

# FINDING SIMILARITIES WHERE DIFFERENCES ARE OBVIOUS – COMPARATIVE STUDY OF SERBIAN AND CHINESE BUSINESS PRACTICES

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**Abstract:** *The Republic of Serbia and the People's Republic of China started to develop better political and economic relations after signing the Strategic Partnership Agreement in 2009. The second impetus for further improvement of economic relations was Serbia's joining China's coordination mechanism "16+1" and "Belt and Road" Initiative. The third and final momentum that fully secured the relationship between the two countries was achieved by signing the Comprehensive Strategic Partnership Agreement in 2016. That is the highest level of cooperation that China can officially establish with other countries, and it is a testament to China's plans for Serbia. Thanks to previously mentioned circumstances, Chinese investments in Serbia have grown, as well as the number of Chinese companies working on infrastructural projects in Serbia. In a relatively short period, there was a significant increase in the number of Chinese businesspeople and workers in Serbia. Since the two nations have different cultures, traditions, and ways of doing business, some problems occurred. Both Chinese and Serbian managers and employees have difficulties adjusting to the new circumstances, so it is worth identifying similarities and differences in business practices to overcome occurring problems. The authors will use the comparative method to present the main differences in doing business originating from different cultural backgrounds and communicating and conducting business. In doing so, findings from two cross-cultural studies will be used, such as the Hofstede model of cultural dimensions and the GLOBE project. The authors conclude that according to the Hofstede model, management practices are different regarding uncertainty avoidance index, masculinity/femininity index, and long-term orientation. The GLOBE project indicates the following differences: assertiveness, future orientation, human orientation and uncertainty avoidance index. Both parties should improve their cross-cultural knowledge and work on overcoming cultural issues to achieve better business cooperation.*

**Keywords:** *Serbia, China, management practice, cross-cultural studies, differences, similarities*

**JEL Classification:** *M14, O57, Z13*

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## SINO-SERBIAN RELATIONS

Political and historical ties between Serbia and China date back to the time of the former Yugoslavia (1955) in which Serbia was one of six federal republics. In regards to legal secession, Dimitrijević states: “After the collapse of SFRY, China continued to treat SR Yugoslavia as its legal successor, and then the State Union of Serbia and Montenegro, and Serbia after the secession of Montenegro from the State Union in 2006. We are of the opinion that in the international legal sense, for Serbia, this kind of behaviour by China can mean unilateral confirmation recognition of the state legal continuity of the international legal subjectivity of the former Yugoslavia (2018, 52).” Following Montenegro’s referendum and declaring independence from the State Union of Serbia and Montenegro in 2006, the Republic of Serbia and the People’s Republic of China continued diplomatic relations when Serbia became a sovereign country. Serbia has continued the good tradition and political relations that Yugoslavia had with China, and today their relations are on the highest historical level.

This high level of political and economic relations did not arise quickly, and they were developed through years based on mutual trust and respect. The beginning of those improved relations started in 2009 after the Strategic Partnership Agreement was signed. That agreement provided a basis for the improvement of political, economic, people-to-people relations and multilateral cooperation between the two countries (Lađevac 2020).

The second impetus for further improvement in relations came in 2012 when Serbia joined the cooperation mechanism China – Central and Eastern countries (CEEC), formerly known as the 16+1 format. Because China had less developed economic, political and people-to-people relations with CEEC than with the Western European countries, it saw the potential in that region (Kong 2015). It wanted to establish formal and grounded relations, through which it could promote better bilateral cooperation of those countries with China, but at the same time better multilateral cooperation among those countries. One year after that, China proposed the establishment of the New Silk Road, which was later renamed the Belt and Road Initiative (BRI). This initiative is in a sense a revival of the ancient Silk Road, which has the aim of improving economic connectivity by improving economic (trade, investments, and loans), infrastructural and people-to-people connectivity between China and member countries. For that purpose, China funded many projects through Silk Road Fund and Asian Infrastructure Investment Bank, while at the same time trying to achieve win-win cooperation. Serbia joined this initiative in 2016, and through this initiative, as well as the China-CEEC format, Serbia negotiated many projects and improved its economic cooperation with China (Pavličević 2018).

In the same year in which Serbia joined BRI, Serbia signed the highest political agreement that China can have with one country and that is the Comprehensive Strategic Partnership Agreement (Subotić, Janjić 2020). This agreement is in a way testament to the two Governments’ willingness to further work on their relations and improve them even more.

With further improvement and development of political relations, economic relations improved as well. Serbia now has fully developed economic relations with China. Many Chinese companies are working in Serbia, and bilateral economic relations in the field of trade and investments are increasing rapidly. Since economic cooperation is intensifying, it is worth examining at the same time the current everyday business cooperation. Both sides do not know much about each other, and there is evidence from the business practices that problems occur due to different cultural backgrounds. Because of that, cultural differences and conflicts that arise on those occasions are explained in this paper, so they could be prevented or downsized in the future.

The main research question is: What are the main differences when doing business in China and Serbia? To answer that question the authors will use Hofstede's cultural dimensions model and the GLOBE project to give a theoretical framework for this research. Secondary data will be provided for those two intercultural studies, which will show how Serbia and China differ regarding cultural values. For both models, the comparative cross-cultural analysis will be used. As Alder (1983) pointed out, by using comparative studies, we can explain how organisations in two or more countries differ in the way they are running their business according to their cultural values.<sup>2</sup> Since the theoretical models cannot explain all differences between nations, the authors will provide additional explanations of differences between cultures that occur in everyday business life by using other available primary and secondary data.

