

## INTERCULTURAL “DIAGNOSIS” OF MANAGEMENT IN THE REPUBLIC OF MOLDOVA ACCORDING TO GEERT HOFSTEDE MODEL: COMPARATIVE ANALYSIS

PIRLOG Angela, PhD Student  
Email: [angela.pirlog@yahoo.com](mailto:angela.pirlog@yahoo.com)

Academy of Economic Studies of Moldova,  
61 Banulescu-Bodoni str., MD-2005, Chisinau, Republic of Moldova  
Web page: [www.ase.md](http://www.ase.md)

**ABSTRACT.** High rates of scientific and technological progress, computerization, globalization and internationalization of the world economy leads to the approach and interpenetration of business from different national cultures. The present paper is the “radiography” of the national culture in the Republic of Moldova according to Geert Hofstede theoretical model. Also, it identifies the variation and peculiarities of national culture dimensions: power distance index (PDI), individualism versus collectivism (IDV), uncertainty avoidance index (UAI), masculinity versus femininity (MAS), long term orientation versus short term normative orientation (LTO), indulgence versus restraint (IVR) in the countries of our study, Republic of Moldova and its main business partners: Romania, Russia, Ukraine, China and Germany.

**KEYWORDS:** *Cultural dimensions, Geert Hofstede, exports, imports, international trade, management, national culture, Republic of Moldova.*

**The importance of the research topic** lies in the fact that modern society is characterized by a high level of scientific and technological progress, computerization, globalization, and internationalization of the world economy. The before mentioned fact leads to a specific approach and interpenetration of businesses in different national cultures. In general, the culture determines the basic values and attitudes of representatives of particular country and have a great influence on individuals' thoughts and actions, their attitude towards other people, legislation, work, manner of communication, also on leadership style. For the management of enterprises in the Republic of Moldova, this reality proves to be very difficult to analyze, because few studies have been carried out in this field in our country. Cultural diversity should not be seen as a constraint; it is just a consequence of the necessary adaptation to market developments. [3]

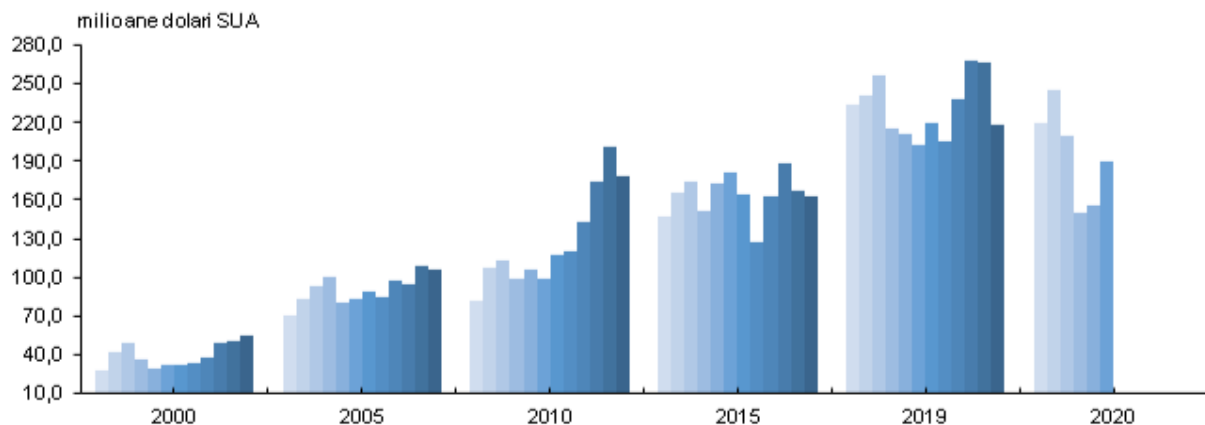
A modern manager needs to have not only specific professional skills but also intercultural competence. It is very necessary to study the culture of the representatives of other countries, to get acquainted with the specifics of their national mentality, their traditions and cultural characteristics in order to be successful in business on international level. Knowing and understanding national affairs, culture, typical patterns of organizational behaviour of people in different countries increases the efficiency of management, helps to avoid or to settle conflicts. Ignorance and failure of taking into account the national cultural component restrict the development of successful international activity. The effectiveness of entrepreneurship is impossible without mutual understanding and adaptation to the specific cultures of other countries. Awareness of intercultural components of management will help the development of companies in the Republic of Moldova and is extremely necessary to build and maintain long-term cooperative relationships with foreign business partners.

**The aim of the paper** is to identify the peculiarities of cultural dimensions of enterprise management in the Republic of Moldova and the countries, main international partners, according to the investments [5], imports [6] and exports [6], namely: China, Germany, Romania, Russia and Ukraine.

