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## The impact of national and organizational culture on the cooperation of firms – a supply chain perspective

“Global cooperation changes the way companies and societies use knowledge, innovate and create value. This affects almost all spheres of social life and all aspects of management. It also leads to the emergence of a new type of business – one that is open; eager to cooperate with others (particularly clients) in order to innovate; willing to share hitherto closely guarded resources; uses the power of global cooperation and acts not like a multinational corporation, but like a modern and truly global firm” [Tapscott, Williams 2008, p. 40].

### 1. “Wikinomics” and supply chain management

Some authors claim that we are about to enter a new era in the socio-economic history. For management this means a departure from proven business models and the assimilation of new values and rules. The most fundamental among them include openness, partnership, sharing resources and global scope of operations [Tapscott, Williams 2008, pp. 40–55].

Openness manifests itself in the creation of social networks, in the willingness to establish new contacts and in sharing resources. Examples include the adoption of open standards by the IT industry, such as the Linux operating system, or the global computer network called the Internet. Openness also manifests itself in “transparency”, that is, in sharing information with corporate clients, employees, partners and other interested parties. Openness violates the fundamental rule of traditional management: to restrict access to information for internal and external entities.

The principle of partnership abolishes the second iron rule of traditional management, namely, the primacy of the hierarchical model of organization. Partnership implies that the company empowers employees and embraces team work, self-organization and shared decision-making processes.

It leads to the collapse of the old, hierarchical world of management.

Sharing resources follows from openness.

It means that the company no longer tries to protect information, innovation and intellectual property to the fullest extent possible. Advocates of resource sharing believe in a dual approach to intellectual property. They are willing to protect that part of it which is strategically important to the company and to share the rest with others. The sharing of resources accelerates innovation in the entire industry. In this way, all market players “ride the wave” of new solutions.

The principles of global operations means the creation of truly global enterprises. Such enterprises are not limited by physical or regional barriers and borders. They are able to implement global design, production, provisioning and distribution and to manage without regard to borders separating markets and regional cultures.

Ideas on which supply chain management is based are in many ways similar to the principles of wikinomics. The concept of an integrated supply chain became popular in the 1980s. It was understood to cover groups of cooperating enterprises, which formed chains, networks or webs in order to optimize value throughout the chain, thus being of a benefit to all its links by managing the entire network of enterprises more efficiently. Many definitions of this phenomenon were given. An integrated supply chain can be seen as a mega-process, whose purpose is to optimize its sub-processes. These include the flow of materials, information and cash. As soon as in the early 1990ies, research conducted by A.T. Kearney indicated that there were advantages in treating the chain as an “extended enterprise” and in sharing knowledge, R&D, profits and costs within the chain.

The concept of the supply chain as a form of cooperation in a network of enterprises may be seen as a forerunner of the leading principles of wikinomics. This is certainly true as far as theory goes. When we look at practical applications, we see a rather different picture. Thomas W. Speh, an American researcher from the Ohio University, based some surprising observations on the “How are we doing in Supply Chain Management?” survey conducted in 2004 by SCMR. Briefly, his main conclusions were as follows:

- “The idea of collaboration has eluded most firms – the traditional largely adversarial business model still holds in most organizations”;
- In the study five levels of possible SCM sophistication can be identified: from “Enterprise Integration” – level 1 to “Full Network Connectivity” – level 5. Only 5% of firms rated themselves at level 5, and that was only 3 of the 9 aspects of SCM”;
- Supplier and Customer Relationship Management were dead last in the terms of level of sophistication;

- Half the firms had no SC strategy and of those with a SC strategy, only 25% linked it to their Business Strategy;
- Out of this 25%, only 15% shared their SC strategy with their partners.

The conclusion from this study is: “The real business benefits of advanced SCM remain largely untapped” [Speh 2007].

We may ask ourselves the question why this should be so. And another one: how much does the success of cooperation in a supply chain depend on cultural factors?

## 2. Culture and supply chain management

Efficient supply chain management requires partnership, mutual trust, cooperation and sharing information among business partners. It is easy to notice that this approach is attuned to the culture of some countries and organizations more than to that of others. Does this mean that some regions of the world are more likely to create successful network structures than others? To what extent can the culture of an organization overcome a national culture that is hostile to cooperation and favors competition?

When thinking about these issues, one should consider two cultural aspects:

- the national cultures of the countries where the individual companies are based and
- the “corporate culture” of the companies comprising the supply chain.

Culture consists in “collective programming of the mind, which makes members of one group or category of people different from those of another” [Hofstede, Hofstede 2007, p. 17]. Since we belong to many social categories, the following levels of culture need to be distinguished: national culture; the culture of a regional, ethnic, religious or language group; cultural implications of being a woman or a man; the culture of a certain generation; of a certain social class; and finally, corporate culture [Hofstede, Hofstede 2007, p. 23]. Corporate culture is understood as a set of enterprise-wide shared values [Gattorna 2006, p. 20]. People internalize national culture during the first 10 years of their life; it is a part of our mental program based on our values. Corporate cultures are largely based on practice are much more superficial; their influence is weaker as they act on fully-formed individuals [Hofstede & Hofstede 2007, p. 299].

### 2.1. National culture and supply chain management

National cultures are classified according to five dimensions. These include:

- power distance; this can be defined as the degree to which less influential individuals accept the unequal distribution of power [Aquilon 1997, p. 80];
- social degree of individualism; this parameter reflects the strength of social bonds between individuals. “Individualism is a feature of those societies, in which bonds between individuals are weak and in which people are focused on themselves and their family. Collectivism characterizes those societies, in

which people from their very birth live in strong, cohesive groups [Hofstede & Hofstede 2007, p. 88];

- masculinity vs. femininity; this dimension reflects social expectations with respect to men and women. In “masculine” societies men are expected to be assertive, tough and focused on material wealth, while women are supposed to be modest, tender and focused on the quality of life [Hofstede & Hofstede 2007, p. 113];
- uncertainty avoidance, defined as “the degree to which members of a given culture feel threatened by new, unfamiliar and unpredictable situations” [Hofstede, Hofstede 2007, p. 181];
- focus on short-term and long-term goals; “focus on long-term goals implies the cultivation of virtues -such as determination and thriftiness -that may bring benefits in distant future. Focus on short-term goals, on the other hand, implies the cultivation of virtues connected with the past and the present” [Hofstede, Hofstede 2007, p. 223].

Fons Trompenaar distinguished the following cultural value dimensions at national level:

- obligation:  
universalistic (rules, legal systems, contracts, the only right way – for example: USA, Germany, UK) or particularistic (relationships, personal systems, interpersonal trust, duty to friends, family etc., for example: Japan, China);
- emotional orientation in relationships:  
neutral (physical contact reserved for close friends and family, subtle communication, hard to “read “ – Japan, the UK) or affective (physical contact more open and free, expressive, strong body language – China, Spain);
- involvement in relationships:  
specific (direct, confrontational, open: extravert, separate work and private life – the USA, the UK, Germany) or diffuse (indirect, avoid direct confrontation, introvert, link private and work life – Japan, Sweden, China);
- legitimization of power and status:  
achievement (status based on competency and achievements, women and minorities visible at more levels in workplace, newcomers, young people, and outsiders gain respect if they prove themselves – USA, UK, Germany) or ascription (status based on position, age, schooling or other criteria, more homogenous workforce, primarily male- Japan, China, Spain) [Deresky 2000, p. 119].

It is well known that Asian countries differ from the United States and Western Europe in their cultural values and approach.

The collectivist attitude and a focus on long-term goals are typical for Asian countries. On the other hand, individualism and a short-term focus are

predominant in the United States, in countries strongly influenced by the US culture and in Europe. Values represented in the cultures of Japan and the United States are quite different. In Japan, these values are patience, harmony and hierarchy; in the United States, they are action, freedom and equality [Linowes 1993, p. 24].

The collectivism of Asian countries is connected with the “culture of rice cultivation”, which is very different from wheat cultivation. Rice agriculture requires group effort, based on consensus and cooperation. Farmers who grow rice must work very intensively during short spans of time to sow and harvest their crop. Moreover, many people must perform the same work at the same time. Furthermore, entire fields, rather than individual plots, must be irrigated. Thus, the whole village community must agree on the character and timing of cooperation [Charkiewicz 2008, p. 69]. Confucianism is often considered to be another source of group orientation in Asian countries. Confucius was born around the 6th century BC. Confucianism spread across the territory of today's China, Hong Kong, Korea, Japan, Taiwan and Vietnam. It is difficult to classify it unambiguously as a school of thought, a system of moral values or a state doctrine. In Confucianism, the family is the basic social unit, whereas in Japan it is the household. There is a difference, since membership of a family is determined by blood relations, whereas the composition of a household depends on a contract. Japanese artisans and peasants adopted their sons-in-law as sons, in order to ensure continuity of the family business. In pre-modern Japan, marriage was a kind of admission ticket to the household. It did not lead to the creation of a new household [“Forum” 2006, p. 19]. To this day, strong family bonds play an important role in Japan.

For the Chinese, the family loyalty encompasses the entire clan, which can be quite large. Chinese emigrants (nowadays present throughout the world) support their relatives, thus creating “interplanetary” bonds. When the Chinese economy opened up in the 1980s, it was the Chinese capital from Hong Kong that made its dynamic growth possible [Neidhart 2006, p. 21].

In the context of business, the Eastern concept of “proper place” is also important. In accordance with the tradition, each Japanese within a group, in a workplace and in life, is always trying to find his proper place [“Forum” 2006, p. 19].

It seems that a group-centered culture that emphasizes cooperation is a bonus in the era of global economy, which is based on networks of companies and relies on cooperation and trust. This claim appears to be corroborated by the success of supply chains originating in the Far East; car industry experts concur with it, claiming that “American corporations should imitate their Japanese rivals and create keiretsu of suppliers, that is, networks of contractors who not only maintain close ties to the mother company, but also learn, grow and develop with it” [Liker, Choi 2007, p. 31].

For the past 20 years, American companies have been trying to strengthen their relations with contractors, trying to imitate the Japanese model of partnership, but without success. A 2003 survey, carried out by a Birmingham (Michigan) market research agency called Planning Perspective, shows that Honda and Toyota are leaders in the creation of relationships based on partnership. Remarkably, this evaluation is based primarily on responses from the US suppliers of parts to large car manufacturers. Toyota and Honda won in 17 categories, ranging from trust to perceived growth opportunities. As Liker and Choi point out, the success of the two companies is closely connected with their scrupulous adherence to six principles of relationship building (cf. Fig. 1). It seems, however, that it would be pointless to follow these rules without an in-depth understanding of their meaning. These “rules of success” can only be understood within a proper cultural context.

**Figure 1.** Six principles of successful partnership with suppliers



Source: [Liker, Choi 2007, p. 37].

Toyota uses a technique called *genchi genbutsu*: managers visit suppliers' plants in order to gain a better understanding of their partners. At Honda, managers of all levels, including directors, also spend time with suppliers so as to familiarize themselves with their business. While this approach seems natural in the countries belonging to the rice-growing culture (the success of

a rice plantation also depends on skillful cooperation between farmers), it is quite foreign to the American culture, which is focused on competition. This principle also seems to work well with another Eastern concept mentioned earlier: that of the “proper place”.

A confrontational approach, characteristic of the American culture, also manifests itself in the way suppliers are mobilized. The US manufacturers try to make them compete against one another and to sign a contract with the best one. The Japanese also stimulate competition between potential suppliers, but they also support existing partners.

At Toyota and Honda, the spirit of mutual understanding, cooperation and harmony pervades all actions and the “principles of effective partnership” are strictly followed. This is evident, for example, in the “going to the root cause”. Its point is to analyze the cause of a problem thoroughly. The main benefit is to separate the problem from the person. One looks for causes, without seeking to blame anyone. Suppliers who are unable to identify these causes may count on assistance from corporation specialists.

The criteria used to select suppliers are also marked by the culture of rice-cultivating countries. Unlike most American companies, which try to find suppliers offering the lowest cost of delivery, Honda and Toyota look for partners with the highest potential for development and innovation. In this, one can detect their long-term orientation and collectivist approach. Relationships with suppliers last for years and the company works with them to create new solutions that will bear fruit in the long run. In the American approach, one clearly sees the predominance of short-term objectives.

