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DO CULTURAL DIFFERENCES REALLY MATTER?*

INTRA-FIRM COMMUNICATION ISSUES

Internationalisation is a characteristic phenomenon of the 20th century world economy. The trend referred to as globalisation relies on the economies of scale for seeking out larger markets. The global companies have to apply the same standards of reliability and product quality on a global basis rather than selectively as they may previously have done. A universal code of business ethics will become necessary to survive globalisation.

The economic analysts agree that the main reasons behind this dramatic internationalisation could be categorized as follows:

- saturated domestic markets,
- small domestic markets,
- low domestic growth rate, clients' requirements,
- competition,
- costs,
- balanced portfolio.

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Increasing world trade is being channelled through the MNC's. Different studies and analysis have indicated that one- third of the total external trade is within the global sphere of MNC's. International trade also challenges small and medium sized companies. A growing trade has been taking place among them too.

International marketers must understand the different environments, in which they function. This is very important in the selection of their target markets and in designing a successful marketing mix. International marketers have caused many costly failures by ignoring differences in buyer needs and buying behaviour.

Beside other factors, cultural differences could be very strong and therefore it is important for the marketer to be familiar with similarities and dissimilarities between the domestic and the foreign market.

The successful marketing person has to understand the consumer, the consumer's personality, and this is only possible by understanding the culture.

International companies, making direct investments abroad, are facing cultural differences in another sense too. As a consequence of the foreign investments, international companies have a significant number of employees working abroad. Traditionally US, UK companies have expatriated their own managers for foreign postings. The so-called expatriates, having ongoing working relationships with local ones inside the company, may face different kind of cultural differences.

In my PhD. studies I'm focusing on professional services. Since in the practice of multinational consulting firms the role of expatriates is still significant, in course of my researches I also met intra-firm communication problems. I found it as a very exciting area and started to investigate it. In my introductory research I used both secondary and primary methods. My primary research method was depth interview with expatriates in Hungary.

Since the importance of expatriates is in close connection with the foreign investments let us look quickly the size and structure of those investments.

FOREIGN INVESTMENTS IN HUNGARY

Along with the dramatic political and economic changes in Hungary, the number and value of foreign investments has been largely increased. Between 1996 and 2000 the yearly foreign investment in USD has increased from 1815 million EU to 2135 million EU, which means an increase of 18%. The current stock of FDI in Hungary is as of the end 2000, EU 21.4 billion.

In 1998 the Economic Research Institute conducted a research among 30 multinational firms. The aim of the research was to find the most important reasons for their investments and to foresee their future plans in this respect. Based on this research the major factors in their investment decision were:

- the political and macro economic stability of the country,
- the developed infrastructure,
- the legal, regulatory environment,
- the skilled, experienced labour force,
- the tax incentives.

20 of the respondents think that they will increase their investments in Hungary in the next 5 years.

Hungary was and still is an attractive market for foreign investors; it remained the primary target in the region. There are almost 30 industrial greenfield investors with a strong presence in Hungary. General Motors, Ford, Guardian Glass, Coca Cola, IBM, Alcoa, United Technologies are among the highest ranking foreign investors in the country. In addition to that there are big investors also in the financial services.

The major foreign investors come from Germany, US, Netherlands and Austria. There is a certain change in the investments by countries from year to year. In the years 1999 and 2000 the most important change was the decline in investment proportions by Austria and the increase of investments made by Netherlands, Belgium and Finland.

EXPATRIATES IN HUNGARY

Due to the lack of unified statistics it is extremely difficult to define the number of expats. Based on the estimates of experts there are approximately 35,000 foreigners with work permit in Hungary, of that 2400 from Europe (Germany: 605, UK: 561, France: 402, Austria: 184, Finland: 138, Netherlands: 110, Belgium: 71).