The model of national culture developed by Greet Hofstede consists of six dimensions: *power distance index (PDI)*, *individualism versus collectivism (IDV)*, *uncertainty avoidance index (UAI)*, *masculinity versus femininity (MAS)*, *long term orientation versus short term normative orientation (LTO)*, *indulgence versus restraint (IVR)*. The cultural dimension in his model represents an independent preference of individuals in different countries for a specific state of affairs over another that distinguish countries from all over the world from each other.

**The methodological support** of the paper is the comparative analysis of the cultural dimensions of the management of the countries with which the Moldovan enterprises collaborate.

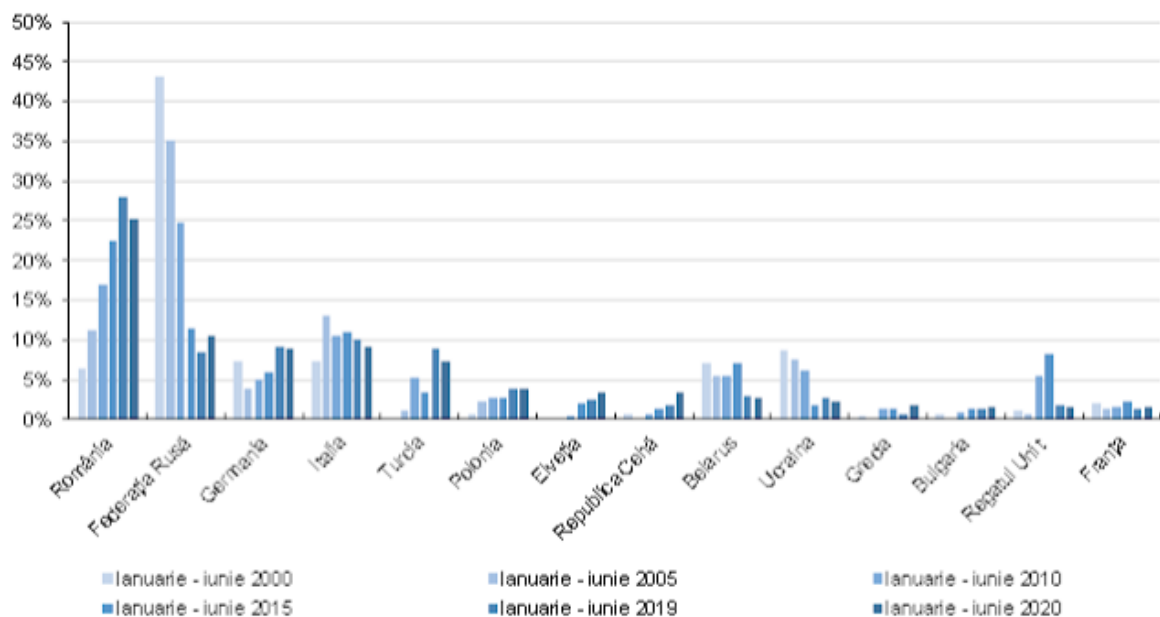
As we can see in the figures below, the dynamic of trade (exports and imports) of the enterprises from Republic of Moldova shows the international contacts are in permanent growth, proving that managers have to deal with business representatives of other countries.



**Figure 1: Evolution of exports from the Republic of Moldova (by years)**

Source: External trade activity of the Republic of Moldova in January-June 2020

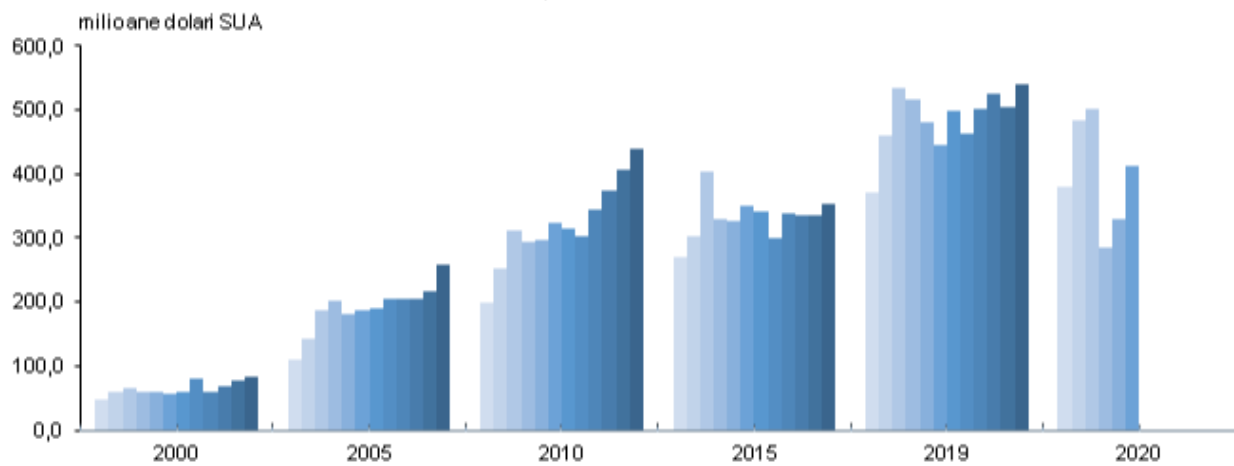
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**Figure 2: Structure of Exports from the Republic of Moldova (by countries)**