## **THE SINO-SERBIAN ECONOMIC COOPERATION FRAMEWORK**

Before Serbia and China signed Strategic Partnership Agreement in 2009, economic relations were modest.<sup>3</sup> Until then, Serbia imported excessively from China and moderately exported Serbian products. According to the Statistical Office of the Republic of Serbia, in 2008, Serbia imported from China almost 1470 billion US\$ while at the same time exporting 5.2 million US\$. The trend of a huge trade deficit did not stop in the upcoming years, but the Serbian export volume did change. In 2019, Serbian export was worth 392.2 million \$, in 2020 it was 377 million, and in 2021, they hit a record level of 971.7 million \$. At the same time, the import from China increased so that in 2019 it was 2507.7 million \$, in 2020 it was 3290.1 million, and in 2021 it was 4308.8 million \$. In total, trade volume in 2021 is worth 5.2 billion US dollars, and Serbia has a trade deficit worth 3.3 billion dollars.

Serbia is exporting to China unprocessed and processed copper, raw wood and silver, while China is exporting mobile phones, technical equipment, clothing, iron and steel products. Serbian export looks like this due to the changes in the domestic market. Since Zijin Mining acquired the copper mine RTB Bor, in 2016, it started slowly exporting copper to China, and in 2021, it mainly exported to China and not to some other countries (Zakić, Stanojević 2022). It is the main reason why Serbian export is so high. Therefore, the increased export didn't happen because Serbia exported domestic goods that are popular in China, but rather because of the export of mainly unprocessed copper, for which there is a high demand in China.

Sino-Serbian relations are nowadays mostly at the centre of attention because of the infrastructural projects that China conducts in Serbia, thanks to BRI and China-CEEC framework. Chinese companies participate in two types of projects. The first type is those for which China provided loans and on which Chinese state companies work with Chinese workers. The second type of project is those that Serbia is funding, and on which the job is done by Chinese state companies.

In the first group of projects financed by Chinese loans within the BRI and China-CEEC framework, starting from 2014, we have the following projects (Zakić, Stanojević 2022):

1. Construction of the high-speed railway Belgrade – Stara Pazova and Novi Sad – Subotica, which is conducted by the China Communication Construction Company and China

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<sup>2</sup> Besides comparative studies, Adler states in the same article, that there are also unicultural (presents the study of organizations in one country and its cultural values) and intercultural studies (research within multinational organizations in which people from different countries and different cultural background work in one company).

<sup>3</sup> Data about trade relation was given according to Statistical Office of the Republic of Serbia and its publication Monthly Bulletin.

Railway International. The project is funded by a Chinese loan (85%) and by the Republic of Serbia (15%), and the value of the project is \$1.49 billion.

2. Construction of the new block B in the Kostolac thermal power plant and expansion of the mine Drmno, conducted by China Machinery Engineering Corporation. The project is worth \$715.6 million.

3. Two parts of the highway Miloš Veliki (which belongs to Corridor 11), were done by Shandong Hi-Speed Group and China Communication Construction Company, and they are completed. The first section on which they were working was a road between Surčin and Obrenovac and the second was the Obrenovac-Ub road. Construction was financed by a Chinese loan (85%) and by the Republic of Serbia (15%). The project was worth \$541 million.

4. China Road and Bridge Company signed the agreement to work on the construction of corridor Fruška gora. Although we know that this project will be financed by a loan, we still don't know from whom the Serbian government will lend the money. The project is worth €606 million.

5. Power Construction Corporation of China is working on the traffic bypass around Belgrade, on so-called sector B (bridge over river Save near Ostružnica and sections of roads 4, 5, 6). For this project, the Chinese loan and the budget of the Republic of Serbia were used for funding. The value of this project is €227 million.

6. Construction work on the Belgrade metro started in 2022, and one of the companies that are working on this project is Power China International Group Limited. The financial details of the job are unknown.

In the second group are the projects financed by the Serbian Government, on which Chinese state-owned companies are working (Zakić, Stanojević 2022):

1. Novi Beograd – Surčin highway (part of Miloš Veliki highway), construction company China Communication Construction Company is in charge of this job and the value of the project is \$70.5 million;

2. Traffic bypass around Belgrade sector C (Bubanj Potok-Vinča-Pančevo) is built by construction companies Power China and Azvirt (Azerbaijan), and the value of the project € 500 million;

3. Preljina-Požega highway (part of Miloš Veliki) is done by construction company China Communication Construction Company and the value of the project is €450 million;

4. Traffic bypass around Užice – Čačak is built by Power Construction Corporation of China and the value of the project €29.8 million;

5. The heating pipeline between Obrenovac and Novi Beograd is being built by Power Construction Corporation of China, and the value of the project is \$193 million;

6. Design and construction of infrastructure for municipal solid waste disposal in 65 municipalities and cities in Serbia – construction company China Road and Bridge Company, the value of the project is €3.2 billion.