Li & Fung, the largest procurement company in the world, provides yet another example of masterful supply chain management. It supplies clothes, toys and other consumer goods of the leading global brands. The firm was established in 1906 in Canton (Guangzhou) as a trading company. It was later transformed into an export company headquartered in Hong Kong and a multinational corporation. It rediscovered itself in the era of wkinomics as a network orchestrator. Without owning a single factory, Li & Fung manages a network of more than 8300 suppliers. Over 70 offices in more than 40 countries and territories make sure they receive the supplies they need. The network comprises a pool of suppliers, from which an individual supply chain can be formed so as to match a client’s specific order requirements in the best possible way. Network orchestration includes both planning and management of the network, as well as the creation of specific supply chains and their management through the network [Fung, Fung, Wind 2008, pp. 29–30].

The examples of Asian companies given above – all of them world leaders in the supply chain management – might suggest that they are or will become coupon-clippers, profiting from “cultural value added”. This concept can be

interpreted in two ways. Its first, original meaning, has to do with tradition and stereotypes on the one hand, and modernity and openness on the other. As G. Sorman wrote, “cuckoo clocks used to be made in Switzerland, wine in France, cheap watches in Japan and steel in Sweden” [Sorman 2006, p. 26]. Hence the stereotypical values associated with products originating from these countries. “Cultural value added” benefits countries that are open to the global economy. “A French company selling luxury goods does not need to explain why it is in this business or make any excuses for their prices and high profit margins [Sorman 2006, p. 26]. Similarly, it is quite possible that business people will soon come to associate the Far East with excellent management of networks of enterprises.

Another meaning of the concept of “cultural value added” refers to a set of beliefs, behavioral patterns and attitudes typical for a specific region. As we have tried to show, Asian countries are capitalizing on this value by doing (generally) better than representatives of other cultures in today’s world of cooperation-focused networks.

## **2.2. Organizational culture and supply chain management**

Countries in Asia may collect interest on their “cultural value added”, but what can companies in other parts of the world do to match their skill in the supply chain management? It seems that the creation of the right organizational culture (one that promotes cooperation and partnership) and the right tools should go a long way towards overcoming the initial disadvantage suffered by these companies.

Grawe, Chen i Daugherty, [Grawe, Chen and Daugherty 2009, p. 283], quoting other authors, write in their study:

- “Strategic orientations are aspects of corporate culture” [Deshpande et al. 1993; Hurley and Hult 1998; Narver and Slater 1990].
- “Corporate or organizational culture represents intangible resources for firms” [Barney 1991; Grant 1991].
- “The deployment of those resources, i.e. orientations, will have different relative impacts” [Day 1994].

Grawe, Chen and Daugherty claim that “when strategic orientation extends to all levels of organization, it becomes an organizational culture”. They distinguish three types of orientations identified with organizational cultures [Grawe, Chen and Daugherty 2009, pp. 284–285]:

- Customer orientation,
- Competitor orientation,
- Cost orientation.

Customer orientation is the organizational culture that focuses on customer needs. It enables the constant creation of value for the customer. Companies with this orientation generate knowledge about the current and future needs of their

customers and spread this knowledge throughout the organization. A critical component of a customer orientation is the emphasis on seeing the supply chain opportunities and constraints from the perspective of the customers.

Competitor orientation is the organizational culture that focuses on short-term and long-term potential of competitors. Employees in the entire organization are familiar with products and services offered by other companies directly competing against theirs. Knowledge passed around the organization is relevant mainly to this issue.

Cost orientation is different from the other two in as it focuses on internal company matters. This culture aims primarily at achieving the greatest efficiency of all links in the value chain. Knowing the costs of delivering products and services to the market is of paramount importance in this culture.

The authors come to the conclusion that the achievement of strategic goals depends on the creation of the right strategic orientation and, consequently, the right organizational culture. Therefore, the right organizational culture may help a company work with its partners in a network. As far as the ability to cooperate within a supply chain is concerned, customer orientation seems most appropriate.

Masqood, Walker and Finegan consider sharing knowledge and diffusion of innovation in supply chains. They claim that exchange of information and knowledge sharing in supply chains is based on trust, which they define as a “frame of mind” and point out that “it requires challenges and conflict to be validated” [Masqood and Walker, Finegan 2007, p. 127]. Quoting other researchers [Rousseau et al. 1998], Masqood, Walker and Finegan also claim that “there is a constancy of what they call institutional trust or the rules, regulations, culture and norms that govern action in a particular environment that remains constant over time” [Masqood and Walker, Finegan 2007, p. 125]. They distinguish three phases in a partnership: cooperation, coordination and collaboration. The third phase represents the highest form of partnership, marked by joint planning and technology sharing.

The so-called Partnership Model, created by Global Supply Chain Forum, affiliated to Ohio State University, is a useful tool in building partner relationships [Douglas, Lambert, Knemeyer 2007, pp. 7–29]. The model’s basic element is a meeting of the key representatives of the organizations intending to form a partnership. The meeting should be prepared (including all material issues) by a mediator, whose task is to negotiate all matters relating to the partnership. The next phase consists in defining the goals of the partnership. They should be measurable, eg cutting production costs by 7% within a year. Having agreed on the goals of the partnership, the partners should evaluate the conditions of cooperation created by the organizational environment. The following four basic factors should be considered:

- compatibility of corporate cultures,
- consistency of management philosophies and techniques,
- strong sense of mutual benefits,
- symmetry.

As regards the culture and technique of management, the important thing is not to seek identical counterparts, but to focus on differences that might lead to problems. For example, it could be a difference in decision-making processes: top-down in one organization versus bottom-up in the other.

The sense of mutual benefit, or the awareness of common goals and points of view, is very important, since it helps organizations act in the spirit of partnership.

Symmetry often means that organizations operate on a similar scale or have equivalent positions in their respective industries. It can also mean that they share equally responsibility for their market success.

Apart from the four main factors, there are also others: the same competitors, physical proximity, opportunities for granting exclusive rights, past experience in cooperation, the same end users.

Each factor is assigned a certain number of points. The total number of points determines the type of relationship which the companies should aim at. This could be:

- loose cooperation at a distance,
- limited integration,
- integration of many departments on the highest level of partnership,
- perceiving the partner as an extension of one's own company business.

The determination of the type of relationship helps increase the effectiveness of cooperation and reduce the level of frustration if something goes wrong.

Another factor that might make it easier to build a partner relationship in a supply chain is the appearance of the so-called Y generation. This is the generation of people who were born after 1980 and who grew up with the Internet. These people are characterized by high technical proficiency, low boredom tolerance and a strong desire to cooperate [Bloch, Whiteley 2008, p. 99]. Perhaps individuals belonging to this group will find it easier to cooperate despite cultural differences between nations.

### 3. Conclusions

- Some researchers believe that we are entering a new era of socio-economic history. For management, this implies that traditional, proven ways of doing business have to change and new principles have to be adopted. Openness, partnership, resource sharing and global operations are the key principles in

this new era. Similar principles also play an important role in the management of supply chains.

- National and organizational culture have significant impact on the success of cooperation between companies in a supply chain.
- Countries whose traditional culture has favored cooperation may benefit from their “cultural value added”.
- On the other hand, countries where strong individualism and a confrontational approach predominate may find themselves in a less favorable position. In this case, the chances that a partnership in a supply chain will be successful may be increased by the creation of an organizational culture focused on cooperation and by the use of tools that help define partnership goals and its optimum “depth”.

### Abstract

*The article discusses various aspects of the “networked” character of modern economy and the importance of culture for the success of cooperation between companies in a supply chain. Part one deals with the key features of modern “wikinomics” and discusses the commonality of ways in which wikinomics and supply chains operate.*

*Part two deals with the importance of national culture for the success of cooperation between companies comprising a supply chain. This part draws on the work of G. Hofstede and F. Trompenars.*

*Part three focuses on organizational culture. It discusses the importance of organizational culture for the success of cooperation in a supply chain and the Partnership Model (a tool that can help determine the optimum type of cooperation). The article ends with some basic conclusions that can be drawn from the foregoing discussion.*

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## The Culture of Collaboration. Theoretical Aspects

### 1. Introduction

The impact of inter-organisational cooperation on the management process is one of poorly examined research problems. The paper attempts to study the essence of the organisational culture singled out in line with the criteria related to inter-organisational cooperation and the competence essential for this cooperation. The inferences are based on theories and concepts of cooperation, in particular the concept of collaborative advantage and an organisation's ability to cooperate.

### 2. Collaboration between organisations as a management instrument

Collaboration is a characteristic feature of every organised activity of Man [Kożuch 2007, pp. 206–208, 213–217]. The conditions in which modern public organisations achieve their goals (for the purpose which they have been established for), force them to enter into relationships based on collaboration. It is collaboration that in fact allows public organisations to achieve their goals. This approach is in accord with one of the rules of modern organisation management, i.e. the rule of reducing hierarchical distance between the source of a managerial problem and its solution [Nalepka, Kozina 2007, p. 58].

The analysis of collaboration as a management instrument shows that it is beneficial, regardless of its scope, form and intensity and whether it concerns informal relationships between organisations or close relations within the framework of partnership-based collaboration. However, these conditions do influence the character and scale of these benefits and the role they play in achieving the goals by the cooperating organisations.

In organisation studies, collaboration means various relationships between individuals and social groups striving for a common goal. As far as the goal of

collaboration is concerned, three types of collaboration can be distinguished [Pszczółowski 1978, p. 273]:

- collaboration, i.e. positive collaboration;
- competition, or rivalry;
- battle, i.e. negative collaboration.

The distinction of positive collaboration is unquestionable. However, certain researchers and practitioners oppose the notion of negative collaboration. It is important to understand that collaboration should not always be identified with the achievement of common goals, since the goals can be different and the conditions in which the achievement of the goals takes place are the only common elements. Moreover, an organisation's particular actions depend not only on the party that has the same goals but also on the party that has dissimilar goals, e.g. particular decisions and actions depend on the actions of competitors. Therefore, the notion of collaboration is connected with "at least two objects of activity that are jointly occupied with something" [Pszczółowski 1978, p. 273].

The collectively organised activity is connected only with positive collaboration. Collaboration is understood as the collaboration consisting of the achievement of common or similar goals, in particular coordination of ventures carried out and functions established as the result of the division of labour. As far as business collaboration is concerned, it is essentially based on horizontal relations between different business entities, resulting from concluded agreements, which enable them the achievement of jointly set goals.

For the needs of this discussion, it seems sufficient to distinguish two types of collaboration:

- collaboration, i.e. actions connected with cooperative attitude and expectation of mutuality;
- confrontation, i.e. actions consisting in rivalry or battle, which in practice take different forms of competition.

The notion of collaboration can be defined as collaboration in a narrower sense – such understanding of collaboration is adopted in the further part of the paper, where both notions are used interchangeably.

Organisations enter multiple interactions with the elements of their environment. They are examined from the point of view of them being direct or indirect; whether they mean competition, neutrality or collaboration, and moreover, whether these interactions are of a one-off or lasting character. It is also important whether they are voluntary or imposed, e.g. by the rules of law. From the point of view of collaboration, the interactions called inter-organisational relations are particularly interesting. As opposed to other relations, they are more orderly. They are of a relatively lasting character and encompass relatively lasting transactions, transfers of resources and other interactions between

organisations. The most common types of relations are trade agreements, agreements between non-profit organisations, joint ventures, joint programmes and relations of two types: organisation – financial institution and beneficiary – sponsor [Mesjasz 1995].

A particular level of an organisation's ability to cooperate, thanks to which it can achieve in a more effective and cost-efficient way the goals, the achievement of which on one's own would be impossible or would require much greater effort and sources, is an asset of every organisation.

As the level of complexity of the processes taking place in an organisation and its environment increases, not yet coercion but a need of collaboration occurs, which goes beyond the limits of the organisation, and more and more often beyond the limits of sectors. Therefore, collaboration between organisations becomes more and more important. From the point of view of an organisation's goals, this collaboration is of different significance. The subject literature examines collaboration of enterprises to the greatest extent. Competition is a characteristic feature of these entities.

As a matter of fact, the role of inter-organisational relations in enterprises has increased recently; however, their aim of collaboration within the created groups of enterprises is still to compete but against the enterprises from outside of this group.

The logic of public organisations' collaboration is totally different. Their actions are not geared towards making profit; therefore, their relations – i.e. all relationships, interrelations, and interactions – are of a totally different character. Collaboration with other organisations lies in the nature of public organisations, regardless of whether these organisations come from the same or a different sector. The situation is similar with respect to social organisations; however, the difference is that, in theory, they make decisions about collaboration with other organisation completely voluntarily and independently. In reality, collaboration is essential for the functioning of such organisations.

