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THE DIVERSITY OF EUROPEAN CULTURAL VALUES IN BUSINESS

1. INTRODUCTION

Since the foundation of the European Coal and Steel Community in 1951 Europe's dream was to maintain peace between the states. The economic integration of the member states, starting with the foundation of the European Economic Community has deepened these integrational tendencies and contributed to the ongoing economic development of the region. The liberation of foreign direct investment flows among the states helped the better distribution of resources and lead to the wide-spread of multinational companies.

From a microeconomic point of view, skilled and satisfied employees have always been a key asset for the success of business. This is not different in the case of multinational companies, but their attempt to capitalize on economies of scale and the better distribution of their assets may fail because of the increased risks stemming from the multinational and multicultural environment. These companies need to face higher risks because of different governmental regulations, different costumes in work schedule, employee satisfaction, working conditions and work moral. To be able to combine the parent company's and the host organization's cultures and to exploit their advantages, multinationals increasingly use expatriates – managers on

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foreign assignments – to build bridges between the organizational units and collect, combine and redistribute knowledge among them.

Unfortunately however, statistical data show that the majority of foreign assignments fail due to different factors. The costs related to a foreign assignment are three-four times as much as a manager's salary, therefore a potential failure could seriously affect the company. Among the most important factors of failure, the inability to adjust to the new cultural and business environment has always had an outstanding position. Therefore, experts highly emphasize to incorporate lessons about cultural differences into the training programme of expatriate managers.

In Europe the situation is even more complex since the continent comprises of several small states with completely different historical and cultural backgrounds. Euro-managers therefore need to be well prepared to cope with the requirements of different cultures and find the way of combining cultural features in order to manage people in an inter-European context.

The European Union was planning to promote this type of cultural integration of businessmen when it launched its project „The cultural values of business in Europe” within the framework of the Leonardo Da Vinci programme in 2004. With the cooperation of eleven organizations in five countries the EU targeted to create a training methodology for European managers to learn about other European business environments. We had the opportunity to assist the project's development on the behalf of the project's Spanish partner, Albatros and Deltha Consulting S. L. where one of team-member was working as a trainee in 2005/2006.

The coordinator of the project was KTU Economics and Management Faculty (Lithuania) and the participants were Abif (Austria), ISOB (Germany), Albatros and Deltha Consulting S. L. (Spain), Diakrisi (Greece), Idec (Greece), Cesia (Italy), Training 2000 (Italy), Kaunas Chamber of Commerce, Industry and Ceafsts (Lithuania), Kaunas College (Lithuania) and Vilnius College (Lithuania). The main concept of the project was to identify inter-European cultural differences in enterprises and to implement common values in the context of European social and economic integration by creating guidelines for the development of businessmen's cross-cultural education and thus lessening conflict situations arising from cross-cultural contradictions.

Forty-two companies in five European countries (Austria, Greece, Italy, Lithuania and Spain) were being interviewed, targeting both managers and subordinates with the questionnaires. The results were many times surprising – as the project includes Mediterranean, Eastern and German speaking countries, the variety in differences is rather large. Therefore, expatriates – and first of all, euro-managers – can capitalize on the use of the findings, lessening their time of adjustment to the target culture. The complete document including different theories of cultural development and presenting the outcomes and results together with the whole project's description has been published by Kauno technologijos universitetas. In this article we would only like to present the analyzed dimensions and summarize briefly the main findings, and show that this information can be crucial for the success of inter-European managers.

2. PRINCIPLES OF THE MODEL FORMATION

The aim of the research was to collect European business values, compare and categorize them and make the results available for all businessmen in the form of a handbook to speed up business development by eliminating problems and conflicts arising from cross-cultural contradictions. It was impossible to cover all cultural values, therefore those areas of Human Resource Management were selected in which cultural differences are the most common.