Source: External trade activity of the Republic of Moldova in January-June 2020

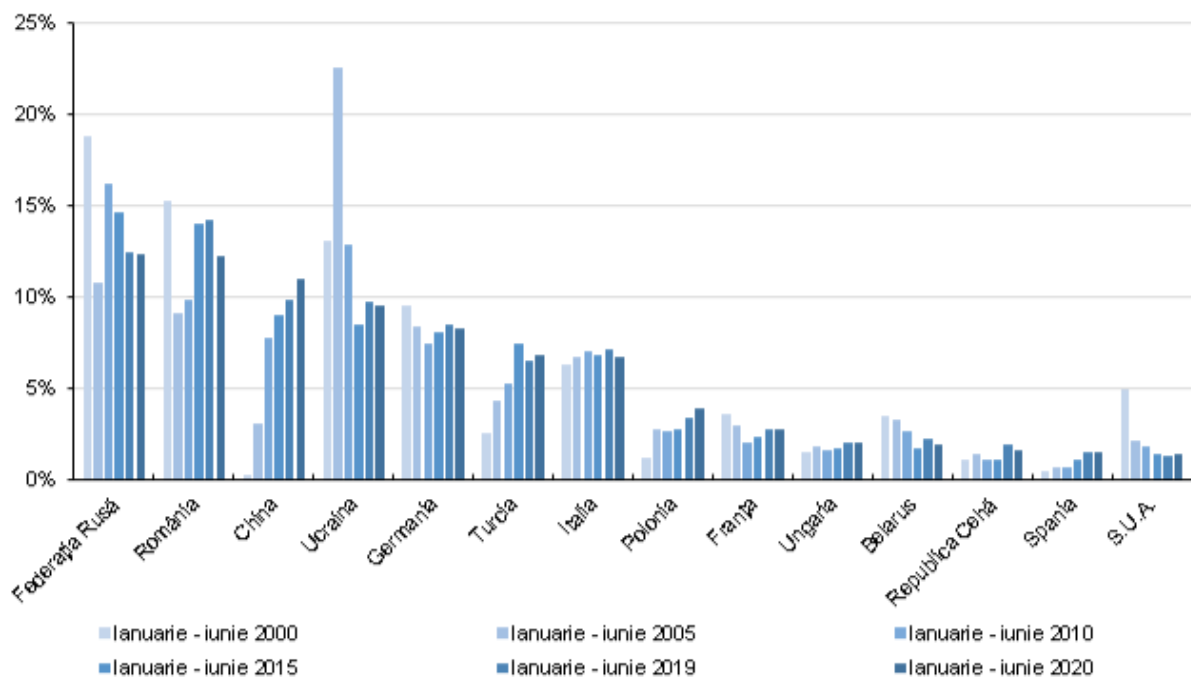
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**Figure 3: Evolution of imports to the Republic of Moldova**

Source: External trade activity of the Republic of Moldova in January-June 2020

<https://statistica.gov.md/newsview.php?l=ro&idc=168&id=6730>



**Figure 4: Structure of imports to the Republic of Moldova (by countries)**

Source: External trade activity of the Republic of Moldova in January-June 2020

<https://statistica.gov.md/newsview.php?l=ro&idc=168&id=6730>

Main business partners in trade (export and import) with the Republic of Moldova are Romania, Russian Federation, China, Ukraine, and Germany.

Awareness of intercultural interaction principles will allow managers of enterprises from the Republic of Moldova to acquire specific skills and knowledge in the field of intercultural management, especially how to deal with managers from the above mentioned countries, representatives of particular cultures. These principles will permit the international manager:

- to coach information and knowledge about the diversity and characteristics of business cultures in partner countries;
- to promote the development of intercultural sensitivity and tolerance, professional managerial ethics;
- to develop the capacity to be flexible, to adapt to work with different business cultural environment;

- to analyse the national specifics of communication and motivation of particular countries;
- to be aware of the decision-making processes within the activity with representatives from various business environments.