Therefore, both enterprises and public organisations compete against one another. However, while in the case of enterprises building collaborative advantage can be perceived as complementary to the competition models, in case of the coordination phenomena that exist between the state, enterprises and other organisations, it is cooperative conduct that should be considered as the basis of actions.

From the point of view of cooperative conduct of organisations, the typology of inter-organisational relations based on the scope of collaboration (Table 1) is more useful.

The analysis of forms of collaboration shows that collaboration is beneficial regardless of its scope, that is, it applies to both informal relationships between organisations arranged in the form of a network, and close relations within the framework of partnership-based collaboration.

The conditions in which modern organisations achieve their goals (for the purpose which they have been established for), force them to enter into relationships based on both competition and collaboration. However, as far as enterprises are concerned, competition is the primary mechanism, while collaboration takes place only when it complements or even strengthens the competitiveness of a business organisation, which is a necessary condition to remain on the market. Uncompetitive enterprises are eliminated from the market. Collaboration is a characteristic feature of the relationships between public sector entities and other organisations (regardless of which sector they come from) as it enhances the possibility of providing public services. For the same reason, competition is also justified, although competitiveness of a public organisation is not a necessary condition for its existence. However, it is very important to increase effectiveness (which is driven by the mechanism of competition) due to the necessity of a more effective use of public funds.

Differences can constitute the grounds for building collaborative advantage of those organisations that differ from one another in terms of constitutive features but that operate in similar domains. It means favourable conditions for establishing inter-organisational ties between public and non-governmental sector entities. One should emphasize here a certain similarity in their actions, namely, the orientation towards the achievement of public and social goals, which brings the logic of their actions closer to one another. The motives for and fundamental principles of a commercial organisation's activity are totally different. Therefore, the grounds for establishing ties between public and private sector entities are different. One could say that going beyond the borders of the public and private sector is more difficult than collaboration between the public and the so-called non-governmental sector.

In management studies a relatively great amount of research has been dedicated to the competition among enterprises and collaborative advantage. The competition between public and non-governmental organisations has been studied to a much lesser extent, while the collaboration between enterprises and other organisations and collaborative advantage are among the least studied issues, sporadically discussed in Polish subject literature. This means that inter-organisational collaboration can be viewed as an underestimated instrument of modern organisation management.

### **3. The culture of inter-organisational collaboration and its types**

Since the 1970ies, regular research has been conducted in the field of culture of organisation. The initial reasons for this interest were mainly the changes that had taken place in the environment of modern enterprises and the need of finding new solutions in a more and more heated competition battle.

Defining the culture of an organisation poses many problems. The definitions of this notion vary depending on whether they are related to actions (in this

case, to the manner of doing things) or to the way of thinking, that is, lending meanings which can serve as a pattern of activity. Organisational culture can be associated with an entire organisation or it can be treated as a subsystem of an organisation [Robbins p. 233]. Therefore, it can be one of the characteristic features of an organisation; however, the organisation itself can also be a culture.

The definitions of organisational culture assume different forms and reflect various patterns of significance

depending on the concept adopted by their authors. For example, it is assumed that organisational culture is a set of values which helps its members to understand what the organisation supports, how it works and what it considers important. Culture is an immaterial notion that slips out of objective measurements and observations. However, being the basis of an organisation's internal environment, it plays a significant role in modelling managers' behaviour [Czerska 2003, pp. 9–16; Siemiński 2008, pp. 9–17].

There are as many definitions of culture as its participants as everybody has their own idea of what it is and how it manifests itself. Domestic subject literature quotes most frequently the concept by E. Schein, which treats organisational culture as a set of dominant values and norms of conduct characteristic for a given organisation, based on the assumptions that allow to understand the nature of reality and manifesting itself in the external, artificial creations, or artefacts, of a given culture. The paper considers culture as a part of an organisational system due to the fact that it allows studying interrelations between the cultural patterns of the participants of an organisation and other subsystems or features of an organisation such as technologies, structural solutions, management methods, organisation efficiency etc.

From the perspective of inter-organisational collaboration, it is important that organisational culture is a reference point for the process of goal and strategy formulation and also a pattern of evaluation, interpretation and selection of joint action programmes, and a factor that models the behaviour and actions of people not only in an organisation but also in interpersonal relations. Moreover, it plays an integrating role that leads to standardising the actions of the participants of an organisation and also an adapting role, since the people of a given organisation bring in their own patterns and norms of action, and the existent cultural patterns modify their former systems of values by influencing the culture of the environment. Understanding organisational culture allows the members of cooperating organisations to know how to act within the framework of a given organisational culture. In his characteristic of the ways of behaviour in corporations, Cz. Sikoroski aptly points out that nowadays, in the changing social setups, the sense of harmony in achieving common goals becomes the main condition for an organisation's success [Sikorski 1999, pp. 180–181]. He quotes N. J. Adler's opinion that there

is a need of a shift from cultural domination to cultural collaboration, that is, to creating a new common organisational culture. In this context, three types of organisations are distinguished [Adler 1986, pp.85–86]:

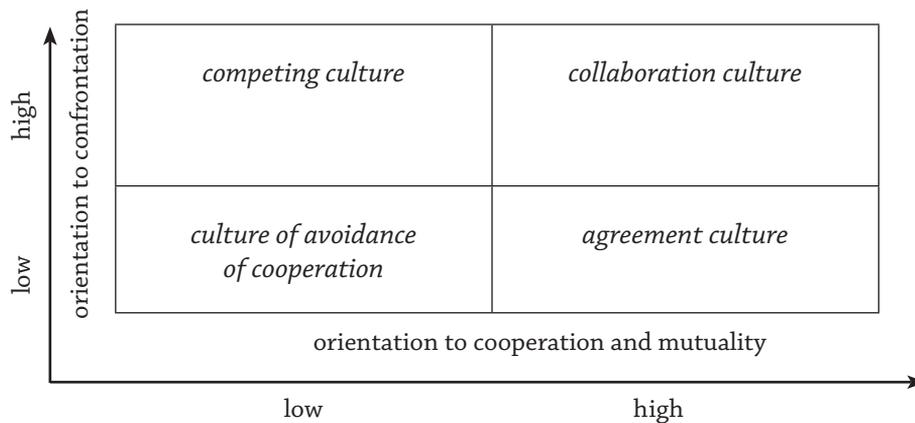
- Parochial, with the dominating opinion that the manner this organisation operates is the only possible;
- Ethnocentric, which accepts the existence of other manners of operation, but is convinced that its own manner of operations is the best;
- Synergetic with the dominance of openness to various combinations of the elements of its own manner of operation with the elements of other manners of operation.

Until the present time, the studies on organisational cultures have focused on the attempts to classify them according to given criteria [Czerska 2003, pp. 26–34; Siemiński 2008, pp. 40–68; Kożuch 2000, pp. 68–72].

T.B. Deal and H.A. Kennedy [1982] adopted the criterion of high or low level of risk that accompanies an action and the criterion of the speed of finding out about the effects of the previous action, i.e. immediate or delayed feedback. On this basis, they distinguished commonly known types of culture: tough-guy macho culture, work-hard play-hard culture, process culture and bet-your-company culture. R. Harrison [1992] and Ch. Handy [1993] adopted on the one hand the opposition of individualism–collectivism and on the other hand the opposition of external control–internal control as the criterion for diagnosing cultures, which led to distinguishing the following organisational cultures: the culture of power, role, support and success. K.S. Cameron and R.E. Quinn [2003, 2006] in turn, adopted as the basis for distinguishing between cultures the criterion of effectiveness, such as flexibility and freedom to act, stability and control and also the criterion of concentration on integration and unity, i.e. on external matters, and on rivalry and differentiation, i.e. the position in the environment. Thus, the cultures of hierarchy, market, clan and adhocracy have been distinguished. G.H. Hofstede's typology is among the most popular typologies. He proposed a model of an organisational culture of an enterprise by using the already known and slightly modified criteria, such as the distance towards power, individualism–collectivism, the extent to which uncertainty is avoided, and complementing them with masculinity–femininity and Confucian dynamism. The model comprises the following cultures: supporting individual initiatives and small groups; stabilisation and safety; fulfilling tasks and structure and routine processes. In his model, G.H. Hofstede showed orientation towards rivalry and collaboration and structure and people.

Another typology of organisational cultures can be proposed if we take into account orientation towards confrontation and expectation of collaboration and mutuality. It allows us to distinguish the following types of organisational cultures at different levels of collaboration (figure 1):

1.



2. the culture of avoidance of cooperation is characterised by concentrating on the organisation's own, usually niche domain, and on internal shareholders; typical for enterprises not oriented towards expansion;
3. the competing culture, based on the assumption that the organisation's environment is not friendly and at the same time dynamic and turbulent, which requires continuous strengthening of competitiveness; the culture characteristic for most enterprises, as defeating one's competitors is a universal goal in market economy;
4. the collaboration culture, characterised by aiming at greater efficiency thanks to collaboration with other organisations based on the principle of mutuality; the collaboration culture can have a relatively lasting character, as in case of public and non-governmental organisations managed in a modern manner; it may also have a temporary or partial character, e.g. during a strategic alliance; or it can include relationships with some organisations that collaborate in order to compete with others;
5. the agreement culture is connected with the combination of cooperative orientation with aiming at retaining *status quo*, or results from the dependence on a stronger partner, e.g. non-governmental organisations, suppliers etc.

The nature of the agreement culture is influenced by the differences between the achievement of goals (thanks to intra-organisational collaboration) and their implementation (based on inter-organisational collaboration). In the former case, the object of management is a given organisation; in the latter – the process of collaboration between two or more organisations. It means the necessity of taking systematised actions by the initiating organisation, such as, for example [Lank 2007, pp. 25–55]: conducting an audit of relations

with other organisations; building a relation of collaboration and testing it; assigning employees involved in collaboration; selecting potential partners; taking preparatory action; negotiating the organisational and legal form and the manner of management, and particularising mutual goals.

Referring to N.J. Adler's classification, one can state that the culture of collaboration is characterised by organisational synergy.

#### **4. The culture of collaboration and the ability of inter-organisational collaboration**

In Poland, organisations' ability of inter-organisational collaboration has not been studied yet by management studies. The starting point for defining what this category is, is differing between an individual and organisational ability of collaboration [Lank 2007, pp. 159–167]. The former is defined as an individual potential of a member of an organisation, which includes: knowledge, skills and attitude, enabling the achievement of particular results of collaboration. The latter includes the processes of basic activity: organisational competence and organisational culture.

E. Lank's concept shows two significant weaknesses. The first one consists in not taking into account the rule that individual competence harmonised with other components of an organisation and with the whole system is an initial condition for building an organisation's competence. All cooperating groups, that is leaders and sponsors, directly involved persons and those supporting the collaboration processes, due to sharing knowledge and the skills of using it in practice, and also due to the cooperative attitude, are able to model an organisation in such a way that its ability to cooperate with organisations becomes its attribute. Therefore, separating the individual ability of collaboration from the ability of the entire organisation seems unjustified.

Another weakness of the author's thesis is that it aggregates the components of an organisation's ability of inter-organisational collaboration to a too great extent. The ability of inter-organisational collaboration needs to be defined in greater detail and discussed from a slightly different point of view since it does not include only the processes of basic activities, i.e. organisational competence and organisational culture. This requirement concerns all mutually related components and the organisation as a whole. If they are modelled in such a way that a given organisation, due to its collaboration with other organisations, is able to achieve its goals in a more efficient way than if it was not using this instrument, than it can be stated that it has an ability of collaboration (Table 1 and 2).

No.	Collaborating groups	Knowledge	Skills	Attitudes
1.	Leaders and sponsors of collaboration	Joint understanding of the strategic meaning of collaboration.	Efficient sponsorship and support for collaboration inside the organisation.	Respect for partners, treating the cooperative relation as the organisation's capital.
2.	People directly involved in collaboration on strategic level	Joint understanding of the strategic meaning of collaboration and achieving practical effects.	Modelling the relation. Project, conflict and shareholders management.	Ambassador of collaboration inside and outside the organisation. Flexibility and ability to adapt. Tolerance towards ambiguity.
3.	People supporting collaboration on operational level	Clarity concerning the results expected from joint action. Good interpersonal relations with main shareholders.	Planning and organizing. Project and shareholders' management.	Sensitivity to the needs of different shareholders.

Source: adapted from: [Lane 2007, p. 160].