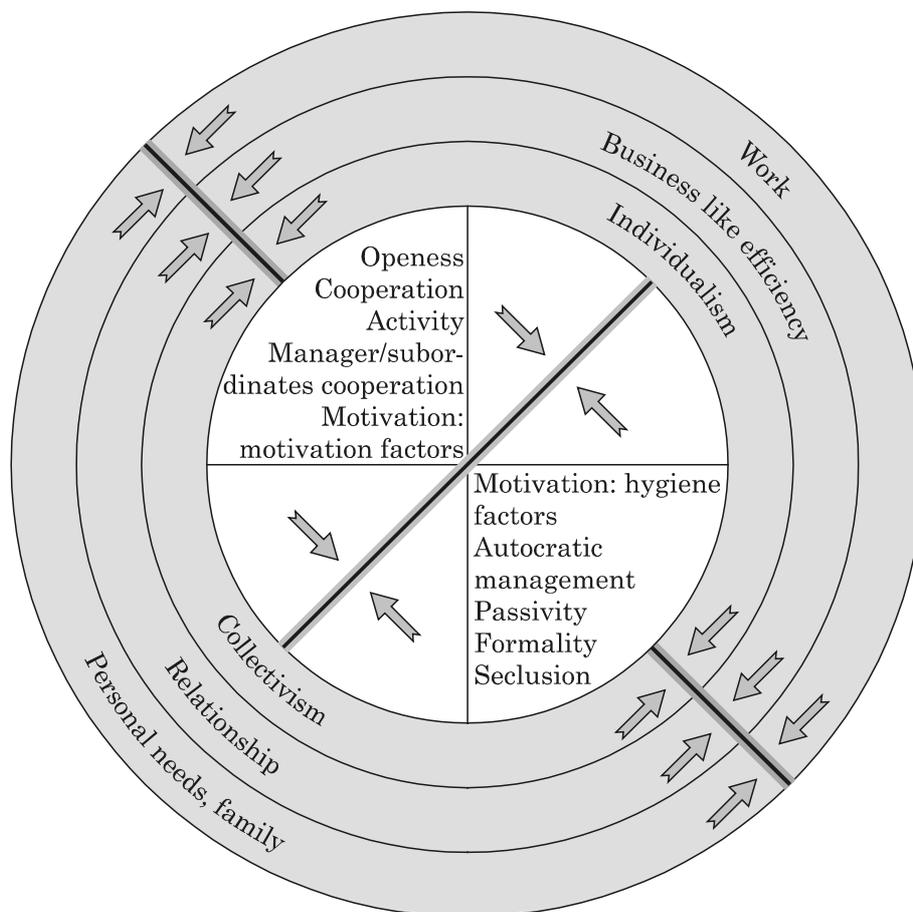


Figure 1
The theoretical model of business cultural values in Europe¹

¹ Source: KTU et al.: The cultural values of business in Europe, 2005, p. 12.

The theoretical model consists of eight parts, each of them covering opposite features of organizational culture. Five of them reflect to the orientation of management (openness – seclusion; cooperation – formalization; activity – passivity; leader-subordinate cooperation – autocratic management and motivation by hygiene factors or „higher” motivational tools) and three (business-like efficiency – relationships; collectivism – individualism; and work – personal needs, family) reflect more the orientation to human relations. However, naturally these two dimensions influence each other and they are all interrelated when dealing with business management.

3. THE DIMENSIONS OF THE MODEL

3.1. Orientation to relationship and business-like efficiency

Orientation to business efficiency describes a culture in which the main attention is paid to efficient work, results and task fulfillment. In a culture oriented to relationships the work atmosphere, the quality of organizational ambience is emphasized. According to universal literature Northern and Germanic Europe's and Great Britain's culture is assumed to be oriented more to business-like efficiency, East Europe and the Mediterranean countries to moderate business-like efficiency and Asian cultures to relationships. But of course, we need to consider these dimensions as a continuum, so all cultures employ practices to enhance both dimensions. In a stable environment the orientation to business-like efficiency dominates because tasks and results are emphasized. However, in a dynamic environment where exists a considerable technological and economic dependence, relationships must be valued as a base of confidence and cooperation and as an inevitable prerequisite for the solution of complex problems. Business-like efficiency can be positively implied as a way to create good technical and organizational conditions, increasing employees' self-consciousness and responsibility and to help them to identify themselves with the tasks. But in our globalized, rapidly changing world, relationships must be also emphasized. So an orientation to business-like efficiency based on good relationships could be the optimum solution.

3.2. Orientation to collectivism – individualism

Individualism is usually described as an emotional independence from the organization, rendering priorities to individual objectives and solutions. In countries of individualized culture the employees' consciousness and mobility is high, conditioning the organization's efficiency. However, collective cultures, usually described with the employees' dependence to the company where everyone makes his contribution according to one's possibilities, and where common responsibility prevails, are also considered ineffective because of depersonalization tendencies. So again individualism combined with collectivism is the optimum situation.

3.3. Orientation to work – personal needs, family

Here the question is how personal life influences the individual's work activity and how work activity affects personal life. From the organizational point of view, a strong orientation of employees to work is desired. This can be achieved by challenging tasks, in which the employee is able to use his skills; desirable career perspectives and good organizational climate. But if carried to its extreme it can lead to dissatisfaction, a „burn-out” syndrome and health problems. So a balanced attitude is necessary, allowing the employee to live a complete life, to realize both his personal and professional goals when simultaneously contributing to the successful organizational activities.

3.4. Orientation to formality – cooperation

Cultures oriented to formalities are characterized by formal rules, a number of procedures regulating the employees' work and plan fulfillment, strict hierarchy and official policies. Formality is often welcomed since it contributes to efficiency and supplies standardized production, coordinates tasks, functions and employees. In a dynamic environment however, it often proved to be an obstacle of innovations and initiatives. In order to establish a flexible working environment that encourages knowledge creation a balance should be found here again.