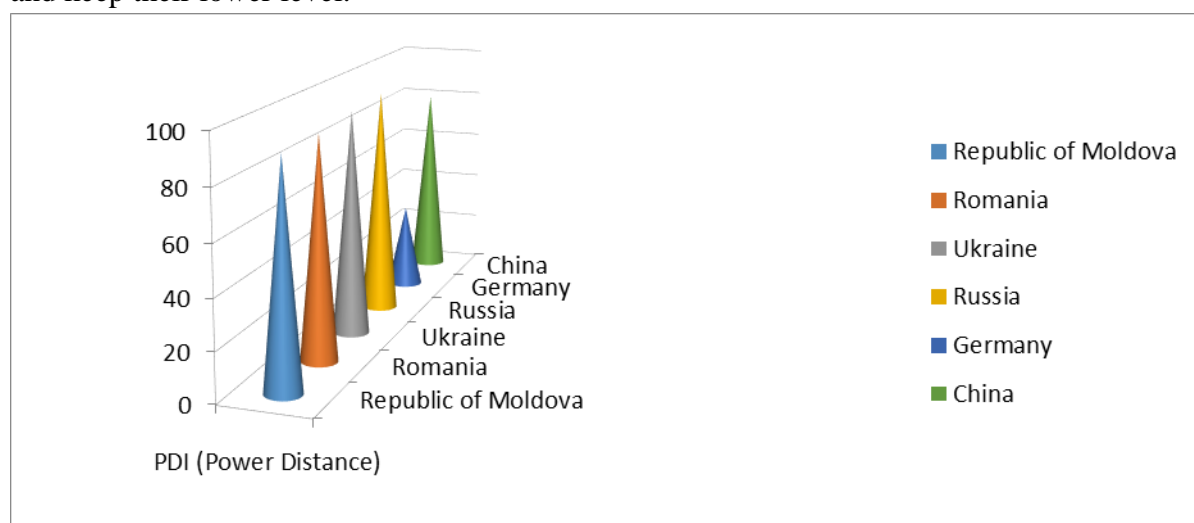
The statistical data provided by the Department of Registration and Licensing of Legal Entities within the Public Services Agency indicates that the total number of enterprises with foreign capital registered in the Republic of Moldova is more than 11302. Most companies from the mentioned list are from Romania - 1746 companies, that represents 15,4% of the total number of foreign enterprises operating in the Republic of Moldova. Italy, Turkey, Ukraine, Russian Federation, Germany, USA, Israel and Cyprus have also considerably invested in our country. [5]

Wholesale and retail trade, transport and communications, processing industry, agriculture are declared the most popular type of activity in the majority of foreign companies registered in the Republic of Moldova. There are, also, companies in real estate or hotel and restaurant business. Others have chosen to carry out financial activities or construction. [5]

The idea Greet Hofstede's theory is based on the fact that values can be distributed across six dimensions of culture. These dimensions include such components as:

- power, including equality versus inequality;
- collectivism versus individualism;
- uncertainty avoidance versus tolerance for uncertainty,
- masculine versus feminine,
- strategic thinking,
- indulgence versus restraint. [2]

According to Hofstede, Power distance index (PDI) is the extent to which less powerful individuals of organizations and/or groups, such as families, expect and tolerate an unequal distribution of power. This dimension is not a feature of the level of power distribution in a given culture, but rather analyses its perception by individuals in a particular society. A low PDI indicates that the culture expects, accepts and promotes democratic relations with power, and the members of the society are treated as equal. A high PDI level shows that members of society with less power are aware of the existence of formal hierarchy and keep their lower level.



**Figure 5: Power Distance Index (PDI)**

Source: Author's compilation, based on <https://www.hofstede-insights.com/country-comparison/>

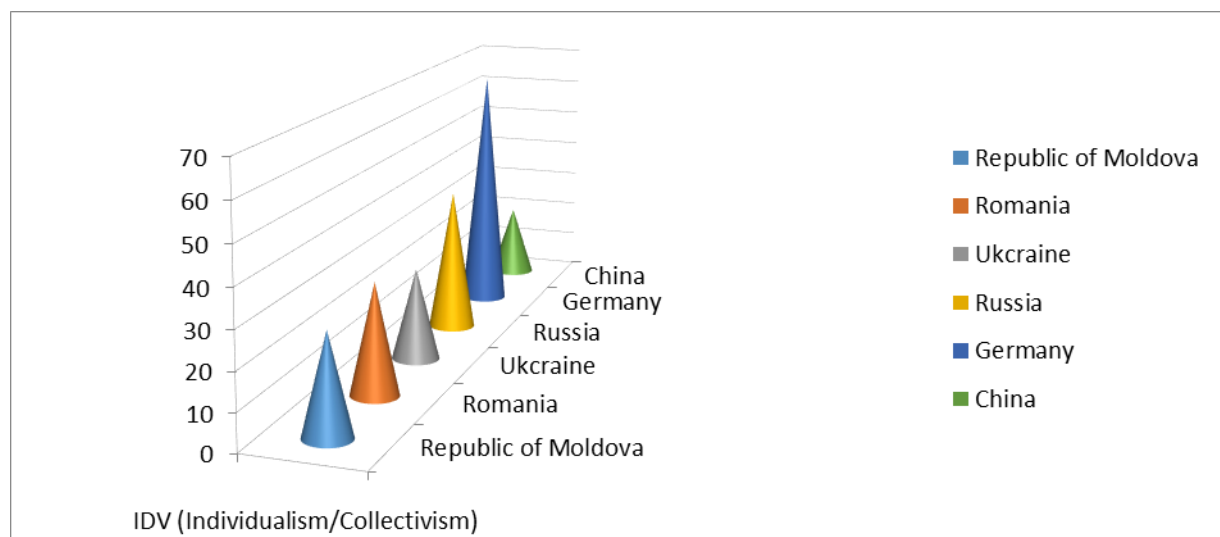
The obtained for Moldova PDI index, 90 points, demonstrates that our culture shows a high power distance index. Russia (93 points), Ukraine (92 points) and Romania (90 points) were to be expected to have similar with Moldova scores, due to the fact that we share a common cultural area and history.