**Table 2.** Components of an organization's competence for inter-organizational collaboration

No.	Components	Desired state
1.	Goals and values	Depending on the motive of taking up an organised activity. Paying attention to the satisfaction of external and internal clients.
2.	Organisational structure	Flexibility, processing, downsizing.
3.	Main competence of managers	Transformational leadership for collaboration. Competence related to values and instrumental competence; task-based, professional, political and ethical competence.
4.	Competence of specialists	Knowledge, skills and attitudes that allow to act as sponsors, relationship managers, coordinators, project managers, facilitators of operations undertaken within the framework of collaboration.

5.	Organisational culture	Openness, creativity, flexibility, teamship, awareness of values, convictions and other elements of organisational culture, respecting the opinions of other people.
6.	Management process	Management based on subordination and non-subordination relationships and mutual goals and convictions. Expanding coordination and communication functions.
7.	Relationships with internal shareholders	High level of internal social responsibility.
8.	Relationships with external shareholders	High level of external social responsibility.
9.	Main management instruments	Team management, project management, trust management, benchmarking, cooperative learning, empowerment, coaching, mentoring, management through communication, managerial coordination and self-coordination.

Source: inspired by: [Lane 2007, p. 163].

Therefore, an organisation's ability to collaborate means a particular combination of its features leading to the achievement of organisational goals or contributing to their achievement to a great extent. The following components that have features related to collaboration can be distinguished: organisational goals and values, structures, competence of managers and employees, organisational culture, management functions with particular emphasis put on coordination and communication, relationships with the environment, and also instruments used in the management processes.

In the proposed definition of an organisation's ability to collaborate it is important that the two types of the ability isolated by E. Lank are combined and not treated separately. The individual potential of employees, enhanced by an interorganisational effect of synergy, should be regarded as a consistent part of the analysed notion, resulting from treating people as the most important component of an organisation, the one that influences the relationships with the environment.

Therefore, the following conclusion can be formulated: if an organisation has an ability to collaborate, this ability allows it to build collaborative advantage, which in turn leads to the organisation achieving its goals in a more efficient way.

By creating the collaboration culture, an organisation gains an ability to collaborate, which in turn results mainly in gaining collaborative advantage. Its theoretical grounds should be sought in the relational exchange theory and the relational approaches towards organisation strategy. It is based on the assumption that there exist privileged relationships established by an organisation with

selected partners from its environment. According to this approach, competition becomes a secondary mechanism while voluntary agreements, which exceed the logic of the rules of free competition, come to the fore.

In the Anglo-Saxon literature, the definitions of collaborative advantage vary in respect to the degree of their particularisation and the scope of their meaning. According to some researchers, collaborative advantage is merely a propensity to be a good partner [Kanter 1994 quotation from Huxham 1996, p. 15], while according to others, it is the kind of “invisible products” of collaboration – such as shared knowledge and mutual understanding [Hickling 1994 quotation from Huxham 1996, p. 15]. Other researchers treat collaborative advantage as a complex category, however, they agree as far as its essence is concerned, that it is the output of collaboration that could not have been achieved except through collaborating efforts [Huxham 1996, pp. 15–16; Kozuch 2004 pp. 234–236; Lank 2007, pp. 7–9].

Among the external factors of gaining such an advantage there are: [Gray 1996, p. 59]:

1. rapid economic, technological, and social changes;
2. globalisation;
3. differences between public, business and non-governmental sectors are becoming blurred;
4. shrinking revenues for social programmes;
5. differing perceptions of environmental risk.

Among the internal factors of gaining collaborative advantage there are:

1. complementary competence of organisations;
2. good personal relationships with potential partners;
3. offices close to each other;
4. the partners’ possibility of using good relationships with the environment, such as their relationships with clients and market credibility [Lank 2007, p. 37].

Collaborative advantage is conducive to a more efficient achievement of an organisation’s goals and hence, to the development of the organisation. Knowledge is shared, resources are jointly used, the individual competence of managerial staff and employees, and also of entire organisations – participants of cooperative processes – increases.

In practice, inter-organisational collaboration as a management instrument encounters many barriers, which can be demonstrated by the example of a local government administration’s ability to collaborate.

One of the reasons for insufficient use of this instrument may result from the fact that collaboration is perceived as a form of an activity imposed by the law. Therefore, certain administrative bodies treat inter-organisational collaboration

as a mere formality. Over five years, the situation has improved significantly [Kożuch 2004, pp. 239–243]; however, the orientation towards the client and collaboration is still underestimated, or not sufficiently valued.

The fact of the existence of serious barriers for inter-organisational collaboration is demonstrated by certain answers provided by the members of the top managerial staff of local government offices (LGOs) to the question if they could “enumerate 5 institutions interested in the effective operation of the office” [Kożuch 2009]: “I cannot name such institutions at the moment”, “I am not going to answer this question; it is weird”, “I am not authorised to provide such information”, “I cannot answer this question; all the institutions that we cooperate with, and there are hundreds of them – I cannot choose”, “I am not sure if I am able to speak for other external institutions or judge which of them would be actually interested in the efficient functioning of the LGO”, “I cannot name such institutions; I think that hardly anyone is interested in the efficient operation of the office”, “I do not know; we mainly provide services to the citizens and other people from outside of the commune, who have some interests here”.

The basic barrier independent of the social-economic sector is that organisations are not adequately prepared for collaboration.

The discussion about the ability of inter-organisational collaboration and the conditions of gaining collaborative advantage shows that this concept is poorly known among both management practitioners and theoreticians.

## 5. Conclusion

The discussion in the paper leads to the conclusion that from the perspective of the development of modern organisations it is important to have both the ability to compete and the ability to cooperate. The domination of one of them derives from the logic of their functioning, which is determined by their motives for starting an organised activity. However, the changing environment demands that this dominating ability is complemented. For enterprises, it is more important to build competitive advantage, whilst building collaborative advantage is of a complementary significance. The situation of public organisations is right the opposite. For non-governmental organisations – depending on the areas of their activity and organisational forms – the importance of both kinds of advantage may be more balanced.

## Abstract

*The paper attempts to study the essence of organisational culture, singled out in line with the criteria related to inter-organisational collaboration and the competence essential for this collaboration. The paper proposes a new typology of organisational culture, comprising the following: the culture of avoiding of collaboration, competing culture, collaboration culture and agreement culture. The paper also introduces the notion of an organisation's ability to collaborate and defines it as a particular combination of an organisation's features leading to*

*an efficient achievement of the organisation's goals or contributing to the achievement of these goals to a great extent due to inter-organisational collaboration. Building cooperative advantage is considered as the main condition for achieving this ability. The paper also shows that in practice, the use of organisational collaboration as a management instrument encounters many barriers.*

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## **Organizations' Anti-Corruption Declarations And Reporting Practices From Multi-Culture Perspectives – Research Report Summary**

### **1. Introduction**

Over the last few years the issue of corruption has attracted renewed interest both among academics and policymakers. Today corruption is acknowledged as a key factor in preventing development in large areas of the world, and accordingly a vast array of projects and tools have been developed to fight effectively against and to build a strong organizational system of immunity to corruption. The study of corruption and its effect in the workplace has become one of the 21st centuries' most exciting and burgeoning fields of research.

Corruption is a widespread phenomenon that has existed from the earliest times and is prevalent everywhere, both in poor and in rich countries. It was Confucius who said that authority seduces human beings and that it ruins them. In the 1500-year-old Talmud, over 100 of the 613 commandments intended to regulate the daily conduct concerning business and economic affairs [Ashforth, Gioia, Robinson & Treviño 2008]. Over two thousand years ago, Kautilya, the minister of a Hindu king, described this phenomenon in Arthashastra [cf. Lewicka-Strzalecka 2001]. In ancient Babylon and Egypt, corruption was

prevalent within the judicial milieu. Furthermore, in the Greece of Solon and Pericles, the high level of public morality was a form of protection against the development of corruption (efficient systems of controlling public persons were applied). In Rome, corruption affected the governors of provinces, owners of manufactories, leaseholders of mines as well as tax collectors. Bribers appeared in the deepest parts of hell described by Dante and Shakespeare also indicated venality as the aspect of human nature. The temptation of bribery that the organizing committee was faced with influenced the decision that the Winter Olympic Games in 2002 should be held in Salt Lake City. It is also present among the members of the European Commission. In the 1990s, corruption was also the cause of the collapse of the governments of Italy, Brazil, Pakistan and Congo Democratic Republic. It was also the reason for the dismissal of President Suharto from Indonesia. However, despite corruption being a timeless temptation and prevalent everywhere, its level and scope are very diverse. The omnipresence of corruption is linked to its wide variety of forms. Corruption can be compared to a virus or bacterium, which is immune to various remedies, occurs in untypical places and takes various forms. However, the medical metaphor which compares corruption to cancer seems more pertinent. This metaphor is derived from the fact that like cancer, corruption takes on many different forms and often leads to the destruction of the entire organism in which it develops; however, there are instances where it can be overcome and prevented.

The public statements on anti-corruption policies and reporting practices are one of the crucial steps in a company's anti-corruption activities. Open declarations of this kind encourage the development of management systems which help companies to "walk the talk". The main purpose of this paper is to look at anti-corruption materials published on the websites of the biggest companies in Australia, New Zealand, Poland and Ukraine. One of the foundations of any anti-corruption policy is its visibility both inside and outside an organization. In this paper we present the results of international research about organizations' anti-corruption declarations and reporting practices.

## 2. Research problems & studied companies

On days 01.03.2009–31.07.2009 materials included on websites of the top 50 largest enterprises in Australia, New Zealand, Poland and Ukraine were analyzed. The companies were chosen according to different criteria, depending on the country:

- For Australia: top 50 largest publicly listed companies in Australia (as rated on the ASX 500),
- For New Zealand: top 50 companies listed by the NZ Stock Exchange in the NZX 50 Portfolio Index, based on market capitalization<sup>1</sup>,

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<sup>1</sup> They are not necessarily the largest companies in New Zealand. Notably, Fonterra, the largest

- For Poland: top 50 largest enterprises in Poland identified on the base of Rating of top 500 largest enterprises in Poland in 2007 (published by “Tygodnik Polityka”<sup>2</sup>),
- For Ukraine: top 50 largest enterprises in Ukraine, identified on the base of Rating of top 100 largest enterprises in Ukraine in 2008 (published by “Investgazeta”<sup>3</sup>).

Analyzed materials are available for public audience, do not require logging in or using a password, moreover, they were not collected as a result of correspondence with any representative of examined enterprises. A part of information was collected as separate files included on analyzed websites. Studied enterprises represent sectors presented in Table 1.

**Table 1.** Sectors represented by studied enterprises

SECTOR BASED ON SIC INDEX CATEGORIES	Australia	New Zealand	Poland	Ukraine
Division A. – Agriculture, forestry, & fishing (01–09)	0	3	1	1
Division B. – Mining (10–14)	8	1	8	6
Division C. – Construction (15–17)	2	1	1	1
Division D. – Manufacturing (20–39)	6	12	25	31
Division E. – Transportation & pub. utilities (40–49)	7	13	6	5
Division F. – Wholesale trade (50–51)	2	0	0	0
Division G. – Retail trade (52–59)	3	4	9	6
Division H. – Finance, insurance, & real estate (60–67)*	14	11	0	0

\* In Poland and Ukraine there are separate rankings for financial & industry sectors, so there no companies from these sectors.

dairy company in the world and also New Zealand’s largest company, is a co-operative owned by 11 000 farmers and shares are not traded. Indeed, the list does not represent the New Zealand economy accurately as tourism, the primary sector and production of basic food (notably meat, dairy and beverages) amount to over 25% of GDP (<http://www.mfat.govt.nz/posts/pdf/paris-overviewnzecconomy.pdf>).

<sup>2</sup> Ranking 500, “Polityka”, No. 18 (2652), May 3rd 2008, pp. 6–7.

The test group was selected on the basis of selection of special-purpose (50 top positions in the rating), so it represents the most lucrative industries. Thus, an attempt does not reflect the general trends in Poland, but only gives a picture of the situation observed in some of the most profitable sectors of the economy.

<sup>3</sup> <http://www.investgazeta.net/?p=top100-about> The test group was selected on the basis of selection of special-purpose (50 top positions in the rating), so it represents the most lucrative industries. Thus, an attempt does not reflect the general trends in Ukraine, but only gives a picture of the situation observed in some of the most profitable sectors of the economy.

Division I. – Services (70–89)	8	5	0	0
Division J. – Public administration (91–97)	0	0	0	0
Division K. – Nonclassifiable establishments (99)	0	0	0	0
TOTAL	50	50	50	50
GROSS TOTAL	200			

Source: authors' study based on conducted analysis.

