out the knockdown product of passenger cars and/or marketable vehicles in New Zealand, Morocco, Egypt, Tunisia, Zambia, Nigeria, Pakistan and other countries, and in 1966 it agreed with the Soviet Union. As can be seen from the below, Fiat has advanced into numerous requests which have only just begun to take the first step toward mechanization. It has espoused this policy to its products, but also to develop collaborative product installations overseas.

By the end of the 1960s, Italian frugality fell into recession; management/labour relations also declined, performing infrequent labour controversies and a drop in productivity and quality. At the same time the first oil crisis occurred, which led to the feeling that growth of the passenger car market could not be expected, Fiat therefore determined that public mass transportation would be the star means of transportation in the future and pressed forward with a plan to lower its reliance on the product of motorcars. As a result, passenger auto development investment was reduced and the development of energy-effective motorcars delayed, and the entire company suffered as the result of this operation-inspired. To deal with this extremity, Fiat began to re-organize.

In 1975 the marketable vehicle division was separated from the parent establishment and reorganized as IVECO in cooperation with KHD of West Germany. In 1979, the passenger auto division was also resolved to form a separate company, Fiat Auto, with Mr Ghidella nominated as chairman. Concurrent with these sweeps, the parent company Fiat, headed by Mr Romitti, was re-organized to exercise operation control over the branch companies. IHF was designated to control subsidiary companies outside of Italy. With these changes, an operating system of 16 separate sectors was established under the commercial marquee of Fiat. Under the Romitti/Ghidella leadership, the policy legislated incontinently following the first canvas extremity came under review and a new time plan, which called for the re-establishment of the passenger auto division in Europe as a dominant factor was legislated in 1980. The support of this plan made that recently designed cars were introduced, empty sectors were excluded, collaborative sweeps with other enterprises were encouraged and robotization of the product installations was stressed. Included among the new models was the Uno, which represented Fiat's sweeps to provide a more competitive machine. In addition, Fiat offered advanced options similar to four-wheel drive and turbo and diesel machines. As part of the re-structuring efforts, capital was withdrawn from the loss-incurring SEAT in Spain and from the U.S. where competition from Japanese automakers was violent. The company also gauged down its operations in Central and South America, except for Brazil.

Fiat also entered into collaborative sweeps with Peugeot and Renault in the area of machine development, with Volkswagen and Volvo for the development of transmissions, and with Saab-Scania for the development of new types of cars. In addition, collaborative sweeps began with Robogate for the manufacturing of machine bodies and with LAM for machine product technology. These efforts resulted in the introduction of new automated technology and higher production efficiency. The reorganization was completed three times, which Fiat considers,

correctly so, to be commodity of a phenomenon. It should be added that the enhancement and stabilization of management/labour relations also played an important part.

Concerning the commercial vehicle division, IVECO has incurred losses since its establishment in 1975. In 1983, IVECO was reorganized as a 100, invested subsidiary company under Fiat. In 1983-84, IVECO manufactories in France and West Germany were incompletely unrestricted and the workforce was reduced. In 1986, IVECO entered into an agreement with Ford U.K for the common production for large trucks its relationship for light exchanges. In 1987, IVECO further developed with Nanking Automobile Manufacturing Corp. for the transfer of technology for light exchanges. Inversely important was Fiat's accession of Alfa Romeo. In 1986, Fiat defeated the effort by Ford U.K. to take over Alfa Romeo by enlisting the support of the unions and by stressing the need to keep Alfa Romeo an Italian firm. In November 1986, Fiat was notified by IRI and Finmeccanica, the major stockholders of Alfa Romeo, that Fiat's offer was respectable. In January 1987, Fiat combined Alfa Romeo and Lancia into a single operating division, with the thing of producing luxury motorcars that can contend with Daimler-Benz, BMW and Audi cars.

Fiat's diversification strategy was switched from one that called for a reduction in the size and significance of the machine division to one which stressed its significance. These diverted efforts suggest that the future of the division, in terms of commercial support, appear promising. As part of Fiat's restructuring crusade, internationally known enterprises similar as *Comau* (product systems and telecommunications) and *Sorin Biomedica* (bio-technology) were bought. In 1987-89 Fiat plans to invest a billion Lira, half of which will be spent on the development of the passenger auto division and advancements to Fiat installations. It'll also place added stress on the development of the luxury auto-request. With these efforts, the

giant Italian automaker may strengthen its transnational sweats and return to the North American request. [6]

#### **4. Conclusion**

The findings and the analysis permits us to answer our research question on the influence of the cultural differences on the firms' internationalization process. It appears that even if the cultural differences are not a decisive factor when the decision is made to penetrate a foreign market or not, still this factor seem to affect the internationalization process of firms in various aspects.

Indeed, all the companies study and penetrate every market where they detected a business opportunity, regardless of the cultural differences between Sweden and the international market concerned.

However, the firms will need to adapt themselves to those cultural differences since they affect the business practices in a large scale. The firms appear to have similar strategy in entering the market regardless of the nature of the product and the target customer.

As the first step of toward understanding and adapting towards a specific market it is almost vital to have domestic partnership to shorten the process of its learning curve. This helps the firm to benefit from gaining reliable market intelligence while learning the habits and customs of foreign customers before expanding themselves further.

More often each time, the entry barrier of cultures, language, regulations, local business practices are easily overcome by appointing a local representative and training on the technical of the product than vice versa. The fact that culture is deeply rooted in all the factors that affect an internationalization process is hardly noticeable. Besides, more often people relate culture in terms of communication and behavioural aspects in a society and do not recognize other influential factors that exist because of the culture and none other reason.

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