Chinese investments in Serbia started in 2016 after Serbia joined BRI. Following Chinese companies invested in Serbia:

1. Hesteel in Smederevo, HBIS Group Iron and Steel State Company, €300 million;

2. Eurofiber in Čuprija, China Prosperity Industrial Corporation, €1.1 million;

3. Mei Ta in Obrenovac, Mei Ta Company, \$110 million;
4. Zijin Mining in Bor, Zijin Mining, \$1.26 billion and \$200 million for paying for previous loans;
5. Shandong Linglong tire company in Zrenjanin, Shandong Linglong, €800 million;
6. Yanfeng internal interiors for cars in Kragujevac, Yanfeng Seating, €40 million;
7. Xingyu lights for cars in Niš, Changzhou Xingyu Automotive Lighting Systems, €60 million;
8. Yanfeng car security systems in Kragujevac, Yanfeng Seating, €18 million;
9. Minth company in Loznica and Šabac, €100 million (Zakić, Stanojević 2022).

Besides trade, loans and investments, economic cooperation has been developing in one additional format – tourism. The number of Chinese tourists visiting Serbia increased steadily since the visa-free regime was established in 2017 until the coronavirus pandemic started in 2020. In 2019, almost 145.000 Chinese tourists visited Serbia (Politika 2020).

According to the Serbian Business Register Agency (Republika Srbija Agencija za privredne registre), until September 2021, Chinese citizens and companies opened 3.519 companies and entrepreneurial businesses in Serbia (Vukašinović 2021). The same source stated, that China is leading in the number of registered and active companies in Serbia (2034), leaving behind Italy (1657) and Slovenia (1.403). Additionally, China is the first one according to registered and active entrepreneurial business (1485), leaving behind Romania (415) and Russian Federation (278).

In all the above-mentioned companies, the Chinese workforce is living and working in different cities in Serbia, meaning both workers and managers are coming from China. In this circumstance, Serbian business people and the workforce have many opportunities to work and cooperate with Chinese colleagues. Besides this, many state-owned companies, as well as private companies, both from China and Serbia are cooperating constantly - not in person, but rather online. Due to this increased working dynamic, it was observed that some problems in everyday business life occurred due to differences mainly deriving from different cultural backgrounds. Because of that, two cross-cultural studies will be used as a theoretical base, to explain what we know so far regarding the main characteristics of these two cultures. After that, we will present how those different values are affecting business life.

### **THEORETICAL AND EMPIRICAL BACKGROUND: CROSS-CULTURAL STUDIES**

Although cross-cultural studies originate from sociological studies, management studies are using them as well. Interest in studying the influence of culture on organizations gradually developed in North America and Western Europe after World War II as a result of two trends: the internationalization of business, on the one hand, and the internationalization of social sciences, on the other (Mojčić 2007). In terms of the internationalization of social sciences, they are referring primarily to sociology, psychology and political sciences, which have greatly contributed to a better understanding of how culture affects business and organizations. The ability of sociology to summarize issues of cultural differences provided a basis for understanding, accepting and overcoming them in everyday business life.

The beginnings of the comparative study of management and organizations are linked to different authors. However, the work of Frederick Harbison and Charles Myers from 1959,

*Management in the Industrial World*, is most often mentioned in this context. At the centre of their interest were differences in understandings various types of leadership (from authoritative to participative) in countries at different levels of industrialization. It also refers to the innovative and influential cross-national research done in 1961 by David McClelland on motivation - *The Achieving Society*.

Further, one of the first cultural classifications is linked to the American anthropologists Florence Kluckhohn and Fred Strodtbeck. Their 'framework for the study of cultural orientations' is the result of many years of content analysis of the basic findings of empirical research conducted around the world (Kluckhohn, Strodtbeck 1961). Thanks to the results of this study, Kluckhohn and Strodtbeck defined six basic questions (problems) that different societies/cultures face: The nature of people, The relationship with nature, Duty towards others, Mode of activity, Privacy of Space and Temporal Orientation.

Originally in 1954, two Americans, sociologist Alex Inkeles and psychologist Daniel Levinson, after numerous researches of national cultures, proposed the following issues as basic differences between cultures worldwide: Relationship to the authorities, Notion of self, especially the relationship between the individual and society, Individual concept of masculinity and femininity and modes of conflict resolutions, including controlling aggression and expressing feelings. It can be said that these four categories that every human community encounters, in fact, represent the first explained dimensions of culture. A dimension is an aspect of a culture that can be measured in relation to other cultures.

Thirty years later, the Dutch researcher, Geert Hofstede, with his books *Culture's Consequences* and *Cultures and Organizations* undoubtedly contributed the most to the development of the study of cultural influences on organizations (Jurčić et al, 2015). Hofstede explains that the prevailing belief in the 1950s and 1960s was (at least in Europe and the US) that management principles were universally applicable. In other words, it was considered that there were clear principles of management that were valid regardless of national peculiarities. However, in the 1970s, the belief about the inevitable convergence of management practices, according to Hofstede, began to wane and the awareness of the importance of the influence of national cultures on organizations became stronger (Hofstede 1983).