In Moldova, as in most countries with high PDI, civil service is very highly rated. To work "in the office" is much more prestigious than to be a mechanic or engineer. Young people avoid attending vocational schools but prefer higher education for social prestige.

The tendency at work is to have a hostile and distant relationship between employer and employee. The boss being the decision-maker - the employees has to obey and execute. Employees are not involved in decision making. The boss has an authoritarian status. The surveillance staff is numerous. The hierarchy in organizations reflects the inequality between superiors and subordinates, and it influences very much the salaries they receive. [4]

**Individualism versus collectivism (IDV)** determines the degree of the tendency to form groups by the individuals of a community. This dimension has nothing to do with politics and more related to groups than individuals. In individualistic cultures the emphasis is placed more on achieving personal goals. In collectivistic societies, public goals and well-being are placed above personal goals.

As shown below, IDV index in Moldova, 17, is low, which denotes the specificity of our culture as being a collectivist one. It means that the relationship prevails over the objective within the enterprise. Employees prefer to develop and keep friendships at work, rather than set the professional goal that can threaten the relationship. The figure 6 shows that at a short distance from the Republic of Moldova are Ukraine (25 points), Romania (30 points) and Russia (39 points). The state has a dominant role in the economic system of these countries. People expect the state to settle the majority of problems and to manage the entire economic system rather than self-regulate in accordance with market rules. Citizens in these societies expect economic change to come from government structures rather than from themselves.

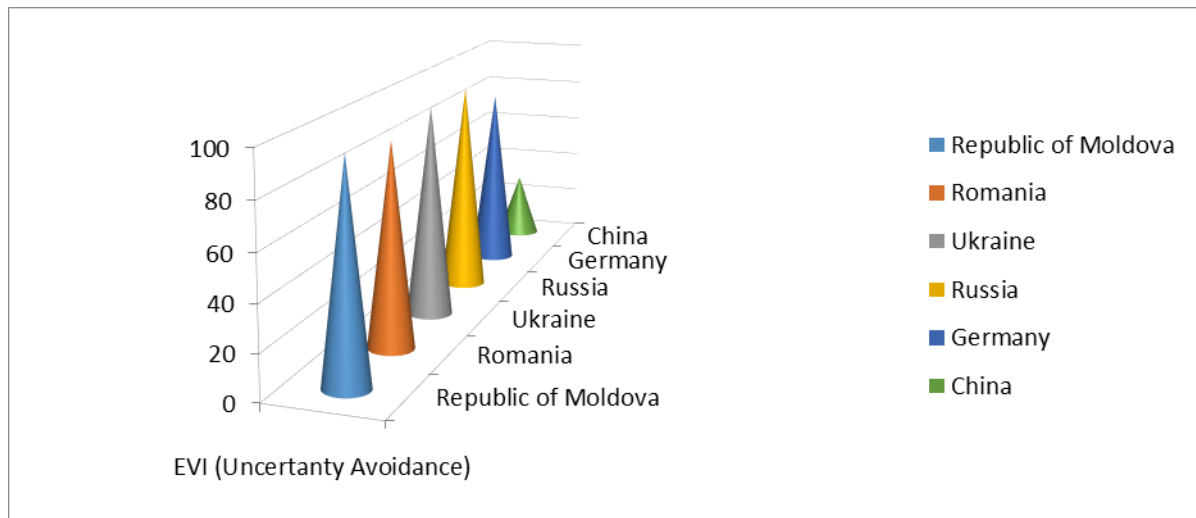


**Figure 6: Individualism versus Collectivism (IDV)**

Source: <https://www.hofstede-insights.com/country-comparison/>

**Uncertainty Avoidance Index (UAI)** indicates the level of tolerance to uncertainty and deviations in a specific society. This dimension characterizes the reaction of society to unknown situations, unpredictable events and the pressure of change. Cultures with high UAI index are less tolerant to change and tend to avoid the anxiety of uncertainty by establishing

strict rules, regulations and/or laws. Societies with low index of uncertainty avoidance are more open to change and use fewer rules and laws, and their customs and traditions are less strict.