3.5. Orientation to openness – seclusion

Here the dilemma concerns the relationship between the organization and the environment. Organizations with open cultures have a friendly attitude to changes and the companies recognize and react to new challenges before they start to influence them. Cultures favoring seclusion pay more attention to „internal” problems and have a hostile attitude towards changes, trying to avoid them in all cases. In a rapidly changing world openness became a minimum requirement for companies to survive in an international environment.

3.6. Orientation to leader-subordinate cooperation – autocratic management

The question is here whether large authority distance is characteristic in the given culture. Small authority distance is marked with decentralization, a plain hierarchy structure, insignificant difference in payment, no status difference. An autocratic culture is centralized, directed by methods and means and subordination prevails. Although it can be stated that effective work can in the long term only be achieved with low power distance because this leads to the increased satisfaction of employees, one must not forget that changes without stability lead to chaos, therefore a balance is required.

3.7. Orientation to activity – passivity

This dimension examines whether people in the culture are reactive, fatal and passive observers of the organizational development processes or they are proactive and able to recognize opportunities. Learning-oriented cultures are characterized by

active employees who want to learn and develop more competencies. Activity is an inevitable prerequisite of innovation and the establishment of learning organizational strategies.

3.8. Orientation to motivation – hygiene factors

According to MASLOW's need pyramid we can differentiate higher and lower motivation factors, the latter also called hygiene factors. Higher motivation factors are among others recognition, career prospects, self-realization while lower factors are payment and the basic working conditions. Since European countries in general have already reached high and medium levels of development, and have deep cultural and economic traditions, higher motivation factors are the best incentives in work.

4. THE RESEARCH

The research activity consisted of three basic, logical steps:

1. The identification of cross-cultural differences in the investigated European enterprises
2. The elaboration of a comparative analysis of cross-cultural values in business by defining cultural similarities and differences
3. On the basis of the analysis of differences in cultural values indicating guidelines for businessmen

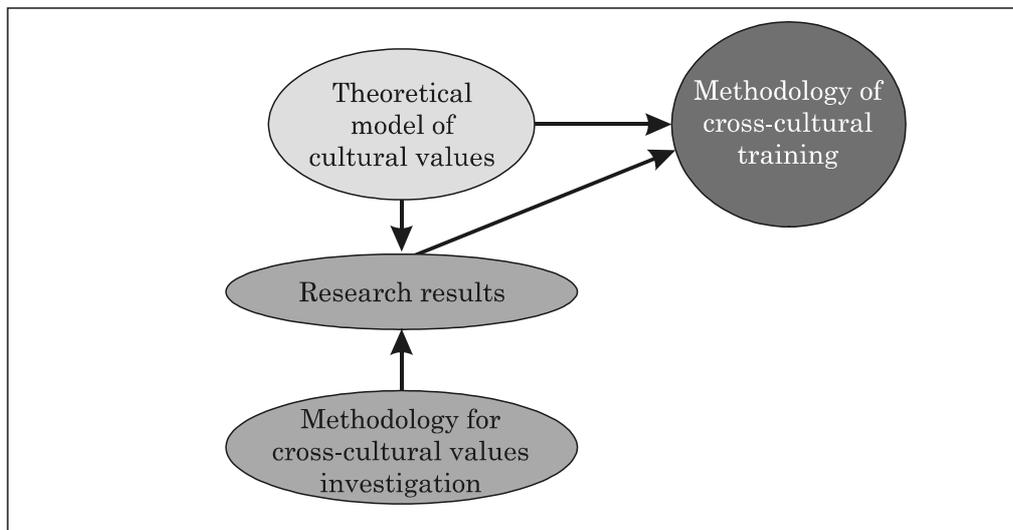


Figure 2
The logical scheme of the research¹

The research aimed to avoid the following mistakes often seen in cross-cultural studies:

¹ Source: KTU et. al.: The cultural values of business in Europe, 2005, p. 26.

- Limited number of countries involved. Previous reviews on cross-cultural research show that most studies analyzed Western European and Japanese cultures and forgot locations as Eastern Europe. In this research involving Lithuania means a new approach discovering cultures we still only know a very little about. However, my opinion is that Eastern cultures still differ seriously due to their different ways of historical development, therefore the involvement of more countries of the region could be of advantage in future research directions.
- Bias toward studying large companies. Most international and cross-cultural studies were conducted analyzing large firms whereas this research aimed to analyze smaller companies.
- Reliance on a single organizational level. Most studies rely on responses from a single organizational level – managers or subordinates. This research investigates both parties' perceptions.

As we mentioned before, the research was conducted in five European countries: Austria, Greece, Italy, Lithuania and Spain, 715 employees in 42 enterprises were interviewed. Their structure is illustrated on the Table 1.