In addition to Hofstede's model, another important study for the dimensioning of national cultures is the work of one more Dutch author, Fons Trompenaars. Trompenaars also believes that each culture differs from others in its characteristic ways of approaching problems and solving them, which he explained in his most famous book *Riding the Waves of Culture* (1993). In 1998, in co-authorship with Charles Hampden-Turner, Trompenaar deepened the research and an updated edition of the book was published. Trompenaar and Hampden-Turner classify the problems that all national communities face into three general categories: Relationship with other people, Relationship with time, and Relationship with the environment and they define seven different cultural dimensions/preferences: Universalism vs particularism, Individualism vs communitarianism, Specific vs diffuse, Neutral versus emotional, Achievement vs ascription, Internal vs outer direction and Sequential vs synchronous time (Trompenaars, Hampden-Turner 1998).

Two cross-cultural studies used in this paper to highlight cultural differences are not the only ones (as seen in previous lines), but rather those that were suitable for this analysis.



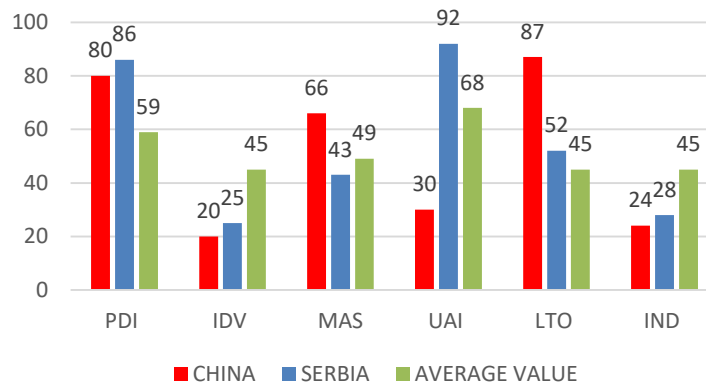
## MODEL OF CULTURAL DIMENSIONS

Hofstede's model of cultural dimensions is probably the most known one. This model is easy to understand, but at the same time, it critically and extensively points out the most important characteristics of one culture and then compares them with others. The model can be used in various situations and for different purposes. In this case, it is used to compare cultural values and characteristics in China and Serbia so that we can identify, according to this model, the main differences and similarities between them.

The original model has changed two times since it was presented, and instead of the initial four dimensions, the model now has six of them. The last version of this model has the following explanations (Hofstede 2011; Hofstede, Hofstede, Minkov 2010):

1. Power Distance Index (PDI) – This index measures the degree to which there is a distance between the members of society that have power and those that don't have it. In countries where this index is high, there is a stark difference between those groups. Those with power expect other people to accept that situation and behave accordingly. Societies with a high level of PDI are more authoritarian, while countries with low PDI are more democratic.
2. Individualism/Collectivism (IDV) – Societies have different dynamics between their members and different opinions about their roles. According to Hofstede, societies with loose connections between their members and in which individual values are above collectivistic values are those that prefer individualism. In collectivistic cultures, individual values are less significant compared to collectivistic ones. Within them, the norms and values of a society, as a whole, are more important than individual values and norms, and everyone is expected to obey them.
3. Masculinity/Femininity (MAS) – This cultural dimension explains the gender values that society acknowledges as the most important. Prevailing values in masculine societies are assertiveness, competition and ambition, and a traditional gender roles model exists. Societies in which femininity prevails cherish modesty, empathy and caring for others. Within them, members consider those values as the most significant ones, and there is no strict division of gender roles.
4. Uncertainty Avoidance Index (UAI) – Societies see and deal with uncertainty in different manners. In those with a low level of UAI, people think uncertainty is a normal part of life and something they cannot and should not avoid. Members of those societies are adapting to new circumstances more smoothly, than those in which there is a high level of UAI. In addition, they do not stress because many things are unknown, and there is a higher level of acceptance of something new or different. In societies with a high level of UAI, people want to avoid uncertainty, because it produces stress and anxiety, while people at the same time seek clarity and structure within the country.
5. Long-term Orientation (LTO)/Short-term Orientation – The understanding of time e.g. are people more oriented towards the past or future is an important issue. It is why this index suggests that in long-term oriented societies, the future is more important than the past, and the most important events will happen in future. People in them are oriented toward future economic success, tend to save a lot and want to achieve goals within the groups such as families. On the contrary, societies with short-term orientation consider that past and present times are the most important ones. The history of society and its past is sacred. Success should be instant, while spending and consumption should be immediate in short-term cultures.

6. Indulgence/Restraint (IND) – This is the last and newest index in the Hofstede model. It explains the difference between cultures according to people's perceptions of how should they live their life. Indulgence, in that sense, means that people think that the purpose of life is to be happy, and because of that, they indulge in various things to achieve happiness. In those societies, people feel they are more in control of their life, and see personal freedom as very important, while at the same time, they do not recognize the need for a strict structure within the society/country. In societies in which restraint prevails, people are less oriented toward happiness and leisure. Personal and institutional freedom is not at the centre of their attention, and in those societies, the control of the state government is stricter.



**Figure 1:** Hofstede’s cultural dimensions on the example of China and Serbia

*Source:* Hofstede Insights, <https://www.hofstede-insights.com/country>

Figure 1 shows values for six indexes in two countries and the average values for each dimension. By displaying the average values, it is easy to identify differences between cultures. For example, cultures with PDI below the average value (e.g. 59) have a low level of PDI, and so on.