**Figure 7: Uncertainty Avoidance Index (UAI)**

Source: Author's compilation, based on <https://www.hofstede-insights.com/country-comparison/>

Moldova shows a negative ranking of the index UAI (95 points), together with Ukraine and Russia (95 points), Romania (90 points).

High level of stress and anxiety are the main indicators of Moldovan culture. Stress in everyday life, at home and at work, is a factor of the bad health condition of the population. Anxiety is the state of concern about what can happen.

Uncertainty is a permanent threat to Moldovans who express excessive concern about the unknown. Because of this reason, social, political and professional changes are rejected, innovations and reforms are avoided, there is a preference for already known practices and traditions, even if they are poorly functional or even dysfunctional. Traditions, precision and formalization, bureaucratic requirements, which are often unnecessary in terms of pragmatism, the exaggerated control characterized by strict rules have the role to prevent uncertainty. Likewise, there is a hesitation about new products and technologies.

Young professionals are often discouraged by being criticised by superiors for their innovative initiatives and practices.

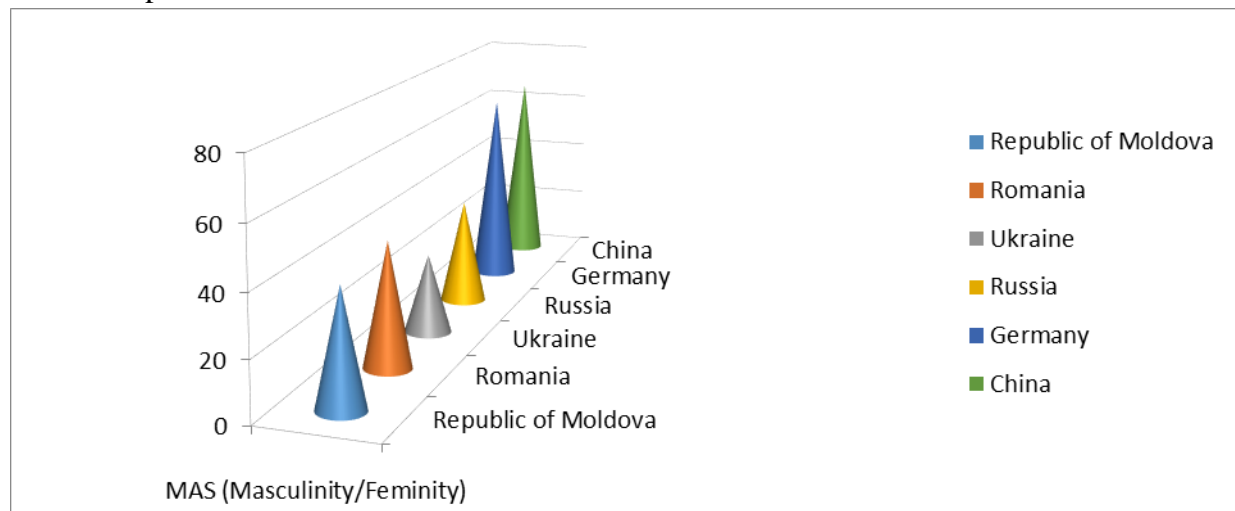
There is a tendency to keep the same job in the Republic of Moldova. The fear of the unknown and avoidance of professional challenges make Moldovans prefer to keep their jobs stable despite unsatisfactory working conditions, a toxic organizational environment and low salary. Citizens are incompetent in relation with authorities, the fact describing Moldovans as not concerned about politics. They are not aware of competencies of public representatives or institutions, fact, that promotes corruption.

Surprisingly Germany score is 65, but in combination with its low Power Distance, where the certainty for own decisions is not covered by the larger responsibility of the boss, Germans prefer to compensate for their higher uncertainty by strongly relying on expertise.

[4]

At the opposite pole is China with 30 points. Cultures with a low level of uncertainty avoidance accept ambiguity, uncertainty, are open to what is new, different and try to implement new social and technological practices.

**Masculinity versus Femininity (MAS)** dimension characterizes the level of importance of traditionally masculine or feminine values. More masculine cultures have such important characteristics as, assertiveness, ambition, desire for power and materialism, they tend to be more distinctive, to compete and achieve goals. Traditionally feminine societies are based on human relationships. A lower index in this dimension means that the culture is characterized by less significant differences between the sexes and a higher value of relationships.