Table 1
Structure of respondents¹

	Austria	Greece	Italy	Lithuania	Spain
Investigated enterprises	8	4	10	10	10
Total investigated respondents	44	105	260	370	36
therein:					
managers	14	34	10	72	15
subordinates	30	71	250	298	21

Only national enterprises were surveyed in the countries because of the assumption that national enterprises demonstrate the national culture's peculiarities better, reflecting the country's social, economic, political and technological development in the organizational culture. Despite of this, we think, it could be also worth to enlarge the scope of the examination on companies being acquired by a foreign company and see how organizational culture has changed in the mixed presence of the two cultures. This is a remark on further research directions.

The inclusion of Lithuania helped to broaden findings also for the Eastern European region. In order to avoid the second problem mentioned, above 90% of the surveyed enterprises are small and medium-size companies. This means, they employ up to 250 employees due to current EU regulations. Furthermore, both managers and subordinates have been interviewed to receive a complete overview of culture's manifestation in the organizational context.

Standardized questionnaires were used in order to facilitate the comparison of data collected in different countries. They comprised from a general part – asking

¹ Source: KTU et. al.: The cultural values of business in Europe, 2005, p. 28.

statistical information about the respondent – and the main part where employees' opinion was asked about business cultural values. The main topics of the questions are listed in the *Table 2*.

Table 2
Dimensions and their characteristics¹

1. Orientation to relationship – business like efficiency	
<ul style="list-style-type: none"> • trust • good work climate • friendship • enterprises like one family 	<ul style="list-style-type: none"> • purposeful aspiration • orientation on results • efforts and devotion • organizational and technical dimension
2. Orientation to individualism – collectivism	
<ul style="list-style-type: none"> • emotional independence from the organization • priorities to individual objectives and solutions • individual responsibility and freedom 	<ul style="list-style-type: none"> • identity with the enterprise • priorities to group objectives and solutions • group responsibility
3. Orientation to personal needs-family, work	
<ul style="list-style-type: none"> • family • health • leisure time 	<ul style="list-style-type: none"> • career • professional development • obligations at work
4. Orientation to cooperation – formality	
<ul style="list-style-type: none"> • decentralized management • management by objectives • control of results • situational way of information transmission 	<ul style="list-style-type: none"> • centralized management • written instruction • control of work process • standardized information transmission
5. Orientation to openness – seclusion	
<ul style="list-style-type: none"> • focus on external requirements • friendly attitude to changes • flexibility 	<ul style="list-style-type: none"> • focus on internal factors • unfriendly attitude to changes • stability

¹ Source: KTU et. al.: The cultural values of business in Europe, 2005, p. 30.

Table 2 (continued)
Dimensions and their characteristics

6. Orientation to manager/subordinate cooperation – autocratic management	
<ul style="list-style-type: none"> • involvement of subordinates in a decision-making process • manager – leader • delegation of task 	<ul style="list-style-type: none"> • hierarchy subordination between the manager and subordinate • subordinate like executor
7. Orientation to activity – passivity	
<ul style="list-style-type: none"> • development of future competences • readiness to learn • innovation 	<ul style="list-style-type: none"> • focus on present competences • avoidance of risk • passive observance of the events
8. Orientation to motivation – hygiene factors	
focus on <ul style="list-style-type: none"> • application of your own potential • promotion possibility • self-respect and achievements 	focus on <ul style="list-style-type: none"> • salary • social guaranties, security feeling • good working conditions

In each dimension ten statements were formulated, providing the possible answers „yes, agree”, „partially agree” and „no, disagree”. Results were presented in a 0-5 points system; the closer the result is to 5, the stronger the given cultural orientation is and vice versa. The questions also investigated the most needed characteristics both concerning subordinates and managers.

The validity of the questionnaire has been checked in two ways: by expert evaluation of the expedience of statements, and to avoid problems rising from translation, a „reversible” translation was used in each language. Data derived from questionnaires have been processed and analyzed by applying the statistical data analyses package SPSS 9.0. To compare variables significance, 95% confidence intervals were applied.

5. A GLOBAL OVERVIEW OF THE OUTCOMES

KTU et al. (2005) describes the country-specific results in details. Due to the limit of the article we hereby only present an overview of the main findings.

5.1. Business cultural values from managers' viewpoint

On the *Figure 3* we can see the comparison of the given cultural values in the five examined countries. Austrian and Lithuanian managers' opinions coincide the most, only attitudes to human relationship and passivity differ. Austria has an outstanding high score in human relationships, Lithuania is unique by implying collectivism and individualism to the same extent and Spain also differs with the highest percentage of employees wishing to work in team, using the already existing good information systems that support team work.