China and Serbia have the same three cultural dimensions, meaning that both countries have high PDI; they are societies with collectivistic characteristics, and people in both countries value more restraint than indulgence. China, unlike Serbia, is a masculine society with a low level of UAI. Serbia, on the other hand, is a country in which femininity and high UAI prevail. Although both countries are, according to their values, long-term oriented there is a difference between them, and it can be proved by comparing their values. Serbian value is very close to the average value, while China’s value is significantly higher. That means that although Serbia is in a group of countries with a long-term orientation, it is not oriented towards the future at the same level as China is.

By looking at the presented data, we can observe many similarities between the two countries. First, as countries with high power distance indexes, they both tend to have strict power distribution, which does show in everyday business life. Managers and directors are those that have the power, and they expect their co-workers to obey their rules and norms. Second, as collectivistic societies, they value group norms and values, so in business life, it translates as a focus on what the group can do and how it can improve the results of the company rather than focusing on individual work and success. Third, in countries in which restraint prevails over indulgences, such as Serbia and China, there is a need for stability, security and structure before achieving happiness. Forth, while Chinese society thinks many years, even decades, in advance, the situation in Serbia is somewhat different. Many decades of turbulent times and the need for stable life are showcased in the value of LTO, which is very close to the average



value. It means that in business life, there is a need to be more short-term oriented than long-term since the circumstances are constantly changing.

When it comes to differences, they are the most obvious in the uncertainty avoidance index and the masculinity dimension. China is a society where many philosopher schools and religions, such as Confucianism, Daoism, Buddhism etc., were present for many centuries, so the time reference and understanding of uncertainty in a philosophical sense is very different compared to the traditional Western thoughts. Because of this, uncertainty is seen in China as something that comes and goes. Everything goes in circles, so there is no need to be afraid or stressed because of the changes since they will also come and go. Western societies, and Serbia among them, perceive uncertainty differently, and they tend to be more oriented toward present and immediate future time. They like to have more control over things and avoid risk. Because of this, Chinese companies in business life are willing to take more risks, while Serbian companies try to avoid them.

The second difference is about the two countries' masculinity/femininity index. China is a country where values such as ambition, success and assertiveness prevail, while Serbia has more characteristics of feminine society. It should be at the same time highlighted, that in this case, the Serbian value for this index is very close to the average level. It means that Serbia is - in a way, in between society, having both characteristics of masculinity and femininity. Many would argue that traditional Serbian values oriented towards helping others, being kind and caring are changing and that the society is not what it was before. Even if this is the truth, according to the surveys used in the Hofstede model, people still declare and answer the questions in a way that puts Serbia in a group of societies in which femininity prevails. This characteristic can be important in the business environment because it will shape the way business is done and it will influence the working atmosphere.

### **GLOBE PROJECT**

Global Leadership and Organizational Behavior Effectiveness Research Project (GLOBE) is a large international study dedicated to understanding in which ways and to what extent the national culture influences the leadership styles of managers. The authors of this study House, Hanges, Javidan, Dorfman, and Gupta for that purpose formed a substantial team of international scholars and managers who helped conduct the study (surveys) in 62 countries (House et al., 2004). The research includes the study of the following variables: societal culture, organizational culture, leadership and societal achievements (Javidan, Ali Dastmalchian 2009).

According to this study, nine cultural dimensions are measured in two ways (*as it is* and *as it should be*), from which we can derive six leadership styles and ten regional world clusters. House et al. cite the following nine cultural dimensions:

1. *Uncertainty avoidance* - The extent to which a society, organization, or group relies on social norms, rules, and procedures to alleviate unpredictability of future events.
2. *Power distance* - The degree to which members of a collective expect power to be distributed equally.
3. *Institutional collectivism* - The degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.
4. *In-group collectivism* - The degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families.

5. *Gender egalitarianism* - The degree to which a collective minimizes gender inequality.
6. *Assertiveness* - The degree to which individuals are assertive, confrontational, and aggressive in their relationships with others.
7. *Future orientation* - The extent to which individuals engage in future-oriented behaviours such as delaying gratification, planning, and investing in the future.
8. *Performance orientation* - The degree to which a collective encourages and rewards group members for performance improvement and excellence.
9. *Human orientation* - The degree to which a collective encourages and rewards individuals for being fair, altruistic, generous, caring, and kind to others. (2004, 30)”

All of the dimensions are measured in two ways, as cultural practices (*as it is*) and as cultural values (*as it should be*), and for that purpose, the GLOBE team used a 7-point Likert scale. Respondents in the survey had to answer questions about how they see that society/organization is (cultural practice) and how they think that the society/organization should be (cultural value). Practices and values were measured on levels of societal and organizational cultures.