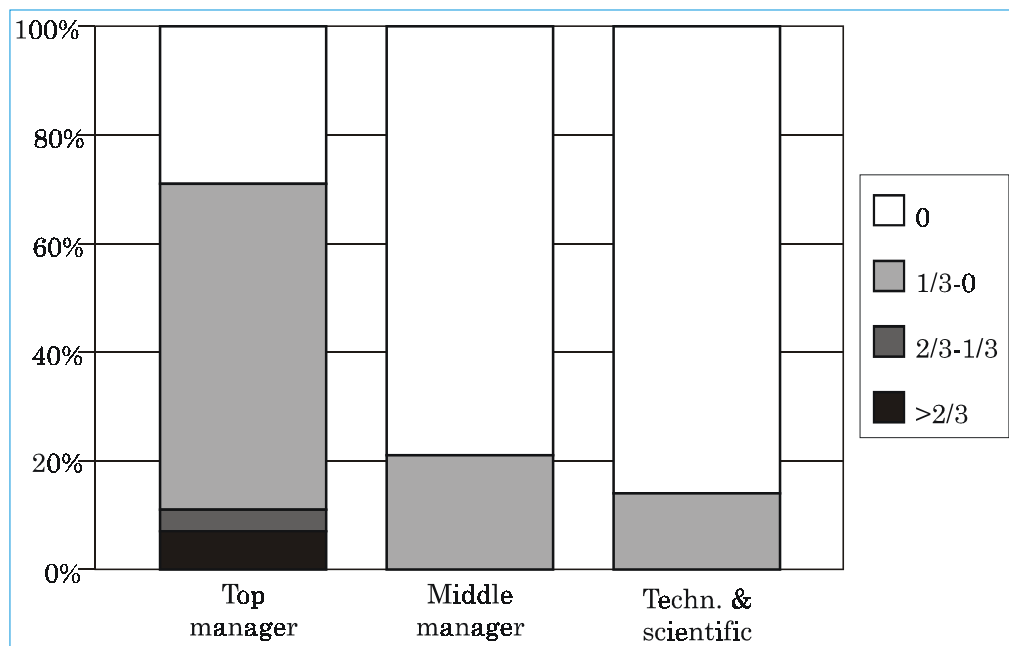


Figure 1
The ratio of foreigners in different positions¹

¹ Source: GKI survey 2000.

The experts talk about 25,000 manual workers and almost 10,000 intellectuals. Major areas where intellectuals are employed: consulting business, lawyers' offices, IT companies, foreign owned industrial companies. They are mostly in upper or middle manager positions.

The survey results – presented below – show that the foreign investors don't insist on foreign dominancy in leading positions. It is in close connection with the availability of highly educated and trained Hungarian professionals.

In my researches on professional service providers I conducted a qualitative research analysing the following key issues of intra-firm communication:

- acceptance – how expatriates are accepted by local employees in terms of expertism, position, salary, benefits,
- working relationships, working style – expatriates' viewpoints,
- socializing – with natives, expat cliques
- communication – language, style.

It could be find some similarity with the approach of Geert Hofstede, who is investigating power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity, however my findings seem to be different.

I wanted to find out what are the main cultural differences and what are the most important areas to be searched and analysed. In this sense it could be considered as an introductory research to a broader area, namely the effect of cultural differences on the service quality in the professional service industry.

KEY FINDINGS

Acceptance

The most commonly identified issue is the favouritism of the expatriates in a way. The locals generally realize this but it isn't handled the same way. In a lot of cases it is causing problems, frustrations among the staff. It is a key area of the HR. In other cases it is known but accepted in close connection with the high reputation of the expatriates.

There are some opinions from the expatriates how do they see it.

- „Most expats in Hungary are of working age – many own or have high positions.”
- „Expats have a reputation for being more entrepreneurial and better risk takers than Hungarians, and you can easily come here and talk your way into a job pretty quickly.”
- „This is still the wild east, where you are more likely to be employed on the basis of a casual conversation in a bar than on your Harvard MBA.”
- „You will earn more than a Hungarian.”

Working relationships, working style

The opinions of the respondents reflect that they realize a lot of differences in the working style of Hungarians compared to their native ones.

Opinions seem to be varied by companies and by nationalities of the companies. Naturally the proportion of expatriates is also an influencing factor. Obviously within a multinational company strongly determined by the international company culture expats feel less differences in this aspect, because the whole staff is reflecting rather the company culture than its national character.

