Cultural distinctions between the countries and differences in level of development of regions in the same country: What it is more important for sales on B2B markets?

There is a hypothesis, that in modern conditions on sales on B2B markets it is easier to seller to interact with potential buyers from the different countries with different cultural but equal socio-economic level of development, than with buyers in the same country with equal cultural, but different regional socio-economic level of development. For example, in sales of the industrial equipment, computer programs, it is easier to seller to find common language with buyers from Vienna, Chicago or Moscow, than with buyers from Moscow and a small Russian town. From the point of view of communications in B2B sales, the difference in level of social and economic development of region becomes more important, than cultural distinctions between the countries.

The similar hypothesis can be put forward also for purchases. It is easier to buy the B2B goods and services in regions of one social and economic level of development in the different countries, than in regions of a different social and economic level of development in the same country. Possibly, given phenomena are characteristic not for all countries and not all branches.

How much cultural distinction between the countries it is more important than distinctions in level of social and economic development of regions in the same country? Whether is differentiation in economic level of development of regions a basis of cultural distinctions in the country? How much the urbanization level of the countries influences cultural distinctions between the countries and on cultural distinctions in the same country?

Introduction

There are different points of view on what is important in business communication: cultural differences between countries or differences in organizations’ development (size of a company, scale of operation, purposes, position within the industry, staff’s education and other indexes of business development).

One of the components of national culture, for example, is language. However, the language can be considered not only as a component of national culture (variety of dialects, idioms, etc.), but also well as a necessary condition for business communication (Melitz 2008). In this sense competence in Business English as a means of communication, both inside and outside the organization, is an indicator of the level of its development.
Official data shows that from the beginning of the XXI century, exports of goods from Russia outside of the Commonwealth of Independent States increased by more than 5 times, the import of goods from these countries into Russia increased by more than 12 times (Figure 1), the trade goes on almost 100 commodity groups and categories (excluding services).

![Figure 1: Exports and imports in Russia in 2000 and 2013](Image)

Source: Authors

In this regard, the number of foreign senior managers often attracted for reducing the factor of intercultural differences falls due to the Government’s cutting of quotas volume (now about 75,000). Nevertheless, the demand for them still exists because companies need not only knowledge of the language, but also certain mental characteristics.

The question of cross-cultural differences and differences in the level of companies’ development is nothing new. In fact, it defines the organizational structure in sales department. In this case, there are managers assigned to specific regions and key account managers. In the Russian context, it is quite running business paradigm for operating with dealers and retailers. Suppose key clients are federal networks and distributors, and regional managers administer regional networks and «unit» retailers.

However, entering the international market, the task becomes third dimensional: the first dimension is the company level, the second is the level of a region and the third is culture factors. It is more likely that this scheme also exists in Russia because Russia is a country with big territory and many cultural features. From the economics and logistics point of view, it makes sense to allocate the regional zone “South” and further to allocate the Caucasus separately, as a region with sharply expressed cultural differences.

This raises several questions:

1. Is it possible to allocate the key customers on the global market?
2. Is a manager able to interact effectively with international customers from different regions,
such as the US and China?
(3) What factors should form the basis of the separation of areas of responsibility, of managers?

As a working hypothesis, we assume that the manager is able to work with companies of one level of economic development, but with a different cultural code.

Neil Rackham (2014) guesses when interacting on the B2B markets in Russia the difference in the level of economic development of regions within a country is more pronounced than the cultural differences between countries. Approaches in sales to large companies located in highly developed cities in different countries may be the same. However, within the same country sales companies in towns and cities require different approaches.

The example of Russia may be is connected with that there are significant cultural differences across a huge land mass (Turovski 2005). Probably, it is not true for Germany, where a contractor from Munich would have more understanding of a customer’s needs in Muensterdorf (a small village north of Hamburg) than a customer’s needs in London.