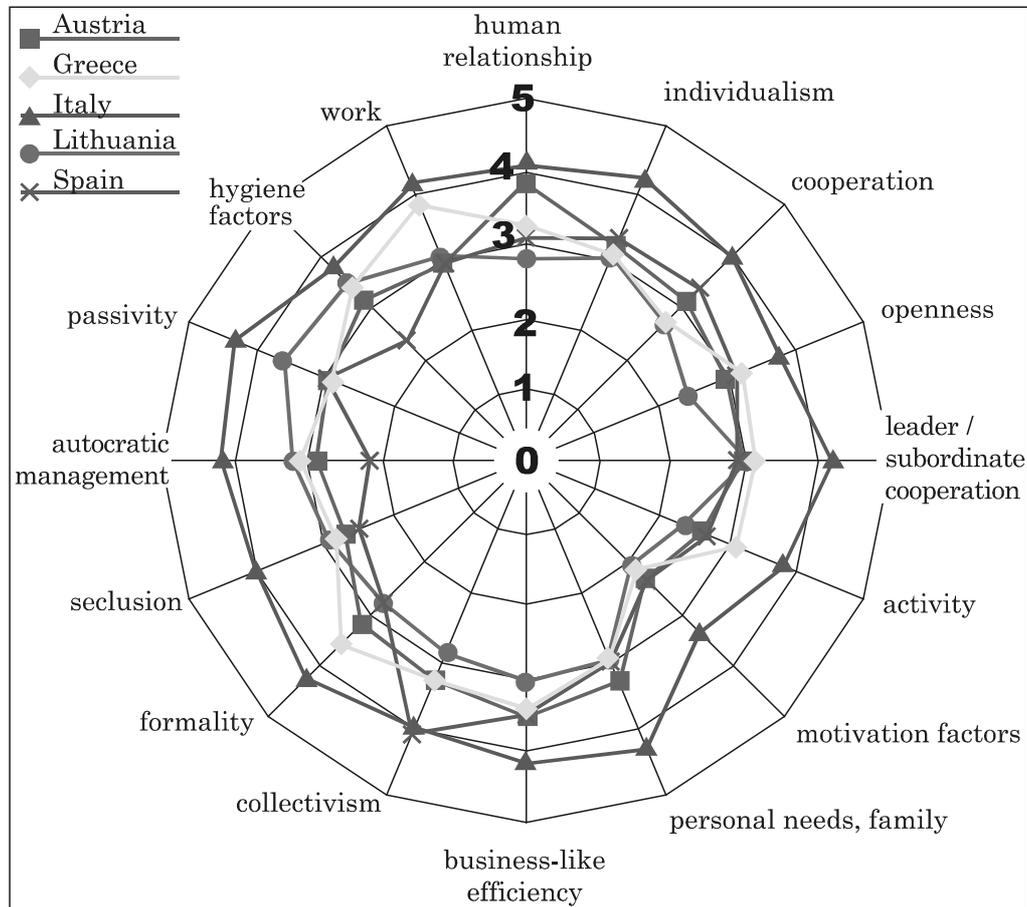


Figure 3
Business cultural values according to managers¹

On the other hand, Lithuania and Greece are the less willing for cooperation. Lithuania and Spain have the less formalities in business organizations, but it must be pointed out that managers in all countries emphasized that a clear definition of tasks, rights and responsibilities are necessary.

Spanish managers use autocratic management to the least extent. All countries stated that subordinates represent their own opinions, but Lithuanian, Greek and Italian managers noted, they need to encourage subordinates for expressing their opinions.

Lithuania has the lowest level of openness and Spain the highest. Spanish managers noted, changes do not require much formalities and paperwork; the manage-

¹ Source: KTU et. al.: The cultural values of business in Europe, 2005, p. 58.

ment is not oriented to technical organizational factors while social-psychological factors are important.

Activity is lowest in Lithuania and highest in Greece and Austria. Evaluating motivation factors, Spanish managers used hygiene factors to the least extent. Austrian managers mentioned challenging work and good work atmosphere as the most important hygiene factors. All managers agreed that the most welcomed motivation factors are salary, social safety and good working conditions.

Lithuanian, Austrian, Greek and Spanish managers all emphasized the orientation to personal needs, family, but Greek managers also added that career is important in everyday life, and managers are committed to their work. They are willing to work in overtime if it is needed to accomplish tasks.

The most often mentioned required characteristics: 92.1% of managers wanted to see more responsibility, 77.5% wanted more initiative taken by subordinates, 75.5% required more diligence, 71.5% wished more teamwork and 60.3% lacked the ability of subordinates to take decisions.