We wanted to answer the following research questions:

1. How many of the largest enterprises in Australia, New Zealand, Poland and Ukraine make public statements on corruption on their websites?
2. What kinds of anti-corruption commitments do these statements contain? Does a common view on the kinds of business practices that are acceptable and on effective management tools emerge from them?
3. How do companies manage the fight against corruption?
4. Do companies report on their performance in this area?

In addition we would like to propose the hypothesis

H1: There is a positive relation between CPI (Corruption Perceptions Index surveyed and published by Transparency International) & public transparency of anti-corruption policy; in other words the company from the country with a higher position in the CPI tends to present a higher level of public transparency of anti-corrupt policy. The Transparency International CPI measures the perceived levels of public-sector corruption in a given country and is a composite index, drawing on different expert and business surveys. To prove that hypothesis we used the results of 2008 Transparency International research. Table 2 presents the results of 2008 Corruption Perceptions Index.

**Table 2.** 2008 Corruption Perceptions Index (CPI)

Country Rank	Country	2008 CPI Score
1	Denmark	9,3
<b>1</b>	<b>New Zealand</b>	<b>9,3</b>
1	Sweden	9,3
4	Singapore	9,2
5	Finland	9,0
5	Switzerland	9,0

7	Iceland	8,9
7	Netherlands	8,9
9	<b>Australia</b>	<b>8,7</b>
...		
58	<b>Poland</b>	<b>4,6</b>
...		
134	<b>Ukraine</b>	<b>2,5</b>

Source: Transparency International, [http://www.transparency.org/news\\_room/in\\_focus/2008/cpi2008/cpi\\_2008\\_table](http://www.transparency.org/news_room/in_focus/2008/cpi2008/cpi_2008_table)

### 3. Methodology & results

The methodology was based largely on the development of the OECD<sup>4</sup>. In these studies, however, the number of criteria used for the analysis has been narrowed to the thirteen categories listed in Table 3. Table 3 presents the number of indications of the categories in the test sample in the individual countries.

**Table 3.** Statements on corruption of the top 50 largest enterprises in Australia, New Zealand, Poland & Ukraine

	CATEGORY	DESCRIPTION	Australia	New Zealand	Poland	Ukraine	Total
1	CORRUPTION	statements that indicate company's anti-corrupt policies; statements mentioning only integrity or ethical conduct, without further elaboration or mention of bribery and/or corruption, have not been included	34	12	15	5	66
2	BRIBERY	statements that indicate the prohibition of offering and receiving „gifts”, „services”, „entertainment”, and other „benefits” as well as materials that explain how those terms are understood by the company	37	19	7	6	69

<sup>4</sup> OECD: Business Approaches to Combating Corrupt Practices, Working Papers on International Investment, Number 2003/2, June 2003, <http://www.oecd.org/dataoecd/63/57/2638716.pdf>.

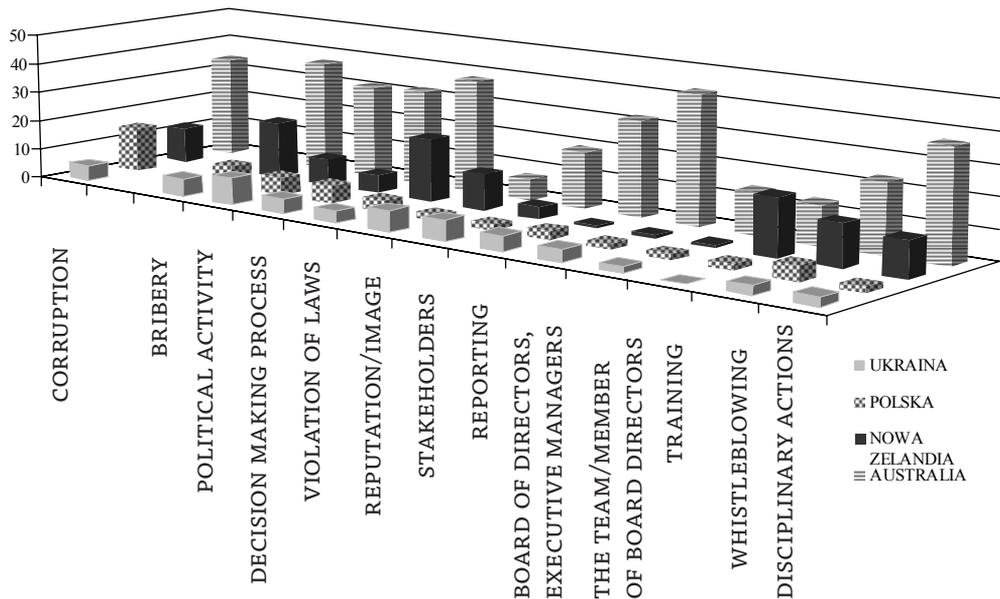
3	POLITICAL ACTIVITY	company's approach to the political activity of the enterprise as well as of its employees	31	9	6	9	55
4	DECISION MAKING PROCESS	statements that indicate situations when a particular behavior seems to influence decision making	32	6	6	5	49
5	VIOLATION OF LAWS	statements that indicate activities and behaviors against the law and possible legal sanctions	38	21	4	4	67
6	REPUTATION/IMAGE	statements including information about activities and behavior of a company and its employees that might influence negatively the company's reputation or image as well as the reputation and image of a third party	7	12	2	7	28
7	STAKEHOLDERS	statements that indicate the necessity of following the same ethical principles by company's subsidiaries, agents, co-operants and the other stakeholders	19	4	2	7	32
8	REPORTING	statements that indicate the rules of reporting, including financial reporting	32	1	3	5	41
9	BOAR OF DIRECTORS, EXECUTIVE MANAGERS	statements including the role of Board of Directors in implementing the anti-corrupt policy aside from the acceptance of the Code of Conduct; statements including nominating the team, member of Board of Directors or another person responsible for implementing the anti-corrupt policy; statements including managers' commitments to implementing, monitoring and conducting periodical reviews on anti-corrupt activity in the company	43	1	2	4	50

10	THE TEAM/MEMBER OF BOARD OF DIRECTORS	statements including commitments of the team, member of Board of Directors or another person responsible for company's anti-corrupt policy realization	14	1	2	2	19
11	TRAINING	statements that indicate the necessity of including anti-corrupt issues in trainings	13	19	2	0	34
12	WHISTLEBLOWING	statements that indicate corporate ombudsman, contact persons or supervisors, other managers, telephone hotline, a compliance officer or committee, an off-site ethics post office box, and/or a dedicated email account as the information channel for possible or observed violations of the company's anti-corrupt commitment; statements that indicate providing the protection for whistleblowers	23	14	5	3	45
13	DISCIPLINARY ACTIONS	statements indicating that company will take disciplinary action in case of non-compliance with the company's anti-corrupt commitments	37	12	2	3	54
TOTAL			360	131	58	60	609

Author's study: based on OECD: Business Approaches to Combating Corrupt Practices, Working Papers on International Investment, Number 2003/2, June 2003 and conducted analysis.

Figure 1 presents the results of the survey:

**Figure 1.** Number of statements on corruption of the top 50 largest enterprises in Australia, New Zealand, Poland & Ukraine



Source: authors' own study.

#### 4. Results Australia

The category of "corruption" was directly mentioned in 68% of studied companies, moreover, those statements included such expressions as "corruption", "bribery", "fraud" and synonymous, such as:

*You may never provide, offer or promise, either directly or through an intermediary, a financial inducement or bribe. Tabcorp will report any actual or intended bribery or corruption to the appropriate law enforcement agencies.*

Source: <http://www.tabcorp.com.au/>

*The purpose of this Policy is to provide guidance to staff on how to identify, report, and help prevent fraud or corruption occurring at ANZ.*

*A key objective of the Policy is to support and enable the right organizational culture to proactively prevent fraud and corruption.*

Source: <http://www.anz.com.au/about-us/our-company/corporate-governance/>

Statements directly relating to the corruption are usually included in separate files such as codes of ethics, codes of conduct, reports on social responsibility or reports on companies' performance (as an element of investor relation websites). Furthermore, materials about anti-corrupt policy were available under headings such as Company's Values

The above general recognition of ethical issues, although that does not relate directly to the application of the anti-corruption policy, may take them into account.

Industries that have websites that score relatively well in terms of the presence of anti-corruption elements include finance, manufacturing and include the services sectors. Representatives of these sectors on their websites include the information that reflects the most comprehensive enterprise approach to the issue of corruption:

- AGL Energy, the ANZ and Wespac banks which include all 13 categories used in the analysis,
- BHB-Billiton, CSL and Stockland include 12 categories
- QBE insurance, Cocal Cola Amatil, Orica mining and Insurance Australia all have 11 of the 13 possible categories

Other issues

- Of course, these codes are only indications of a company's actual behavior in reducing corruption. The cautionary example of Enron is particularly relevant here as they had extensive ethical codes and espoused values in line with ethical and anti-corrupt business practices but the reality of their deeds showed otherwise.
- Only a few companies made online translations of their codes of ethics and codes of conduct into languages other than English available
- While all companies had their codes available to the public through their websites and many of the documents were easily accessible, several companies had their codes buried deep in their websites and they were difficult to find.
- Some companies had several detailed codes for particular areas such as the board members and whistle blowing policies, while others had just one general code to cover all workforce categories.
- The level of detail varied considerably between the companies and ranged from statements of just 2-3 pages to very extensive documents of 20-30 pages.
- There was quite a lot of variation in the types of topics that the codes covered, for example, several codes not only included sections on the more common topics of bribery and fraudulent behavior but also included statements about conflict of interests, share holdings, insider trading, misleading information and full disclosure procedures.

## 5. Results New Zealand

Perhaps surprisingly, only 12 of the NZ companies have anti-corruption statements (including bribery of officials) on their websites. Interestingly, 19 New Zealand companies have policies on accepting and offering gifts. Moreover, if companies that explicitly forbid insider trading and require conflicts of interest to be declared and properly managed are included, the New Zealand total rises to 23.

Roger Kerr, Executive Director of the NZ Business Round Table, argues that *Civil societies have always promoted well-recognized virtues – independence, self-reliance, community responsibility, duty to family, hard work, thrift, honesty, sobriety and so forth. These virtues are important in transacting with others, just as much in commercial settings as they are in non-commercial settings.*

*... [M]any features of business activity strongly encourage moral behaviour. One is that markets are based on trust. If two people are to make a voluntary exchange, there must be a degree of trust that both will stick to their sides of the bargain. To be trusted it helps materially that you exhibit good character and ethical behaviour – that you are honest, fair to people, and deal in good faith. Because legal contracts can't cover every contingency and are costly to enforce, reputation and integrity are particularly important in business relationships.*

*Another cardinal virtue of business is honesty, and a high proportion of the business scandals that do erupt involve lapses of honesty. A business needs to be honest to the various parties who rely on its word – to its employees, its suppliers, and its consumers, and to the capital market through the integrity of its financial reporting. But there are other ethical virtues that commercial businesses have every incentive to display. They will be encouraged, for instance, to treat people and other organizations on their individual merits. A truly profit-maximizing business will not be racist, or sexist, or xenophobic, because to act in these ways will hurt the bottom line of the company...*

*Moreover, since markets involve inter-personal cooperation, they also encourage the development of characteristics that smooth human relationships, such as courtesy, friendliness, good humor, thoughtfulness and kindness.*

*"Business Ethics and the Market Economy", address to the Chartered Institute of Corporate Management"<sup>5</sup>.*

Even if all this is true, it does not show why New Zealand has so little corruption in business. However, Kerr argues that

*Markets work best when there is a sustaining tradition of personal integrity, honesty, trust, foresight and civil cooperation. This cultural capital is maintained and strengthened when key institutions in the society are all successfully doing their work. (ibidem)*

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<sup>5</sup> [http://www.nzbr.org.nz/documents/speeches/speeches-98/business\\_ethics\\_and\\_the\\_market\\_economy.doc.htm](http://www.nzbr.org.nz/documents/speeches/speeches-98/business_ethics_and_the_market_economy.doc.htm)

Most companies have some general statements about ethics and responsibility. APN News and Media requires employees to act *“with the highest level of ethics and integrity in relation to customers, suppliers, competitors, each other and all others with whom they deal”*.

Source: <http://www.apn.com.au/pdf/radF4150.pdf>

Cavalier Corporation, a carpet manufacturer, states its goal as *“To be a good corporate citizen in terms of social and environmental responsibilities, and to conduct business with consistency and absolute integrity at all times.”*

Source: <http://www.cavcorp.co.nz/cbcorporate/corporate-overview/mission-statement.cfm>

Food manufacturer Goodman Fielder defines “Corrupt conduct” as *“the dishonest or partial use of power or position over another which results in one person/group being advantaged over another”* including insider trading, as well as *“official misconduct; bribery and blackmail; unauthorized use of confidential information; fraud; and theft”*.