1 Cultural distinctions

Gunes Gokmen in his work “Cultural Diversity a Barrier to Riches?” (2013) examined the intensity of trade relations by the cultural proximity. Cultural differences were considered in this work as a barrier to international trade. It is the source of uncertainty in any negotiations and the need of additional non-information costs for participants. Gunes Gokmen used four parameters to measure the degree of cultural differences: the membership of a particular civilization, religion, ethnic group, unlike the language used. Division into civilization was conducted in accordance with the classification of S. Huntington (Huntington 1996), and division by religion, ethnicity and language in accordance with Ellingsen’s researches (Ellingsen 2004). There were also taken into account additional parameters – geography, policy and economy. In the end, the author concluded that cultural differences reduce the intensity of bilateral trade and cultural proximity promotes economic interdependence.

However, different national cultures may not be so different. G. Hofstede (Hofstede 2006) defines culture: “Culture is the collective programming of the mind distinguishing the members of one group or category of people from others”. There is no mention of nationality in this definition. That is why culture can be considered as «collective programming of the businessmen mind» and in this sense, we can talk about the different types of organizational cultures. The model of G. Hofstede now uses six characteristics of national cultures to understand their similarities and differences: Power Distance, Individualism versus Collectivism, Masculinity versus Femininity, Uncertainty Avoidance, Pragmatic versus Normative, Pragmatic versus Normative. Scientists and experts all over the world are interested not only in difference of national cultures but also in its similarities. In a comparative context, the question is put in such a way: how we are different or similar to others.

The primary research (1967-1973) included the first four characteristics and was based on a study of employees of one corporation - IBM, who held one corporate culture. The emergence and development of international (transnational) corporations, globalization makes difference in national cultures secondary to business objectives. Hofstede’s model in this context is used in order to understand how similar the national cultures are.

There are the list of universals in all the world’s cultures that are the set of basic, universal, humanitarian, ethical values and norms. These universals form the community of cultures and can be seen as the foundation of mutual understanding and interaction between representatives of different nations (both sides during the sale process), the basis for the establishment of business contacts. However, there are a number of specific characteristics of each individual culture in addition to universals that bring nations together.

It is necessary to evaluate the significance of specific characteristics to understand the possibility of doing business with the representatives of different nations.
Intercultural communication supposes the knowledge of the other culture’s code, especially language, rules of behaviour, psychology and mentality. The combined effect of the communicative code in the communication process is called communicative mode, and exactly the ability to move freely to the appropriate communicative mode is the highest level of competence in this matter. If there is absence of such competence, manager will communicate with other culture bearers and evaluate them based on his own national rules that may impede communication.

Currently, there is a present trend of consolidation of national identity in addition to the trend of globalization, when own culture is put at the forefront (Petrović and Antevski and Vesić 2008). However, in cross-cultural communication ethnocentric presentations are accompanied by incorrect estimates in the outlook of communication partners.

R. D. Lewis’s research (Lewis 2006) emphasizes three types of cultures – linear-active, multi-active and reactive, which are interpreted by the author as the types of nations. Is it possible to use this classification for the Russian market, what type of culture are the Russians themselves; has the type of culture any impact on the trade relations? We see again a lot of questions that are worth exploring.

Perhaps, during the customers and partners’ segmentation it is worth doing some reminders or the maps of difference, as did for example R. D. Lewis in his article about how to interact with Russian effectively. There were allocated 10 principles that must be followed when dealing with them:

1. Be patient.
2. Be personal.
3. Be clear and explicit.
4. Be firm.
5. Remember the power of the spoken word.
6. Be prepared for some soul-searching.
7. Expect some theatricality and sentiment.
8. Be ready for a more collective approach.

However, entrepreneurs are also more likely not to commit domestic partners, but to identify important and not important reasons that favour or oppose the understanding. The most import for them are the language and legislation of the countries they make contact. Although English is the international business language, it’s better to know the national language in order to establish the psychological contact with whom you are dealing with. The legislation simply does it possible or impossible to do business with representatives of a foreign country.

The authors of some studies suggest analyzing the region’s economy and firms to determine the way they use their cultural codes in negotiations. Negotiation styles have a wide range of options. In understanding your own style manager is better able to understand the negotiation styles and approaches of colleagues from other cultures (Salacuse 2003, 2005).