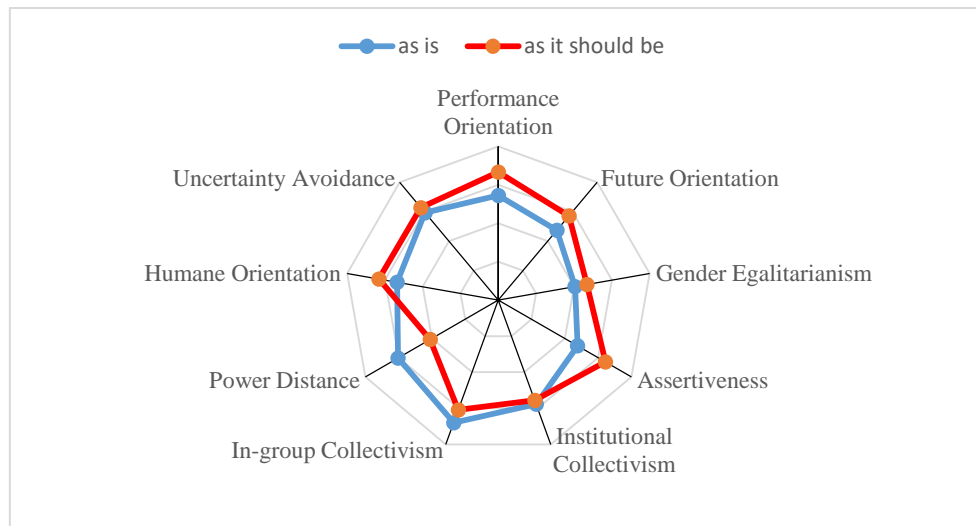
Thanks to previously mentioned surveys, House et al. defined six global leadership styles: charismatic/value-based, team-oriented, participative, humane-oriented, autonomous and self-protective leadership styles. Based on the nine cultural values (measured in two modes) and six leadership styles, House et al. formed ten regional clusters: Anglo, Germanic Europe, Latin Europe, Sub-Sahara Africa, Eastern Europe, Middle East, Confucian Asia, Southern Asia, Latin America and Nordic Europe. China belongs to the Confucian Asia cluster and that was written in the original research. Serbia was not part of the original study, but thanks to Nedeljković et al. (2018) and their research, it was confirmed that Serbia belongs to the Eastern Europe cluster.<sup>4</sup>

In this article, data for China's cultural dimensions, and their respected cultural practices and values, are used from the original GLOBE research published in the book *Culture, Leadership and Organizations – The GLOBE Study of 62 Societies* by House et al. (2004), while the data for cultural dimensions for Serbia are used from the article “A Comparative Analysis of Serbian National Culture and National Cultures of Some European Countries by GLOBE Project Approach” by Nedeljković et al. (2018).

According to House et al. findings, cultural practices (*as is*) in China that have high scores for cultural dimensions, compared to the rest of the countries in the survey, are performance orientation, institutional collectivism, inter-group collectivism, humane orientation and uncertainty avoidance. Chinese cultural dimensions, which have high scores for cultural values (*as it should be*), are assertiveness, institutional collectivism, power distance and uncertainty avoidance. Those findings show that Chinese society is one in which the distribution of power and gender equality is uneven, and the members don't wish to change that. It is interesting to note that although the level of assertiveness in China is relatively low (*as is*) people think it should be much higher. Chinese society, in general, is oriented toward performance, institutional and in-group collectivism, and human orientation and they are prepared for uncertainties.

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<sup>4</sup> It should be also mentioned that although Nedeljković et al. confirmed that Serbia belongs to the Eastern European cluster, it still has some specific results that are different compared to the rest of the countries. More about that - page 373.



**Figure 2:** GLOBE cultural dimensions for China

Source: House et al., 2004.

Chinese leadership style is mostly charismatic and team-oriented, participative and humane-oriented, which means that leaders within an organization are people-oriented, and their relationship with their employees is important. They expect good results from their employees, which should work in teams and contribute to making decisions.

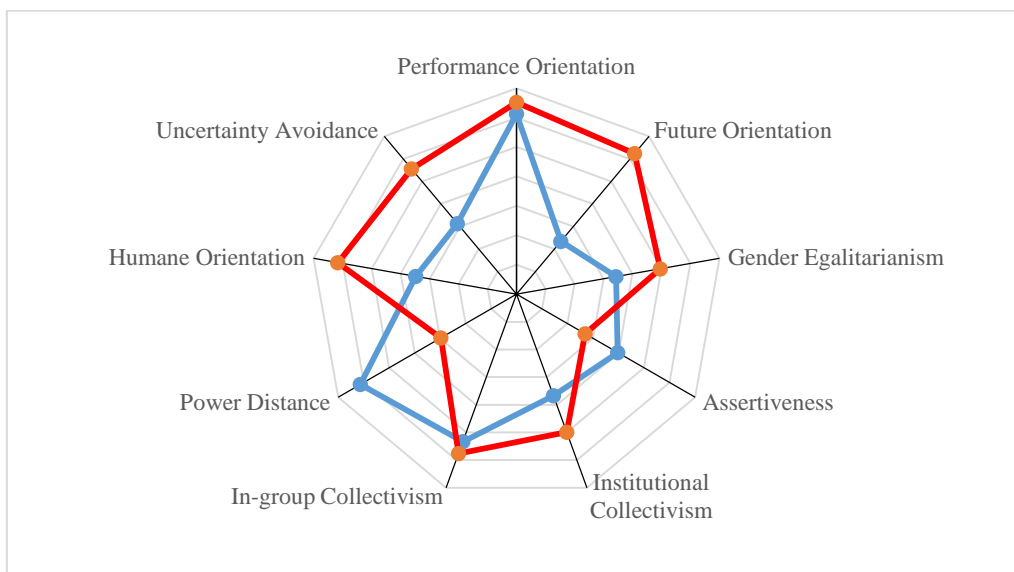
According to Nedeljković et al. (2018)<sup>5</sup>, cultural practice (*as it is*) in Serbia has a high score for performance orientation and power distance, while at the same time, it has a very low score for future orientation, institutional collectivism, humane orientation and uncertainty avoidance. Serbia has the following cultural values (*as it should be*) that have high scores: performance orientation, future orientation, gender egalitarianism, power distance, humane orientation, and uncertainty avoidance. Results for several values should be explained more and amplified. The first one is that there is a big difference in scores between *as is* and *as it should be* for future orientation. In practice, future orientation has a low score, while as a cultural value it has a very high score. It indicates that although people in Serbia are currently more oriented toward the present time and immediate future, they would like to be more oriented toward the distant future. Besides this, people in Serbia think that assertiveness, gender egalitarianism, humane orientation and uncertainty avoidance should be different from what they are in reality. Generally speaking, they would prefer that Serbian society is less assertive, more gender egalitarian and humane oriented. People would also like to be more prepared for changes that are coming, and they would like to be less stressed about uncertainties.