Source: <http://www.goodmanfielder.co.nz/PDF3i%20code%20of%20conduct%20of%20employees.pdf>

A typical statement on gift policy is that of Auckland Airport: *All employees must not seek or accept any type of compensation, fee, commission, gift, entertainment or other gratuity ... beyond common courtesies of minimal value associated with general commercial practice.*

Source: [http://www.aucklandairport.co.nz/Corporate/ManagementAndGovernance/~/\\_media/Files/Corporate/EPCC.ashx](http://www.aucklandairport.co.nz/Corporate/ManagementAndGovernance/~/_media/Files/Corporate/EPCC.ashx)

Some companies go into considerable detail in identifying areas of corruption. ANZ Banking has a Global Fraud and Corruption Policy, a Global Anti-Bribery Policy, and an Anti-Money Laundering and Counter Terrorism Financing Program, and all employees are required to undertake training in these areas.

Accessible from <http://www.anz.co.nz/about-us/corporate-responsibility/values/>

The Sky City Entertainment Group’s (whose business includes a number of casinos) Code of Business Practice states,

*The company co-operates at all times with Police and regulatory agencies in respect of illegal or criminal behavior or activity and also in terms of undesirable or inappropriate behavior or activity, including but not limited to loan sharking and money laundering.*

Source: <http://phx.corporate-ir.net/External.file?item=UGFyZW50SUQ9MzI4fENNoaWxkSUQ9LTF8VH1wZT0z&t=1>

As well as formal statements, some companies have tried to relate organizational ethics to everyday ideas: For instance, AMP (Insurance) states, *“Fairness is treating others in the same manner that you would want to be treated”*.

Source: <http://www.amp.com.au/vgn-ext-templating/v/index.jsp?vgnnextoid=49a950665a6cc110VgnVCM1000002930410aRCRD>

## 5. Results Poland

The category of “corruption” was directly mentioned only in 30% of studied companies, moreover, those statements included such expressions as “corruption”, “bribery”, “fraud” as well as synonymous ones:

*CEDC implemented the Code of Conduct that sets out in detail what rights and obligations (except for this included in law) has a CEDC employee and the situations that are considered to be unethical or contrary to the interests of the company. According to that document, as well as in accordance with the accepted principles and daily practice, CEDC employees shall avoid conflicts of interest, influence on business decisions by external factors, transmitting or receiving gifts with a value exceeding the nominal value of determining the boundaries, will not practice nepotism, will not discriminate against nor favor collaborators nor other situations to avoid unethical behavior in dealing with superiors and colleagues.*

Source: <http://www.cedc.com.pl/about1.html>

*Shell Company puts a special emphasis on the principles of honesty and fair play in all aspects of its business and expect this approach from all with whom it deals. The direct or indirect offer, transfer, acquisition and acceptance of bribes in any form is unacceptable.*

Source: [http://www.shell.com/home/content/pl-pl/about\\_shell/how\\_we\\_work/jak\\_dzialamy\\_04112003.html](http://www.shell.com/home/content/pl-pl/about_shell/how_we_work/jak_dzialamy_04112003.html)

*The fact that actions consistent with the idea of social responsibility, sustainable development of firms are actually relevant to the company PGNiG Capital Group, has been manifested by the accession of Pomorski System Dystrybucyjny in February 2008 to the Global Compact. Global Compact is an initiative (...) which calls for businesses to conduct their activities in accordance with the ten basic principles relating to human rights, labor rights, environmental protection and **anti-corruption**.*

Source: Annual Report 2007 GK PGNiG SA

Some of the statements (five cases) relating to corruption are very similar to the last one of those presented above and are an adoption of the rules of the Global Compact. In such cases they are not developed and do not include statements from other categories.

Statements directly relating to the corruption are usually included in separate files such as codes of ethics, codes of conduct, reports on social responsibility or reports on companies performance (as an element of the investor relation websites). Furthermore, materials about anti-corrupt policy were available under headings such as Company's Values, Company's Activity, Press Information as well as Corporate Social Responsibility (CSR). A large number of studied companies (15) do not mention corruption directly but they recognize the need of ethical conduct<sup>6</sup>:

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<sup>6</sup> Among the 15 identified companies, which in their policies take into account the

*Vision – Mission – Values: Polkomtel SA as a customer-oriented company, with the highest ethical standards, innovative, efficient and socially responsible.*

Source: [http://www.polkomtel.com.pl/polkomtel\\_sa/Default.aspx](http://www.polkomtel.com.pl/polkomtel_sa/Default.aspx)

*Our commitment to the community means **acting in a fair and responsible way and being a good neighbor.***

Source: [http://www.tesco.pl/o-nas/csr\\_1-NaszePodejscie.php](http://www.tesco.pl/o-nas/csr_1-NaszePodejscie.php)

The above general recognition of ethical issues, although it does not relate directly to the application of the anti-corruption policy, may take it into account.

Industries that are represented by the companies all of which relate to the issues of corruption or, at least, take into account the ethical issues in their activities are the oil industry as well as the brewery and alcoholic beverages ones. Representatives of these sectors include on their websites the information that reflects the most comprehensive approach of the enterprise to the issue of corruption. For example:

- Code of Ethics of PKN Orlen SA includes all of the 13 categories used in analysis,
- Code of Conduct of BP (directly adopted from foreign branches of the corporation) includes 12 categories (with the exception for “training”),
- Principles of business ethics of Grupa Żywiec SA take into account 3 criteria (“corruption”, “bribery” and “reporting”),
- The Values of Grupa Kapitałowa CECD include 4 criteria (“corruption”, “bribery”, “decision making process” and “whistleblowing”),
- Grupa Shell Polska, within the information about its activity relates to 5 categories (“corruption”, “bribery”, “political activity”, “decision making process”, “violation of laws”).

Beyond the industries mentioned above, only two representatives relate to more than 2 categories used in the analysis, namely:

- Grupa Carrefour Polska in its brochure “Grupa Carrefour – the creator of responsible exchange. Our reply to the challenges of contemporary society” relates to “corruption”, “training” and “whistleblowing” (3 categories),
- Grupa Polimex-Mostostal (engineering and construction industry) in its Code of Ethics takes into accounts such issues as “corruption”, “bribery”, “decision making process” and “whistleblowing” (4 categories).

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ethical issues of the case, there were not included the companies involved in CSR activities in the field of environment only.

## 6. Results Ukraine

Close connection between business and political activity is a general tendency in most enterprises of Ukraine – practically all studied enterprises include in their boards of directors the representatives of politics, including politicians and officials of the highest rank.

The category “corruption” was mentioned directly in only 10% of studied companies.

Some companies widely enough present the problems of corruption, violation of laws, bribery and contraband goods widely enough. For example:

*“Ukrzaliznitsya” calls the representatives of the law to be more active in counteracting the criminal trespass on a load.*

Source: <http://uzinfo.net/ua/events/8178>

*From the beginning of the year the workers of the militarized guard of the Donetsk railway detained 131 plunderers.*

Source: <http://uzinfo.net/ua/events/7717>

*The ministry of transport of Ukraine counteracts the corruption in “Ukrzaliznitsya”.*

Source: [http://uzinfo.net/ua/events\\_other/4452](http://uzinfo.net/ua/events_other/4452)

*The Dnepropetrovsk transport office of the public prosecutor raised a criminal action due to the contamination of grounds by the substances harmful to the environment.*

Source: [http://uzinfo.net/ua/events\\_other/4452](http://uzinfo.net/ua/events_other/4452)

Unfortunately, enterprises which are monopolists in the spheres of economy, such as “Ukrtelekom”, “Volia-cable”, “Ukrposhta”, Factory of the O. Antonova are open to corruption more frequently than others, for example, by the groundless raising of tariffs.

However, on the sites of these companies there is hardly any mention of criteria for the analysis of corruption. Most information about corruption charts can be found on the site of the Antimonopoly committee of Ukraine (<http://www.amc.gov.ua/amc/control/uk/index>) or on different forums, and also in mass media. Monopolistic position of such enterprises also allows them to ignore 10 basic principles of the Global Compact of UNO, which concern human rights, standards of labour, environment and fight against corruption.

Thus, the companies of those spheres of economy, in which competition is strong enough, join experience of the best practice with social corporate responsibility.

Socially directed policy of the company emphasizes its status at the market. Therefore, in Ukraine the companies practice CSV more frequently than other powerful financial-industrial groups. These are “XXI Age”, “Obolon”, “Farmac”, “Kyivstar”, “MTS-Ukraine”, “Systems Capital Management”, and others. One may find these companies, and many others, among subscribers of the Global Compact.

Some of the statements (five cases) relating to corruption are very similar to the last one of those presented above and are adapted from the rules of the Global Compact. In such cases they are not developed and do not include statements from other categories.

Statements directly relating to corruption are usually included in separate files such as codes of ethics, codes of conduct, reports on social responsibility or reports on companies' performance (as an element of investor relation websites). Furthermore, materials about anti-corrupt policy are available under headings such as Company's Values, Company's Activity, Press Information as well as Corporate Social Responsibility (CSR). Majority of studied companies do not mention corruption directly but they recognize the need of ethical conduct:

*«Obolon» – a national company which deserves to represent Ukraine in the world because of its high status –not only prestige but also responsible attitude toward the product, its users, personnel and partners. The corporate responsibility of “Obolon” consists in the harmonious coexistence, co-operation and permanent dialog with the society. Thus «Obolon» steadily adheres to principles of openness, transparency, clear planning and effectiveness.*

Source: <http://www.obolon.ua/ua/partnership/>

*Social responsibility of “Kyivstar”, the way their approach is related to the manner of conducting business, is based on the following assumptions:*

- *Social responsibility – the voluntary choice of our company.*
- *Social responsibility – the method of active participation in the development of the Ukrainian society.*
- *Social responsibility – forms, methods and philosophy of conducting our business. It affects strengthening the reputation and, hereupon, the capitalization of business.*

Source: <http://www.kyivstar.ua/responsibility/>

Unfortunately, companies very often declare principles of the social responsibility of business on their web-sites, but in the reality they not only do not execute but even violate them:

*The main health-officer of Kremenchug, Victor Acimov, criticizes severely «Ukratnafta» for the leak of unrefined industrial waters in a pond in a mud flat in Bondari (Poltava region). He called a lie the information widespread by «Ukratnafta» that the company has the greatest in the industry index of aquatic awareness and is the only oil processing factory which works without disposing of industrial waters into the opened reservoirs. The area of contamination coming from the pond encompasses 100 square kilometres, eight villages suffer from it. The doctor protests against the «Ukratnafta's» nomination in the Ukraine-wide competition «Ecological quality and safety» in a category «Ecological perfection». But they have already got a reward...*

Source: <http://bi.poltava.ua/index.php?go=News&in=view&id=45>

*I have never seen Such corruption and bribery as in the Lvov branch of «Kyivstar». Even in MTS it does not reach such scopes .During the process of filling positions such as managers, traffic controllers or IT specialists, people often resort to bribery or other illegal methods. Professionalism is of no consequence. People not connected with business are generally appointed to top positions .And it happens so, because this organization was created to make the narrow circle of top managers and their relatives richer and it does not care for simple Ukrainians, who know it from the TV commercials and billboards. Different actions are performed to strip the Ukrainians of their honestly earned incomes to make the elite richer. Operators, instead of providing professional help, ask a lot of irrelevant questions for a very long time.*

Source: <http://forum.lvivport.com/showthread.php/t=27586>

Sometimes also unfair competition and violation of antitrust legislation take place, which is reported in mass media:

*The Antimonopoly committee of Ukraine officially recommended «Volia-cable» to hold back the groundless rise of charges on the services of cable television and to fix them at an economically justified level. The committee was put on their guard by the inclusion of additional charges into the main one, which corresponds with the exposed corrupt action , which still have to be investigated in more detail.*

Source: <http://www.epravda.com.ua/news/490ceb7a62e3b>

*The Antimonopoly committee of Ukraine fined the company «Ukratnafta» 300 thousand hryvnas for its monopolistic abusive position at the national market of petrol. The committee emphasized that «Ukratnafta» took advantage of the absence of considerable competition at the market of fuel and groundlessly set too high prices on petrol. At the same time «Ukratnafta» officially reported to the committee violation of competition legislation and willingness to pay the fine to the state budget of Ukraine.*

Source: <http://news.liga.net/ukr/news/NU082879.html>

The future of social responsibility of business in Ukraine depends on how important and urgent social problems are for companies. Moral persuasions of business proprietors, pressure from groups of influence, necessity of certification in case of entering foreign markets — all these factors entail defining the Ukrainian essence of social responsibility and individual strategies for separate companies. It is possible to learn from foreign companies and international programs, however, one should not forget their own historical traditions (both old traditions of charity and advantages of the recent communist model) in order to increase efficiency of the programs, systems and processes in a company. The changes are necessary at the highest level, because if the top management of the program of social responsibility is unsupported, the program will be doomed to failure and decline. Only when social responsibility within enterprises is revised, it will be possible to observe the gradual development of the notion of social responsibility of business in the Ukrainian realities.