Table 3
Legends to Figures 4 and 5

1	Initiative
2	Creativeness / innovativeness
3	Punctuality
4	Responsibility
5	Obedience
6	Vision of future
7	Tolerance
8	Assertiveness
9	Diligence
10	Communicativeness
11	Flexibility
12	Empathy
13	Ability to work in team
14	Mobility
15	Intention to learn
16	Foreign language knowledge
17	Sense of humor
18	Self-criticism
19	Courtesy
20	Conflict avoidance /Conformation
21	Self-reliance
22	Scrupulosity
23	Curiosity
24	Ability to take decisions and to execute
25	Self-control
26	Strong belief in the fairness of one's idea

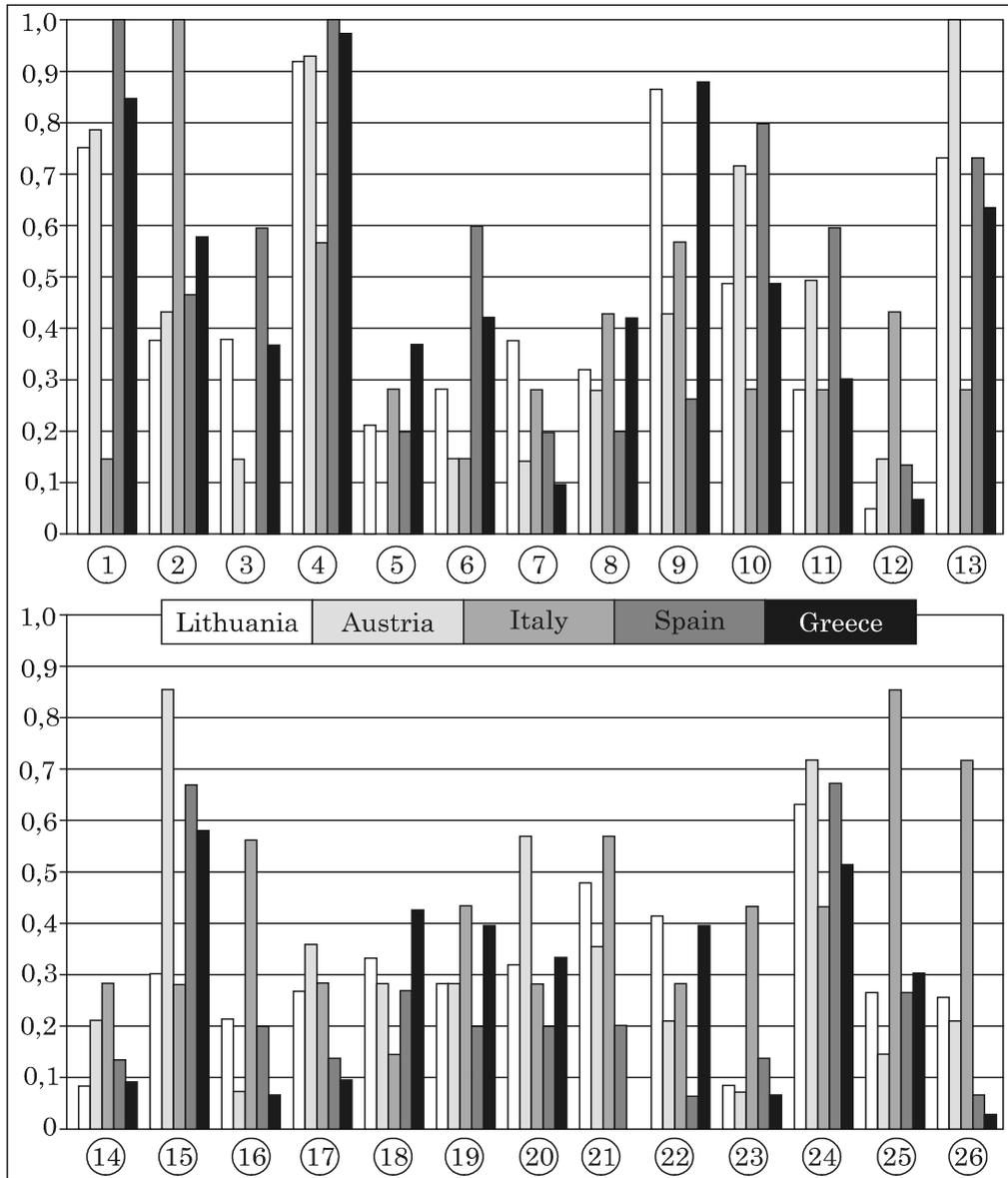


Figure 4
 Requested characteristics for subordinates by managers¹
 (Legends in Table 3)

¹ Source: KTU et. al.: The cultural values of business in Europe, 2005, p. 59.