Since Serbia was not part of the original GLOBE survey in 62 countries, we do not have information about leadership styles in Serbia. What we have, however, is the knowledge that Serbia belongs to the Eastern European cluster. Because of that, we can use data from original research to indicate what kind of leadership style prevails in Eastern Europe or so to say in Serbia. The main types of leadership styles in the Eastern Europe cluster, according to House et al., are charismatic/value-based and team-oriented (GLOBE 2020).

It is worth noting that scores for Chinese cultural dimensions have similarities with the cultural dimensions in the Eastern European cluster (House et al.) and Serbia's cultural dimensions (Nedeljković et al.). China and Serbia have similarities regarding power distance

<sup>5</sup> Note: Values from Nedeljković et al. for cultural values are compared to the values given in House et al. book.

and performance orientation dimensions. They are very performance-oriented, both in terms of, *as is* and *as it should be* dimensions. The score for the power distance dimension in both countries is very high, but we should stress that Serbia has one of the highest scores in the world for this dimension. China and Serbia are relatively similar regarding institutional and in-group collectivism and gender egalitarianism or rather, the lack of gender equality. While in China, this is not something people want to change, in Serbia, *as it should be* variable is very high, indicating that society thinks this situation should change. In addition, preferred leadership styles are the same - charismatic/value-based and team-oriented. From the point of view of business cooperation in everyday life, people from China and Serbia can work together successfully because the cultural dimensions indicate many similarities in culture and leadership styles.



**Figure 3:** GLOBE cultural dimensions for Serbia

Source: Nedeljković et al., (2018).

Of course, there are differences as well. The main difference within the GLOBE model coincides with Hofstede's findings about the uncertainty avoidance index, which means there is a discrepancy between uncertainty avoidance in China and Serbia. Unlike China, which has a high score for uncertainty avoidance (both - *as is* and *as it should be*), in Serbia, this dimension has a low score for *as is* and a very high score for *as it should be* dimension. It means society has a strong opinion on uncertainty and thinks that it should be avoided. This belief derives from many political and economic instabilities in the last seven decades in Serbia. On other hand, the dimension *as it should be* is high, which indicates that people want to be stress relieved, be able to adapt to changes and not constantly worry. The second difference is future orientation, which goes hand in hand with uncertainty avoidance. China is long-term oriented (both values are close to average values), while Serbia is short-term oriented (*as is*) with the willingness to be more long-term oriented (*as it should be*). As was said previously, Chinese people think about time differently than Western cultures and plan everything in the long term. In Serbia, unlike in China, because of many uncertainties and unknown things, even though people want to plan for a long time, they are unable to achieve that.

## THE ADDITIONAL CULTURAL PRACTICES AND BELIEFS THAT MAY AFFECT BUSINESS COOPERATION

Cross-cultural models detect and explain most of the cultural values, norms and practices, but there are still some beliefs, practices or communication styles that cannot be explained in that way. Therefore, additional explanations will help better explain cultural differences and similarities and provide better cross-cultural understanding.

One of the similarities that China and Serbia share is the way that people are helping each other in everyday and business life by using connections (Zakić, 2022). Connections provide help, instructions, and recommendations regarding specific problems or topics. People rely on them to finish some practical stuff in everyday life or to start, run, negotiate and make a business deal. Connections rely on obligation so that people who helped someone solve a problem, can expect that they will help them in return in another situation. In the Chinese language, the term that describes using connections is *guanxi*, and in the Serbian language, the appropriate words are *društvene veze*. Chinese people see *guanxi/connections* as a normal part of living and business practice, which has been existing for centuries. In Serbia, this term does not essentially mean a positive thing, and very often, *društvene veze* is looked upon as a necessary thing but not in a good sense. Informal connections are not only part of the business life of China and Serbia, and they can be seen in many regions of the world. Horak (2020) pointed out that until recently, informal networks were usually considered as a part of developing countries' systems, but newer studies show that informal networks exist even in countries that have established economies and legal systems, like Japan and South Korea.