Another point of view suggests that cultural factors are not as important as the rules established by different alliances and integration unions. Every year globalization, in the form of globalization of production (Hill 2005) and/or globalization of marketing gives new opportunities for trade between countries. The possibility of exchanging goods and services around the world, the export of products to the most remote countries, the possibility of production transfer to other countries, the advances in communication and IT technologies – all these factors define a platform for world trade. Global economic integration establishes the rules of the game. Organization integrators (EU, NAFTA, WTO, and OPEC) increasingly influence on processes on international trade arena (Spooner 2014).

In addition to the concept of “culture” related to nationality, there is the term “subculture”. Primarily, the concept of subculture was associated with the concept of national culture, where there was pointed out a certain group of people (a minority), differed from the majority by behaviour, language (slang), clothing, values, etc. Then the concept of subculture had moved away
from the concept of national culture and became more international. Bringing people together in subculture groups was constructed by professional (doctors), demographic (youth subcultures), value-conscious (“green”, yuppie) characteristics. Subcultures began to consolidate the national cultures. Hence, the successful cooperation between the organizations worldwide may determine the existence of certain general “organizational subcultures.”

The level of organization development (staff education, the use of modern technologies in production and management) forms such general subculture (Steers and Sanchez-Runde and Nardon 2010).

2 Regional differences in Russia

In Russia, the level of development of business inland due to the availability of resources that varies depending on the region the organization is located in: Moscow (capital), big industrial or regional centre (Saint-Petersburg or Novosibirsk) or province (Vologda). From the point of view of international business especially important resources are:

(1) Availability of educational institutions providing personnel with high qualification that meets the requirements of international business.
(2) Access to financial resources.
(3) Fast access to state organizations, solving different questions in business dealing.
(4) Regional logistic opportunities.
(5) The possibility of obtaining primary data from certain people (not from Internet or Media), affecting business.
(6) Effective demand within the region in both B2B and B2C markets.
(7) The psychological type of people in region.
(8) And other parameters.

Figure 2 of authors demonstrates concept of impact of the level of region development on the interaction of organizations.

Figure 2: The level of influence of region development on the organization´s interaction
Source: Authors

Let us look more closely on the differences in levels of Russian regions development. We offer a look at this problem analysing Human Development Index (HDI), which is annually published by UN for cross-country and interregional comparison of standard of living, literacy, education and longevity. The strong gap in development of Human Development Index in different regions is peculiar to
Russian Federation. Life in the most prosperous Moscow, Saint Petersburg and Tyumen Region is compared with life in Poland, Czech Republic or Baltic countries; quality of life in the poorest regions like Republic of Tuva, the Ingush Republic is comparable with quality of life in Guatemala or Tajikistan.

The serious gap in Human Development Index between regions slows down the overall development of the country. Also the possibility of objective appraisal of human potential is impossible due to intraregional inequality in people’s income, as well as large heterogeneity within the region (the regional capital is richer then municipalities).

The other serious problem is imbalance in development of single parts of human potential (income, education and longevity). In particular in Russia the education index is very high – 0.913, while the index of longevity is only 0.671, and income index is 0.703. Only third part of regions have relative balance, quite half of regions have worst indicators of balance in regions, while in export of raw materials regions the index is overvalued.

In spite of all existing problems, dynamic and sustainable growth of HDI in all regions of Russia is observed. According to 2014, more than 20% of Russians are living in safe and successful regions, while 10% are living in depressive regions. Moscow is considered to be the most successful region in all three criteria, also first places in the list occupy areas, which are engaged in oil and gas, the most successful region after Moscow is Tyumen Region, the total HDI index of Tyumen region is equal to Saint Petersburg index, but is far behind in education and medicine level, however high level of income compensates it.

Heterogeneity in regional development is becoming a serious barrier to market B2B. There is a question, with whom it is more convenient to do business with partners within their own country (but at different stages of development), or with partners from foreign countries. Certainly, we cannot find correct answer for this question, because there are a large number of factors affected on final result.

3 Research

For primary validation of hypotheses, the pilot research has been carried out. The method of the research is questionnaire in the Internet. All respondents answered all questions. The purpose of this study – to test the questionnaire on a small sample of respondents:

(1) How clear respondents questions.
(2) Is it possible to compare different categories will treat this as respondents?
(3) That the respondents write in free review regarding the purpose of the study, which is formulated in the title.