The quotations give a very good picture about the key issues.

- „Working in an international company, with the majority of colleagues I did not notice any particular differences as regards working styles.”
- „Many Hungarian managers consider knowledge as power, which they won't share at all.”
- „They are less direct in communicating both positive or negative news (they either yell or don't say a word.”
- „Managers have the tendency to pass on responsibilities to their inferiors.”
- „Some of them don't like to take consequences.”
- „They are rather loaners than team players.”
- „Most of the Hungarians base their business contacts mostly on personal contact as opposed to rationale business considerations.”
- „Too personal with clients.”
- „You can hardly get through to upper managers, unless you are referred to them.”
- „If you choose your business partners carefully you can be reasonably sure that the people will stick to their promises, – in fact, the Hungarians love foreign-owned businesses which are seen offering a better quality and service.”

Socializing in general and with colleagues

An interesting field of the cultural differences is socializing. Generally expatriates work very long hours but they are socially active as well. Being in an other environment, living without family- those who are single- they have more need and more time for social activities. Furthermore Hungary, particularly Budapest gives them an outstanding cultural environment. Even expats with families live very active social life here (sports, expat clubs, concerts, parties, etc.).

The opinions below let us conclude that there is a big difference in the way and depth of socialization. Expatriates are much more used to formal ways of socializing, like pub life, while informal ways of socializing with colleagues, friends – going out together etc. – are less common.

There is a very strong expatriate community in Hungary and as it is reflected by one of the comments, it might be more characteristic than the socializing with natives.

- „Friday night after work drinks with colleagues is not a habit in Hungary.”
- „Getting yourself accepted by a group of Hungarians in a pub is hard.”
- „If you make a friendship with a Hungarian, you will win almost instant acceptance by the rest of the group.”

- „People in Hungary are extremely helpful, if you show an effort –to speak Hungarian-they will be flattered and even more helpful.”
- „Visit to friends is always accompanied by tremendous food and drink – as opposed to England.”
- „Everybody who moves to a foreign land starts out with the noble idea of trying to fit into the local culture and getting to know the natives, rather than joining an expat clique. However, in practice, we all get drawn pretty quickly into a web of expats.”
- „Expat community is very tight; clubs etc.”

Communication

This is primarily the language problem. A lot of expatriates staying for a longer period in Hungary make efforts to learn our language. We can meet with some of them talking extremely well. Some others don't learn Hungarian; they rely on English, commonly used in business.

Of course those who speak Hungarian have more opportunity to cross our culture and they are also more open to make contacts with Hungarians.

In general, expatriates say that they don't have too much language problems. Of course there are others not being that much satisfied with the communication possibilities.

- „Almost all of the younger Hungarians in Budapest know fluent English, or enough to communicate.”
- „There is one very poor quality, weekly English newspaper and no TV or radio. You can get a satellite TV dish and decoder cheaply to pick up »free to air« channels.”

Other cultural differences

During the interviews several other interesting questions aroused, some of them not very positive concerning our national character.

- „Dress code was a little more relaxed – although now the lilac, yellow and lime green suits worn by some male colleagues seem to have disappeared entirely.”
- „The habit of announcing birthdays and name days does not happen in the UK.”
- „GOSSIP revolves around Hungarian workplaces at least 10 times faster than in the Netherlands.”
- „Instead of having things said into my eyes, I would often learn about something said about me from behind my back.”
- „Queuing in the post office is frustrating.”

I started my article with the internationalisation process what naturally brings workers/employees of different nationalities together. However, partly because of the rising costs, and partly because of the need to internationalise their personnel policies, hiring of native-born employees by global firms have increased significantly.

Another aspect to consider is that despite the strong push for globalizing businesses there are some strong counter forces. The anti globalist movements in Seattle or in Neaple are not far from us.

On the other hand the European Union gives the opportunity for the members' citizens to work without limitations in any part of the region what could bring to light the existing cultural differences.

Overall we can state that the forces of change affecting business today are intense and unpredictable. Therefore we have to consider different potential scenarios for the future.

The answer for the question formulated in the title could be answered positively although dramatic changes might be expected.