An additional cultural characteristic specific to China is *mianzi*, which means face. This word, in an everyday use, means that person is obliged to follow social norms and rules, and by following them, they will not force someone else to lose their face (dignity) (Chen, 2001). *Mianzi* is not only part of everyday life but also business life. It could be potentially a big problem in international business, if the business people are unaware of the rules and relations that their Chinese business partners have. For example, in Serbia, traditional ways of communicating when problems occur are very straightforward, which may be the wrong way of communicating with Chinese partners because it may cause them to lose face. In addition, the communication style in China is very different from the one in Serbia. Chinese people tend to communicate indirectly and politely with social distance, with no big emotions or closeness. Besides this, Chinese people prefer to say *we*, instead of *I*. It is uncommon to praise yourself or your work, and in a way, it is considered impolite. In Serbia, people prefer a direct communication style, which is pretty open and polite. Speaking of achievements in the first person (as I) is not considered impolite if it is done appropriately. Very expressive facial expressions and expressing feelings are common in Serbia, and they are not something to which people pay attention.

### BUSINESS EXPERIENCES IN PRACTICE – HOW TO BETTER UNDERSTAND EACH OTHER?<sup>6</sup>

In the end, we should look at the business and living experiences of the Chinese workers and business people in Serbia, as well as with Serbians who work in China. Chinese workers and

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<sup>6</sup> Note: Both authors had the privilege and opportunity to work with Chinese universities, institutes, state agencies and business people both from Serbia and China for many years. Observations about business cooperation and results written in this part of the paper are those that the authors had the opportunity to witness, hear or learn. Of course, not in every Chinese company, the situation is the same, and the analysis presented here is a result of analysis and deduction process.



managers work today in almost every major city in Serbia. In some of them, we have many Chinese people, like in Belgrade, Novi Sad, Bor, Smederevo or Kragujevac. In others, we only have a relatively small number of Chinese people, usually small entrepreneurs who have small shops or restaurants. The first Chinese settlers came to Serbia in the late 1990s, and it was really a novelty in Serbia to have small Chinese shops or restaurants. Today, the situation is completely different. In 2021, almost 7.600 Chinese people had a working permit to work in Serbia according to the Serbian Employment Agency (BETA 2021), but this is only the number of those that are working, and there are still many of them that do not have a permit, so that number is probably higher. Since the workers that are mainly working on infrastructural projects in Serbia are living relatively close to the construction sites, there is no connection between them and the local people. There is a language barrier and long working hours, and the possibilities to cooperate more and live together are restricted. Chinese managers, however, have more opportunities to work with Serbian people, since they have many responsibilities at the administrative level, so they need to communicate with translators, local administrative staff, state agencies, and local and republic officials. They are more integrated into Serbian society and have more possibilities to explore and learn more about Serbia. Serbian people that work for Chinese companies usually say that the salaries in Chinese companies are great, but the working hours are very long, the decision-making process is slow and there are strict rules and hierarchy in the company. Those observations are indicating that Chinese state and private companies did not change their primary organizational culture in Serbia, but rather kept the one that is usual in China. Since the Serbian translators during their studies had the opportunity to learn about Chinese culture and way of living, they are more accustomed to those circumstances. Other Serbian workers, that are not familiar with Chinese culture, have more difficulties in adapting to new circumstances. It would be a very good business decision for Chinese companies in Serbia to organize cross-cultural training for all of their employees so that they could get the opportunity to learn and understand each other in a better way.

Serbian people, generally speaking, have good working experiences in China and this is the reason why they are working there and not in other countries. For most of them, the first months or first year is difficult but after that, they usually adapt to new working and life conditions. Those experiences are not unique, and they are in theory and practice known as cultural shock, which can be overcome. A small number of Serbian people work in China since the main destinations (countries) towards which they gravitate are the USA, Canada or the EU.

## CONCLUSIONS

Sino-Serbian political and economic ties are vastly improved in the last 15 years. Political relations are currently at the highest historical level, while economic relations are developing rapidly. The number of Chinese companies and Chinese people living and working in Serbia is increasing, which is creating opportunities for Chinese and Serbian people to cooperate even more on the organizational level.

Even though economic cooperation is increasing, there is still a lack of knowledge about each other, on both sides, which leads to problems in a business environment. Because of those problems, the authors presented two cross-cultural studies, which can help understand similarities and differences in a national culture reflected in organizational culture. Hofstede's model indicated that the main similarities between the two countries correspond to the power distance index, collectivism, and restraint. In the same model, the main differences are detected in masculinity/femininity, uncertainty avoidance and long-term orientation index.



The GLOBE model indicates the following differences - assertiveness, future orientation, human orientation and uncertainty avoidance index. According to the same model, the main similarities can be found in performance orientation, power distance, institutional and in-group collectivism, and gender egalitarianism.

Additional analysis provided in the paper showed that China and Serbia use informal connections (*guanxi/društvene veze*) to collaborate and solve business issues. In China, face (*mianzi*) is something that should be considered in communication while working with Chinese partners. Communication styles are also very different in the two countries, and they stem from different cultural backgrounds. While Chinese people communicate indirectly and with reduced facial expressions and emotions, Serbian people do the opposite.

Serbian people that work for Chinese companies in Serbia have problems adjusting to Chinese corporate culture, so there is a real business need to learn more about each other and understand each other. Although the two countries have very different cultural backgrounds, China is an Asian Confucian country, and Serbia is a European Orthodox country, they have more cultural similarities than one might think, and it is a good starting point for cooperation. Cultural differences are not something to be stressed about or overlooked but rather understood, as a chance, to learn that something different can be interesting, novel and original.

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