53 respondents – managers of the various Russian companies, have taken part in the research. Exceeding the small sample volume – more than 30 observations – gives us the opportunity to use the calculations with the criteria of the normal distribution (Malhotra 2010). With so many respondents the maximum sampling error is no more than 13.1% with a probability of 95%. However, the actual mean error with the variation in the responses of the respondents even less – 12.4%. That is, answers with interest below this border are not statistically significant.

In this case, also need to adjust to the fact that respondents are including experts in their field: though their number and it is not known, standard procedures for calculating the required sample size for this case is not entirely applicable. Simple calculations required number of experts is also not suitable because we do not do in-depth interviews, and conducting a survey on the questionnaire. Thus, it can be argued that the observation error does not exceed 10%. However, you must complete a study to test the hypothesis based on quotas staff grade, industry, etc.
3.1 Questionnaire

The questionnaire consisted of five questions (except the questions characterizing respondents).

1. Choose more true from your point of view the statement for your branch (sphere) of business (only one variant of the answer):
   The placement of the organization in the country (the developed large city or a province) is more important at interaction, than its national identity.
   The organization national identity at interaction is more important than a placement of the organization in the country (the developed large city or a province).
   It is impossible to compare on importance for interaction a national identity of the organization and development of a city in which the organization is located.
   I find it difficult to answer this question.

2. Choose more true from your point of view the statement for your branch (sphere) of business:
   For successful interaction of the organisations, the identical level of development of business of the companies is more important, than their national identity.
   For successful interaction of the organisations, the national identity of the companies is more important than an identical level of development of their business.
   It is impossible to compare on importance for interaction a national identity and a level of development of business of the co-operating organisations.
   I find it difficult to answer this question.

How much true the following statements (from 1 to 5: 1 – completely disagree, 5 – completely agree)?

1. The business level of development in Russia considerably depends on, whether there is an organization in the big city (capital, the large industrial, regional centre) or in a province.
2. Quality of interaction between the organisations now more depends on business skills of managers, than from a national identity of the organisations.
3. Globalization of economy is now more important than a national identity of the business.

3.2 Profiles of respondents

Profiles of respondents:
1. 53% work in the Russian organisations, 14% – in joint companies, 33% – in foreign companies (in Russia).
2. 13% – top managers, 46% – middle managers, 41% – specialists (ex officio).
3. 45% basically are focused on work outside of company, 8% for work only inside the organization, 47% approximately fifty-fifty spend efforts to work inside and outside the company.
4. 75% of respondents have an operational experience (not single, but a constant) with foreign partners. It has been named more than 40 countries of foreign partners (from the South Africa to Sweden, from Pakistan to Chile).

3.3 Answers and opinions

It is noticeable, that among all respondents saying about the impossibility of comparing the national identity and the development of the region and that the development of the region is more important than nationality almost equal (confirms our hypothesis) (Table 1).
The placement of the organization in the country is more important, than its national identity 37
It is impossible to compare on importance a national identity of the organization and development of a city 35
I find it difficult to answer this question 16
The organization national identity is more important than a placement of the organization 12

Table 1: Comparison of national identity and the development of the region
Source: Authors

In answering the question “What is more important for the interaction: the level of business development, or national identity,” the majority of respondents (49%) decided that these two parameters cannot be compared with each other. However, of the remaining 51% almost 35% said that the level of business development is more important than national identity (Table 2).

<table>
<thead>
<tr>
<th>Answer</th>
<th>All respondents, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>It is impossible to compare a national identity and a level of business development</td>
<td>49</td>
</tr>
<tr>
<td>The identical level of business development is more important, than national identity</td>
<td>35</td>
</tr>
<tr>
<td>The national identity is more important, than identical level of business development</td>
<td>8</td>
</tr>
<tr>
<td>I find it difficult to answer this question</td>
<td>8</td>
</tr>
</tbody>
</table>

Table 2: Comparison of level of business development and national identity
Source: Authors

In general, respondents support the hypothesis that qualities of the manager and the company’s business is more important than nationality that globalization increasingly determines the direction of business development, pushing into the background the relationship between the two countries (Table 3).