At the end of our research it should be noted that the international organization Transparency International published the report “Barometer of global corruption–2009” about the level of corruption in the world, according to which Ukraine is on the last place among “new independent countries”.

Such a conclusion was founded on the results of the research of public opinion, which was conducted in 69 countries of the world from October, 2008 to February, 2009. More than 73 thousand Ukrainians were polled. In Ukraine, the following institutions were pointed out as the most corrupted ones: state establishments – 28%, parliament – 25%, justice – 21%. The level of corruption in business was estimated at 11%, in media – 2%. According to the research, 21% out of the polled Ukrainians gave a bribe during the last year. The fight of the Ukrainian authorities against corruption is judged ineffective by 73% polled Ukrainians, non-existent by 19% and 7% think it to be effective<sup>7</sup>.

At the same time the real display of principles of corporate social responsibility at the high level of corruption is impossible, as these two notions are incompatible, as confirmed in Table 3.

Some factors which are important when defining the programs of social responsibility are known to society, for example, the influence of the Chernobyl catastrophe, freedom of speech, , corruption. However, there are some factors which are not openly discussed, but which, nevertheless, are important for companies. Among such “hidden” factors one can find poverty, the spread of AIDS, re-integration of the Crimean Tatars, the state of the system of social care and the educational system in the country. All these factors are to be carefully taken into account when determining the strategy of fight against corruption in Ukraine.

## 7. Some observations

- There is no strong relation between the position in CPI and public transparency of anti-corruption policy, however we can generally say that companies with higher position (New Zealand & Australia) have also bigger public transparency of anti-corruption policy then companies with lower CPI index (Poland & Ukraine)
- The detailed statistical correlations between the position in CPI and public transparency of anti-corruption policy will be the subject of a separate publication
- Only 12 of the New Zealand companies have anti-corruption statements (including bribery of officials) on their websites, compared with, for example, 15 Polish companies.

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<sup>7</sup> [www.pravda.com.ua/news/2009/6/3/95914.htm](http://www.pravda.com.ua/news/2009/6/3/95914.htm)

- In fact, the actual word “corruption” does not figure on the websites of any of the New Zealand companies apart from ANZ Banking and food producer Goodman Fielder. Perhaps this is because New Zealand consistently tops Transparency International’s corruption perception rankings – first equal with Sweden and Denmark in 2008, whereas most recently Poland was ranked 58<sup>th</sup> and Ukraine 134<sup>th</sup>.<sup>8</sup> Thus, New Zealand companies may not feel the need to make anti-corruption statements. However, NZ is generally regarded as having an excellent human right record, yet almost all the company websites include policies against discrimination on the grounds of race and sex, harassment and other human right issues.
- New Zealand’s high ranking does not, of course, mean that there is no corruption in New Zealand business or society in general. There have been several instances of people being swindled out of quite large sums of money by allowing themselves to be induced to invest in entities such as finance companies offering improbably high rates of interest on deposits or to purchase franchises in non-existent businesses. However, these do not concern large or well-established companies. In other areas of the society, corruption is also low. While there has been some public concern about some of the “perks” available to both present and retired members of the Parliament, they are largely transparent and not comparable to those available in Britain. The recent (August 2009) criminal conviction of a New Zealand Member of Parliament<sup>9</sup> for bribery and corruption was the first ever such case in the New Zealand history. Bribery of police and bureaucracy is almost unheard of and offers of such bribes would be likely to result in criminal charges.
- It is interesting to speculate on why there is so little corruption in New Zealand. It is certainly not due to the government control of the economy: New Zealand has gone from being one of the most regulated economies in the world to one of the least regulated.<sup>10</sup>
- Thus, it may be assumed that the low level of business corruption simply reflects the general values of New Zealand society – which, it should be noted, has been a stable democracy with universal suffrage since 1893.
- The level of detail varied considerably between companies and ranged from statements of just 2–3 pages to very extensive documents of 20–30 pages.
- There was quite a lot of variation in the types of topics that the codes covered, for example, several codes included not only sections on the more common topics of bribery and fraudulent behavior but also statements about conflict

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<sup>8</sup> <http://www.transparency.org/publications/gcr>

<sup>9</sup> [http://www.nzherald.co.nz/nz/news/article.cfm?c\\_id=1&objectid=10587391](http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=10587391)

<sup>10</sup> <http://www.nzdmo.govt.nz/publications/nzefo/2009/00.htm>

of interests, share holdings, insider trading, misleading information and full disclosure procedures.

- Although analyzed statements are available to public, they do not fully show the extent to which the company applies anti-corruption policy. A large part of companies may regulate the corruption by their internal documents (rules of work, code of ethics, code of conduct) available only to employees and the stakeholders that meet particular requirements (e.g. strategic investors). Thus, internet research on the public statement should be continued as a more in-depth analysis of the internal documentation
- On the whole, the analysis of web-sites of most companies of Ukraine enables to draw a conclusion, that often companies do not offer statements about a corruption or anticorruption measures to the public, preferring to present only positive information on their sites. However, such statements appear in different interviews published by mass media.

### **Abstract**

*Over the last few years the issue of corruption has attracted renewed interest both among academics and policymakers. Today corruption is acknowledged to be a key factor in preventing development in large areas of the world, and accordingly a vast array of projects and tools have been developed to fight it effectively and to build a strong organizational system of immunity to corruption. The study of corruption and its effect on the workplace has become one of the 21st centuries' most exciting and burgeoning fields of research.*

*Public statements on anti-corruption policies and reporting practices are one of the crucial steps in a company's anti-corruption activities. Open declarations of this kind encourage the development of management systems which helps companies to "walk the talk". The main purpose of this paper is to look at anti-corruption materials published on the websites of the biggest companies in Australia, New Zealand, Poland and Ukraine. One of the foundations of any anti-corruption policy is its visibility both inside and outside organization. In this paper we present the results of international research about organizations' anti-corruption declarations and reporting practices.*

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## **Barriers to cultural and organizational integration in international holding groups – nature, scope and remedial measures**

### **1. Introduction**

Efficient management of economic entities functioning in a holding setting<sup>1</sup> is a difficult task, due to the organizational complexity, intricate internal relations of capital and financial nature, as well as wide and often diverse scope of economic profiles of companies that constitute a holding group. Holding management tasks are further aggravated when the group functions as a supranational entity, when such factors as multicultural collision and complicated organizational structure come into play. Such factors generate strong barriers that tend to obstruct social, cultural and organizational integration within a holding, which is, after all, one of the key components of holding efficiency in business. It must be noted that professional literature defines multicultural organizations (including holding groups) as entities that managed to reach a sufficiently high level of diversity that allows them to make the most of the resulting benefits, while certain problems raised by multicultural diversity as such can be easily overcome [D'Souza 1991, pp. 22–30]. However, the latter argument is disputable in the light of a number of recent studies, which suggest that obstacles to internal integration in multicultural organizations do exist, and are typically related to cultural differences between constituent organizations located in different

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<sup>1</sup> A holding group, often identified with a capital group, is defined as a multi-party group of companies devoid of legal entity (as opposed to legal status of its constituent companies), but possessing economic and organizational identity. Based on such distinction, a holding group may be regarded as a single entity of unified decision-making and functional attributes, with parent (superior) company wielding the power to affect and control any and all constituent (subordinate) companies on the power of regulations stated in a holding group agreement.

countries or continents [Trompenaars, Hampden-Turner 2002, pp. 215–249]. This applies also to companies grouped under a single international holding that cater for business needs of the same cultural setting (e.g. Europe), but are otherwise diversified in relation to their respective organizational cultures.

This paper aims to identify the scope, nature and effects of the most important barriers that affect cultural and organizational integration in multinational holdings, as well as to postulate methods for overcoming such barriers.

The epistemological fundament of the reasoning presented in this paper is construed on the basis of the author's studies of professional literature on the subject, as well as his own observations of operational practices of large multinational corporations operating in the economic sphere<sup>2</sup>.

## **2. The most important barriers to cultural and organizational integration in multinational holdings – their scope, nature and effects**

Internal integration of a holding is meant here as the strength of internal ties as the product of 'centripetal' and 'centrifugal' forces constituting its cohesion and organizational functioning [Sułkowski 2002, p. 37].

The level and range of internal integration in a holding should be examined in accordance with such factors as: the type (dimension) of such integration – i.e. economic, organizational, productive and social (including cultural), the holding management model that defines the position of superior (dominant) company and the autonomy level of subordinate (dependant) companies, the number and size of entities that constitute the holding, territorial dispersion (national vs. international), and character of its economic activities. The postulate of combining socio-cultural integration with that of systemic-procedural nature, as formulated by S. Cartwright and C.L. Cooper for corporations that take over or incorporate other companies within their own organizational structure may effectively be extended to cover all types of holding groups [Cartwright, Cooper 2001, pp. 107–115].

To obtain the effect of synergy within the framework of multi-party economic groups, it is necessary to ensure certain level of integration in relation to people and tasks involved. Limiting the integration to tasks only – with the neglect of socio-cultural problems – may hamper the process of internal integration, due, among other things, to such factors as an employee's resistance, inefficient internal communication, cultural dissonance resulting from inadequate use of motivational and integrative functions of organizational culture, the low level of involvement on the part of company employees and managerial staff in professional matters, as well as from insufficient work motivation. People-

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<sup>2</sup> As made in the course of own studies carried in the years 2004–2008 on social and organizational problems of 10 large companies of Wrocław and Jelenia Góra region, which were subject to recent mergers and acquisitions.

oriented approach, on the other hand, does not offer the benefits of synergy. Thus, it seems that the proper strategy should incorporate both approaches on the strategic and organizational level.

On the strategic level, internal integration may involve e.g. joint personnel strategy for all constituent companies and careful distribution of positions in supervisory boards, or even boards of directors of subordinate companies, manned by board members or other key management personnel of the supervising company (the so-called personal union).

On the operational level, internal integration of the holding group may be obtained using such methods as: the rotation of specialists between constituent companies, forming multi-party task forces to address joint projects, the provision of joint training programs or homogenization of tools and instruments, such as operating systems and human resource management techniques.

It must be stressed here that perfect unification and harmonization of all constituents of a holding group (or any other type of highly complex organization) is not viable. One may only aim for a certain minimal level of internal integration necessary to provide basic functioning of the group as a whole and to enable efficient management of the group. Moreover, the level of such integration may change with time. It is hard to forecast the level of integration in the long run, due to the highly complex nature of contemporary business environment, with no practical method for precise predicting external changes. Those changes result, among others, from globalization and virtualization of economic processes, including such unforeseeable factors as mergers and acquisitions that may significantly impact the existing organizational structure of a holding group, together with sudden shifts of power structure of the group [Zajęc 2006, Ch. 3].

One of the elements that help the holding group 'read' properly its complex relations with the external environment, especially on international level, is making use of its intellectual capital and proper application of its knowledge about the management system. These two factors provide suitable background for 'organizational learning'. The development of organizational learning helps improve management processes and operation in the rapidly changing environment and in the conditions of high uncertainty [Senge 1998, Ch. 2].

Within the confines of the subject matter and for reasons of space, further discussion will be limited to social (cultural) integration as well as organizational integration within the holding groups functioning on international scale, in the context of barriers that hamper or obstruct such integration in practice.

### **2.1. Barriers to cultural integration**

Barriers to cultural integration are the result of multicultural aspects of a holding group operation, perceived both on the level of national cultures (this applies especially to global-scale holding groups) and the level of organizational cultures involved. These may significantly hinder the processes of strategic and

operational management of the group as a whole. The most important barriers of cultural dimension include, in this author's opinion, the following:

- 'cultural shock', as a result of considerable cultural diversity of companies constituting a holding group;
- 'cultural maladjustment' on the part of board members of dependent companies, 'delegated' by parent company to subsidiary companies;
- 'dualism of power', seen here as a specific form of polyarchy properly, as it refers to board members of subsidiary companies;
- management style differences between companies constituting the holding group.