**Figure 8: Masculinity versus Femininity (MAS)**

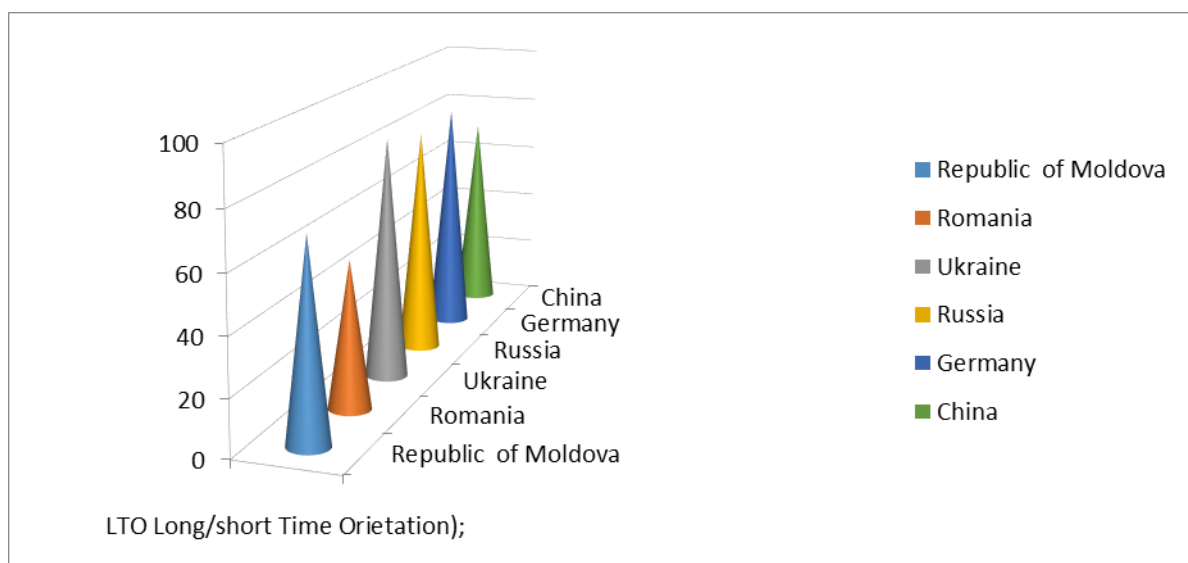
Source: Author's compilation, based on <https://www.hofstede-insights.com/country-comparison/>

The score for MAS index in the Republic of Moldova, (39 points), indicates that our society has features of feminine culture. For comparison, we note that neighbouring cultures also have a low score for this dimension: Ukraine (27 points), Romania (42 points) and Russia (36 points). Interestingly, in Hofstede's ranking, feminine cultures are specific to the Nordic countries, obtaining the lowest rating for this size: Sweden (5 points), Norway (8 points), Denmark (16 points), Finland (26 points). According to the features of the female cultures described by Hofstede, it is difficult to imagine our society being a feminine one, having several features of masculine culture. However, we assume that the feminine dimension of our society has a different character than that of the Nordic countries, because we are a culture with a high level of power distance, while the Nordic countries are characterized by low power distance, which leads to more effective social cooperation, gender equality and equal distribution of roles in the family. Here are some aspects that characterize Moldovan society as being feminine. [4]

People in the Republic of Moldova work to live. Work in feminine societies has the role of obtaining a minimum comfort for existence. In masculine cultures, work pursues industrial, economic development, productivity and performance. Moldovans are often considered hard-working people. However, the Republic of Moldova is among the countries with the most days off per year (approximately 40 days). Moldovans have indicated that they prefer to work in a pleasant team than to receive appreciation for their work or to be oriented towards performance and competitiveness.

At the opposite pole, are the countries with high index of masculinity, Germany and China with 66 points. People in such societies, opposite to those with a high level of femininity, live in order to work and dedicate a lot of themselves to perform their tasks. Managers are expected to be decisive and assertive.

**Long versus Short term orientation (LTO)** describes the time orientation of members in a society. In long-term orientated society the time is understood as a vector, and people tend to look into the future more than being interested in the present or remembering the past. Such societies are goal-oriented and value results. Short-term cultures value traditional methods, spend a lot of time developing relationships, and generally view time as a circle. This means that the future and the past events are interconnected, and what cannot be done today can be done tomorrow.