<table>
<thead>
<tr>
<th>Answer</th>
<th>All respondents, average rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of interaction between the organisations now more depends on business skills of managers, than from a national identity of the organisations</td>
<td>4,4</td>
</tr>
<tr>
<td>Globalization of economy is now more important than a national identity of the business</td>
<td>3,9</td>
</tr>
</tbody>
</table>
The business level of development in Russia considerably depends on, whether there is an organization in the big city (capital, the large industrial, regional centre) or in a province.

Table 3: Comparison of level of business development and national identity
Source: Authors

### 3.4 Conclusions

The study was a pilot aimed at understanding the problem of respondents and quality testing of asking questions. Based on its results cannot make informed conclusions, because the sample was quite small. Further studies should be carried out in the following directions:

1. Make a decision about the possibility of comparing the location of the organization within the country and its national identity in the interaction of organizations from different countries.
2. Make a decision about the possibility of comparing the level of development of the organization and its national identity in the interaction of organizations from different countries.
3. Is it possible to hypothesize about the impact of the location of the organization in the country on the level of business development?
4. Increase the size of the sample and decide how to structure it: by industry, location, organizations within the country or other parameters.
5. Include in a sample only representatives of organizations with experience of interaction in the international markets.

On the most of the questions the research were obtained ambiguous answers. However, we can say exactly that the managers attach much more importance to the skills of its partners than their national or regional (within the country) belonging.

Based on the analysis of secondary sources is also impossible to make a clear conclusion on what is more important: the location of the organization within the country (province and or industrialized region) or national identity. Perhaps, for some countries, it is important for the development of business is located in the industrialized city (e.g., Russia), and for some countries, the development of business is not determined by the location in the industrialized city.

Further research question posed in the title of the article, in our view, it is necessary to associate with the “similarity” countries of a certain dimension, for example, according to the model of Hofstede. The idea of this article arose based on data obtained in Russia, so it is possible hypothesis posed in the title of the article, is valid only for Russia and “similar” to the Russian countries.

### Literatúra/List of References


Kľúčové slová/Key Words

B2B markets, sale, cultural and regional differences, Russian regions

B2B trhy, predaj, kultúrne a regionálne rozdiely, ruské regióny

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Résumé

Kultúrne rozdiely medzi krajinami a rozdiely v úrovni rozvoja regiónov v rámci krajiny: Čo je dôležitejšie v predaji na B2B trhoch?

Existuje hypotéza, že v moderných podmienkach predaja na B2B trhoch je jednoduchšie predajcovi spolupracovať s potenciálnymi kupujúcimi z rôznych krajín s odlišným kultúrnym, ale rovnakým sociálno-ekonomickým zázemím, ako s kupujúcimi v tej istej krajine, s rovnakým kultúrnym, ale rozdielnym sociálno-ekonomickým zázemím. Napríklad pri predaji priemyselného zariadenia alebo počítačových programov je pre predajcu ľahšie nájsť spoločnú reč s kupujúcimi z Viedne, Chicaga alebo Moskvy, než s kupujúcimi z Moskvy a malého ruského mesta. Z hľadiska komunikácie v predaji na B2B trhu sa stáva rozdiel v úrovni sociálneho a ekonomického rozvoja regiónov oveľa dôležitejší, ako kultúrne rozdiely medzi krajinami.

Podobnú hypotézu možno vyjadriť aj pre nákupy. Je jednoduchšie kúpiť tovar a služby na B2B trhu v regióne s rovnakou sociálnou a ekonomickou úrovňou rozvoja v rôznych krajinách, ako v regiónoch s odlišnou úrovňou sociálneho a ekonomického rozvoja v tej istej krajine. Hoci, možno uvedené javy nie sú charakteristické pre všetky krajiny a všetky odvetvia.

Nakolko je rozdiellosť kultúry medzi krajinami dôležitejšia ako rozdiellosť v úrovni sociálneho a ekonomického rozvoja regiónov v tej istej krajine? Alebo je diferenciácia ekonomickej úrovne rozvoja regiónov základom kultúrnych rozdielov v krajine? Ako ovplyvňuje úroveň urbanizácie v krajinách
kultúrne rozdiely medzi krajinami a vplyva na kultúrne rozdiely v tej istej krajine?

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