5.2. Business cultural values – how subordinates see them

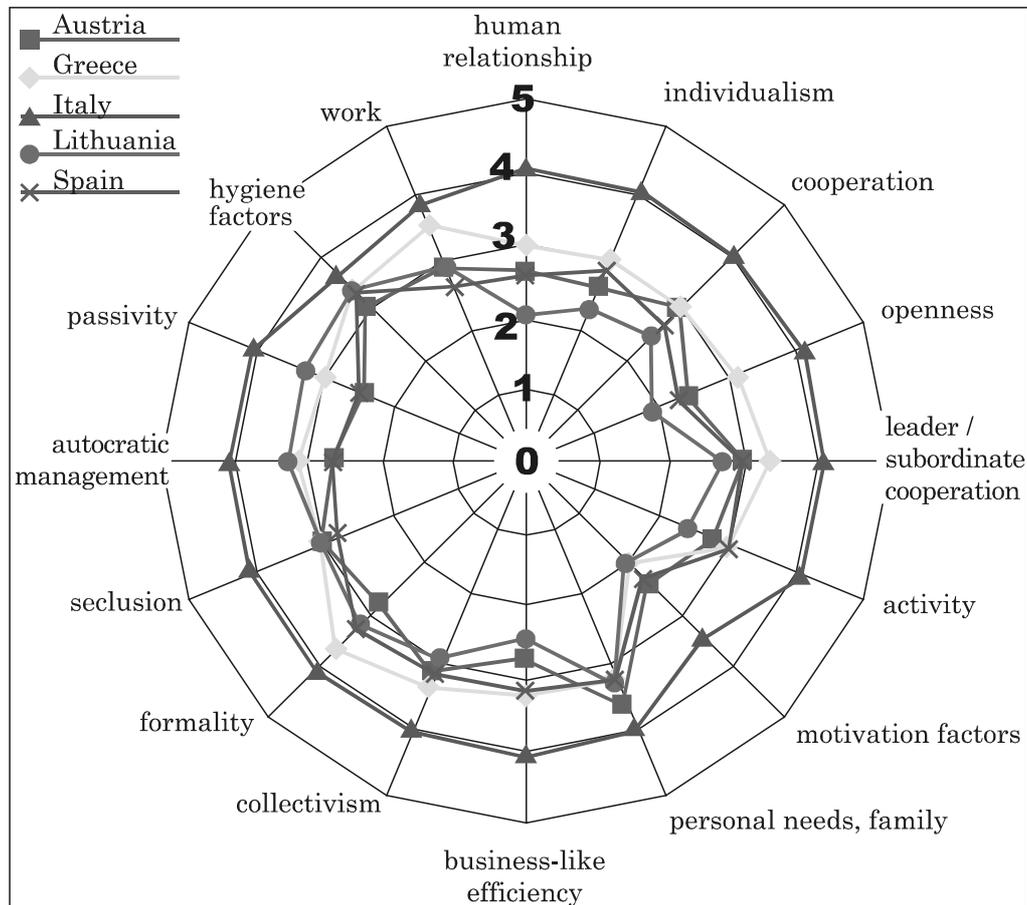


Figure 5
Business cultural values from subordinates' point of view¹

Surprisingly, here the Spanish and Austrian subordinates' opinions coincide significantly. Furthermore Spanish, Austrian, Lithuanian and Greek subordinates share similar attitude to individualism, manager-subordinate cooperation, motivation factors and personal needs, family.

All subordinates expressed a high value of managers' willingness to consider their opinions. With the exception of Austria, all countries represented a high ability of subordinates to replace co-workers, which is necessary for teamwork.

¹ Source: KTU et. al.: The cultural values of business in Europe, 2005, p. 60.