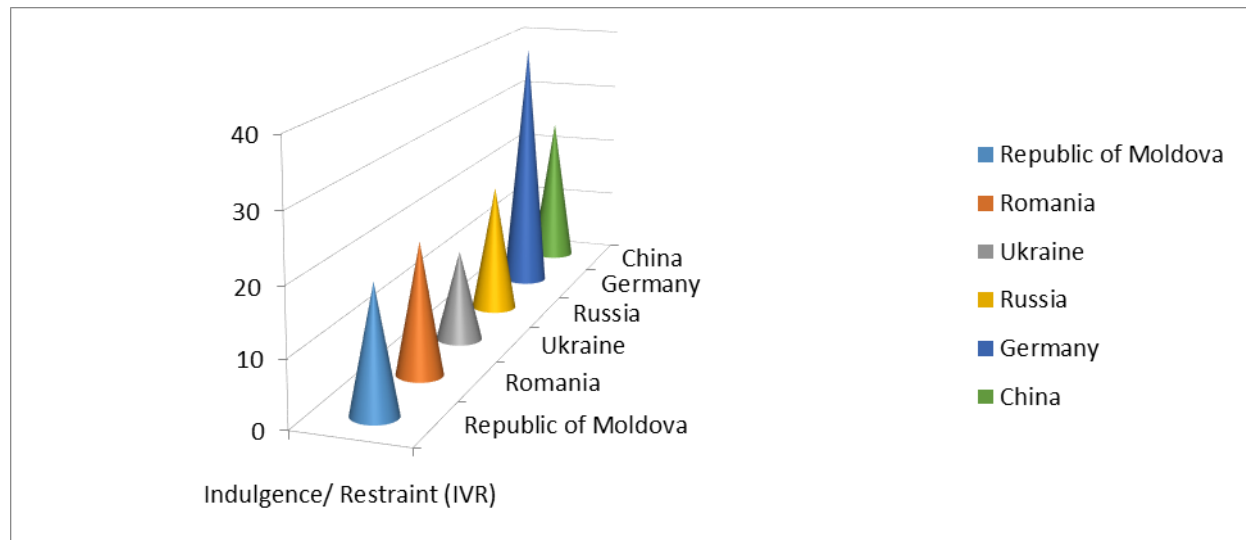
**Figure 9: Long Term Orientation versus Short Term Normative Orientation (LTO)**

Source: Author's compilation, based on <https://www.hofstede-insights.com/country-comparison/>

The score obtained by the Republic of Moldova for OTL is high (71 points), meaning a long-term orientation. For comparison, we notice that at a close distance is Romania (52 points), Ukraine (86 points), and Russia (81 points). These results indicate that the societies are pragmatic. In societies with a pragmatic orientation, people believe that truth depends very much on the situation, context and time. They show an ability to easily adapt traditions to changed conditions, a strong propensity to save and invest, and thriftiness and perseverance in achieving results.

**Indulgence versus Restraint (IVR)** determines the ability of a culture to meet the immediate needs and personal desires of the members of specific society. In societies where restraint is a value, strict social rules and norms prevail; the gratification of personal desires is inhibited and discouraged.





**Figure 10: Indulgence versus Restraint (IVR)**

Source: Author's compilation, based on <https://www.hofstede-insights.com/country-comparison/>

The score of IVR in the Republic of Moldova (19 points) is very low. We note that restraint is also specific for Ukraine (14 points), Romania and Russia (20 points). In general, this trend is observed in former communist countries or other semi-authoritarian regimes, like China, with 24 points. Due to cultural constraints that inhibit the development of their personality and the accomplishment of their personal desires, people become stressed and nervous. This fact is noticed in everyday social interactions where citizens are irritated, nervous and with lack of kindness. The society in the Republic of Moldova is a rigid one where social interactions are restricted by various social norms and regulations. Personal expression and freedom are discouraged. Moldovans are afraid of criticism and the opinion of others.

At a not very far distance, with a higher than in the Republic of Moldova degree of indulgence and individual freedom, is Germany, with 40 points, but still remains restrained in nature.

The data provided by the research allows **to conclude** that the scores of the six dimensions according the model of national culture developed by Greet Hofstede: power distance index (PDI), individualism versus collectivism (IDV), uncertainty avoidance index (UAI), masculinity versus femininity (MAS), long term orientation versus short term normative orientation (LTO), indulgence versus restraint (IVR) of countries that our country have economic relations on different levels (suppliers, investors, clients, etc.) is very important in order to develop fruitful collaboration. The management of companies or organizations from the Republic of Moldova will have to benefit from the research through the elements it provides when certain actions need to be harmonized with specific characteristics of representatives of different cultures.

In general, the organization does not change its objectives and purpose according to the particularities of a specific market but have to adapt its policies, behaviours, structures in order to achieve managerial goals. A good knowledge of the local peculiarities, cultural dimensions representing a specific country, elements of administration, legislation, social policy, habits and attitudes towards work, time and profit, will allow the companies from the Republic of Moldova to make medium and long term, realistic decisions to fulfil successful collaboration.

An interesting fact discovered in the research is that cultural dimensions of neighbouring countries that shared the same political and social system (socialism and communism, planned economy, etc.) due to the common history: Moldova, Romania, Ukraine and Russia are very similar. The scores obtained for China and Germany in many cases are different.

We need to mention that the obtained results emphasize that cultural dimensions are only a general framework to help evaluate a particular culture to facilitate managerial activity decision making. There are other factors to be considered, such as: personality, personal wealth of people representing a company from abroad to be taken into a specific situation. The proposed measurements cannot predict the behaviour of individuals and do not take into account the personal characteristics of each person.

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