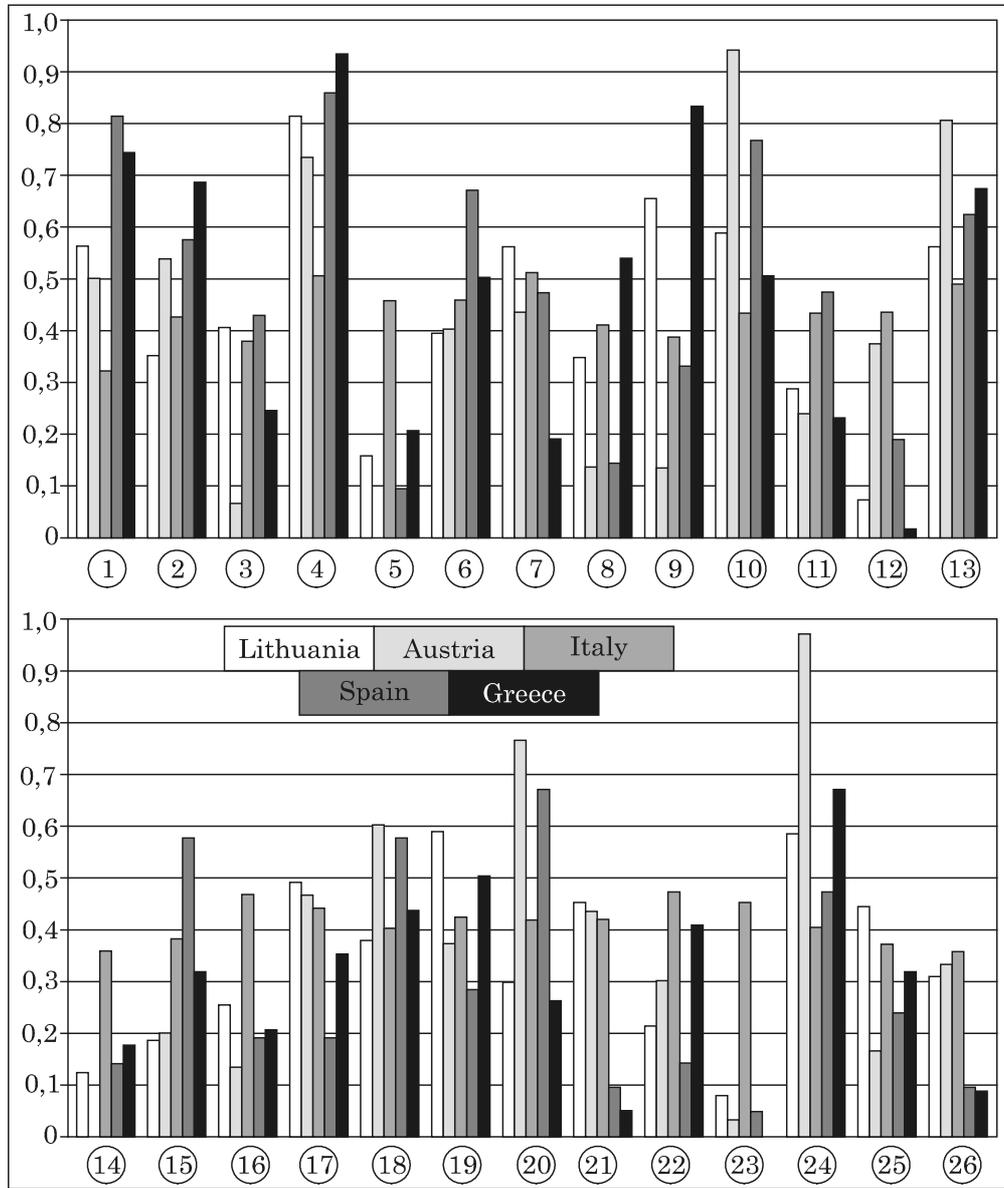


Figure 6
 Requested characteristics for managers by subordinates¹
 (Legends in Table 3)

¹ Source: KTU et. al.: The cultural values of business in Europe, 2005, p. 62.

Formality was highest in Greece, especially in terms of salary differences. In accordance with their managers, subordinates also stated that the least openness is in Lithuania, the highest in Spain; and Spanish subordinates confirmed that changes do not need paperwork and formalities and management is more concerned about social-psychological factors than about the technical ones.

There is a lack of manager-subordinate cooperation in Lithuania, and autocratic management is tolerated by subordinates. Lithuanian subordinates are highly passive following the managers' principle: „subordinates' task is to carry out the managers' orders”.

Similarly to managers, subordinates also chose salary, social safety and good working conditions as the most important motivating factors. All subordinates found personal life more important than work and career. They emphasized that managers should consider and tolerate subordinates' health and personal problems and they pointed out that they work as much as it is necessary to best accomplish the tasks.

The findings of these questions were really interesting – subordinates were missing almost the same competences in managers as managers in subordinates. The most required managers' characteristics were the followings: 73.1% wanted more responsibility, 56.5% wanted more teamwork, 55.8% wished to see more ability to take decisions, 55.6% expected more diligence and 55.1% more communication.

6. CONCLUSIONS

In the research those areas of culture were analyzed in which differences are the most likely to appear in the five European countries. The findings have proved this hypothesis to be true – countries differed along all eight dimensions, thus creating a colorful map of cultural values. Interestingly, cultures often considered to be similar (like the group of Mediterranean countries) showed up significant differences. Therefore, a further research is recommended, where single countries of the same region are being investigated. It is also worth to extend the scope of research for foreign-owned companies, and examine changes in the host and parent companies' culture. However we think euro-managers can hugely benefit from the study of the detailed, country-specific descriptions of cultural values, both in the preparation phase of the assignment and during their assimilation on the post, easing their transition by better understanding and respecting the locals' behavior. Of course, this description builds stereotypes, but we consider them good if one uses them as a starting point to create an appropriate attitude and behavior and refines them continuously instead of sticking to them strictly. This analysis can also contribute to the better understanding of the expatriates' own culture and enable them to distance themselves from their own national values. This way they can take a neutral position between the two cultures and effectively serve the interests of both the parent and the host companies.

From a macroeconomic point of view, the results of the research serve the mutual understanding and respect of European cultures and promote cooperation between European organizational units. With the success and development of multinational organizations, Europe can profit of the advantageous distribution of resources, of faster economic growth and deeper integration of the member states, promoting a long lasting peace on the continent.

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