The first of the above barriers is evident in holding groups that incorporate companies of diverse cultural environments (on continental, national or regional level). International holding groups typically represent all the above levels of cultural diversity. Consequently, they may display marked differences in respect to the cultural identity and value systems. If any such differences are pronounced, they may lead to 'cultural shock' that affects the way the employees and managers of diverse companies perceive the organizational reality of the group. The main source of 'cultural shock' in a holding group is thus the clash of diverse organizational cultures, strongly affected by national cultures of the respective countries of origin [Fukuyama 2001, p. 14]. Processes of globalization and cultural unification, characteristic of the modern macro-surrounding of contemporary business organizations, may be seen here as 'absorbers' of such cultural clashes [Sikorski 1998, pp. 8-71].

From the viewpoint of economic effectiveness, it seems important to preserve a certain degree of cultural differences, as long as they contribute to the effective management of human resources of the group and as long as they pose no cultural barriers to the realization of the group's principal goals and tasks [Schweiger, Walsh 1990, pp. 143-145].

Sustenance of deep cultural differences in the long run may lead to another important barrier that hampers integration within multinational holding groups, resulting from 'cultural maladjustment' of board members delegated by a parent company to subordinate companies. If the fundamental dimensions of values represented by such personnel collide with those present to date in a subordinate company, delegated personnel may find it extremely hard to find 'common grounds' with managers of the subordinate company in question. In an extreme approach, it may be observed that the clash between hierarchical vs. egalitarian, individualistic vs. collective, or high vs. low risk avoidance attitudes may lead to misunderstanding or even serious conflicts on top management levels. Thus, the anticipated effects of the personal union may prove limited or even unattainable.

The limited autonomy of subordinate companies, resulting from high level of centralization within a holding group, is usually accompanied by 'dualism of power'. This phenomenon may be perceived as a specific form of polyarchy in respect to board members of such companies, forced to seek compromise between interests of the parent company and those of the subordinate company they are part of. This may result in strong 'corporate diplomacy' and self-advertisement tendencies at the cost of limited endeavor to reach business goals and tasks, limited contact with own employees and neglect for personal development.

Large economic entities display a variety of management styles. Such diversity, in case of international holding groups, is relatively high, due to the size of their organizational structure, multitude of management posts, as well as the aforementioned cultural diversity of their constituents, territorially dispersed entities. The 'organizational confrontation' of an employee participation (democratic style) with autocratic styles or any combination of the two approaches has a strong negative effect on 'soft' management sphere of the holding group as a whole and may seriously affect the focus on principal goals and tasks.

## **2.2. Barriers to organizational integration**

The most important barriers to organizational integration within international holding groups are:

- inconsistent organizational standards and disparate management practices in companies constituting a holding group;
- incoherent operational management systems and different approaches to human resource management within the group;
- lack of integrated IT strategic management systems;
- prolonged information and decision-making processes, resulting from multi-instance and organizational complexity of a holding group, as well as territorial dispersion of its constituent companies.

The former three factors may in practice pose serious problems in respect to organizational integration within an international holding group. Negative effects of these three factors are displayed in high cost of management due to relatively low level of standardization on strategic, operational and instrumental level across the group, with resulting amplification of the negative effect of the latter barrier to integration mentioned above. It is admittedly difficult to establish a reliable threshold for optimal standardization level, but the holding group administration should, nonetheless, strive to obtain a certain degree of unification in respect to management processes across the group, making good use of modern IT and telecommunication instruments available. Such an approach contributes to the improvement of exchange of information and decision-making processes, both in terms of time needed and their methodological rationality,

which, in turn, leads to more informed business decisions reflected in the overall efficiency of the group’s regulatory sphere. Detailed suggestions for eliminating or weakening of the above barriers are presented in the following chapter of the study.

**3. Suggestions for overcoming barriers to cultural and organizational integration within international holding groups**

Elimination, or rather limiting, of barriers discussed earlier in this paper, is not an easy task, due to the highly complex nature of economic, structural, organizational, social and cultural aspects of an international holding group’s functioning. Limited financial outlay, no tradition, low competence of managerial staff in addressing these aspects, social resistance resulting from frequent restructuring attempts, weak communication within organization – these and other factors also strongly impact the integration process. Some suggestions for limiting barriers to internal integration within a holding group are presented in Tab. 1 below.

**Table 1.** Barriers to integration within international holding groups and suggested methods of limiting their impact

No.	Type of barrier	Suggestion for limiting the impact
I.	Barriers to cultural integration: 1. ‘Cultural shock’ as a consequence of strong cultural diversity of companies constituting a holding group;  2. ‘Cultural maladjustment’ of board members delegated by a parent company to subsidiaries;  3. ‘Dualism of power’, seen as a specific form of polyarchy, as it refers to board members of subsidiary companies;  4. Management style differences between companies constituting the holding group.	Cultural transformation, respecting cultural values and customs of a target country.  Management through values, systems for monitoring social feelings of the target company.  Efficient systems of communication within the organization as a whole.  Management through goals as a basis for work appraisal of the management personnel and employees

II.	<p>Barriers to organizational integration:</p> <ol style="list-style-type: none"> <li>1. Inconsistent organizational standards and disparate management practices in companies constituting a holding group;</li> <li>2. Incoherent operational management systems and different approaches to human resource management within the group;</li> <li>3. Lack of integrated IT strategic management systems;</li> <li>4. prolonged information and decision-making processes, resulting from multi-instance and organizational complexity of a holding group, as well as the territorial dispersion of its constituent companies.</li> </ol>	<p>Standardization of procedures and instruments of management across the holding group;</p> <p>Unification of operational management systems and personnel instruments used across the holding group;</p> <p>Introduction of integrated IT solutions for strategic and operational management across the group;</p> <p>The use of modern IT and telecommunication tools for database management, internal communication between group members, etc.</p>
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Source: own research.

The above suggestions for reducing (limiting) barriers to cultural and organizational integration within international holding groups are only a subset of potential solutions available to managers and board members of such organizations. A range of supplementary and/or alternative approaches can be used in this respect:

- maintaining ‘cultural diversity’ (cultural mix) with attempts at changing or standardizing the existing organizational cultures, using such instruments as management through values across the group;
- preserving the freedom of subsidiaries to decide on strategic and operational management methods, even at the cost of discontinuing any attempts at unifying management instruments and methods, including those that apply to human resource management;
- carrying over the values and cultural norms of the parent company to its subsidiaries;
- choosing the most professional management solutions among those that are used to the good effect in any of the subsidiary companies;
- benchmarking as an instrument for selecting and transferring best practices in management from external sources.

#### 4. Conclusions

Instead of final conclusions based on this paper’s reasoning, the author postulates several suggestions for management practices which may help, in the

author's opinion, improve the process of internal integration both on cultural and organizational level, as applied to complex, multinational holding groups.

1. Careful and prudent use of 'cultural context' in company management processes across the holding group, both on conceptual and executive level;
2. Balanced and responsible approach to cultural transformation (if any such transformation is planned), to preserve and safeguard cultural values and norms present in a target country;
3. Use of any and all functions of organizational culture present in companies across the holding group, i.e. integrative, perceptive, identity and change-stimulating functions of organizations, so that organizational culture may be regarded as an instrument of 'social cohesion' across the group [Bate 1984]
4. Providing high level of methodological rationality in decision-making processes and activities undertaken in regard to management across the group; this may be obtained e.g. by setting up an integration task force recruited from top level specialists and managers representing all constituting companies and all major areas of interest;
5. Active decision-making and financial support for the integration task force on the part of the parent company board, acting as an 'integration sponsor', for all activities involved in the process;
6. Shaping attitudes and behaviors of management personnel and employees through proper design of HRM instruments tailored to social, cultural and organizational specificity of the target companies;
7. Warranting the consensus between goals and business tasks of the parent company and those of subordinate entities, backed by accountability in approach to employees.

### Abstract

*This paper discusses the most important barriers that hamper or limit cultural and organizational integration within international holding groups. The nature, scope and effects of such barriers are analyzed. Limiting barriers to integration is difficult in practical application, due to the highly complex character of economic, structural, organizational, social and cultural aspects of holding group functioning. A range of potential approaches are presented in respect to limiting and reducing the effects of barriers to integration, together with postulated remedial measures. Conclusions present a selection of postulates for managerial practice that may help improve cultural and organizational integration in the setting of a complex, multinational holding group.*

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Łukasz Sułkowski

Spółeczna Wyższa Szkoła Przedsiębiorczosci i Zarządzania

## **Universal sources of hierarchy and power from the perspective of neoevolutionism**

### **1. Introduction**

Power is one of the most important and oldest issues of social sciences and humanities. From antiquity philosophers have deliberated on political power and just rule. Specialization of science in the 19<sup>th</sup> and 20<sup>th</sup> centuries caused that research on power was conducted by several disciplines of social sciences, that is to say sociology, political science, cultural anthropology, psychology and law. Although we have a considerably higher amount of valuable empirical research now, it cannot be stated that a consistent theory of power has been agreed upon, a theory which would be used by various disciplines. Current research in the fields of primatology and neuroscience casts a new light on the issue of power. Thus, it is appropriate to include these disciplines into the discourse on the issues of power and hierarchy.

### **2. Biological sources of power and hierarchy**

Power and hierarchy are basic indications of social structure, signs that are created spontaneously in human communities. The social structure itself is shaped by culture as well as all signs of power. However, as results from research, they are originally of evolutionary character. Power, understood as an aspiration for controlling other individuals' behaviour and for the possibility of imposing one's will on them, is deeply rooted in animal communities. Drawing on the experience from the world of biology, we can ask a question: in what types of animal communities can we really observe power? If we assume that an individual must have will, we exclude the whole sphere of instincts, impulses and automatisms out of the area of power. According to this meaning, there is no power e.g. in insect communities, because they lack even the beginnings of consciousness

and will. The behaviour of ants or bees is based only on automatism. However, in case of animals which have consciousness, as primates do, we can observe power.

Hierarchy is present in all kinds of communities. It manifests itself in structure and order, which regulate the functioning of a community. In such communities different individuals and groups play different roles. In case of species which do not have consciousness these roles are determined genetically; however, what catalyzes the activity of a specific gene is often the environment. In some primate communities hierarchy is the result of two coexisting phenomena, to be more precise the process of natural structuralization and the active game of power played by individuals and their coalitions. In human communities hierarchy is based, to considerable degree, on culture determinants linked with the game of power. However, the cultural context of exercising power has clear evolutionary grounds. In many societies cultural rules favour nepotism, strengthen masculinism, and prefer individuals with high levels of domination. On the other hand, the cultural universalisms of human communities are mechanisms which compensate for the abuse of power, e.g. social sanctions (exclusion or punishment), compensation, or moral sense.

The issue of the origin of power in animal communities is very controversial. However, it is probable that there is a relationship between power and hierarchy, inequality, and systems of domination as well as aggression and territorialism. A system based on domination may be defined in terms of behaviourism as a set of permanent aggressive and submissive relationships between animals [Wilson 2001, p. 155]. In case of social species, a place on the top of hierarchy brings obvious benefits connected with the two highest stakes in the evolutionary game of life, that is to say survival and reproduction. Animals which have at least the beginning of consciousness and willpower strive to gain the highest possible position in the hierarchy, simultaneously calculating their own resources. In case of many communities the hierarchization principles are very simple, in other words it is the strongest specimens which dominate. However, research on many mammals, including wolves, indicate the strong hierarchization of this species related to the creating of and the abiding by rules, even the teaching of them to young members of a pack. Many researchers think that hierarchization and adaptability was the cause of the quick domestication of dogs [deWaal 1996, pp. 94–95]. However, primatology research reveal that in chimpanzee and bonobo communities the alfa male is most frequently an individual who most efficiently forms coalitions with others. Therefore, power among primates is based less on aggression and violence and more on manipulating others and cooperating. One of the concepts of hominid communities development is the hypothesis of Machiavellianic intelligence, a hypothesis which assumes that, during the evolution of our ancestors, the key selective factor was the ability of social manipulation [Whiten, Byrne (eds.) 1997]. Individuals with abilities of

mind-reading, forming coalitions and alliances, deceiving others and making it difficult to foresee their own behaviour reached statistically higher positions in hominid groups, a fact which translated into evolutionary success [Witkowski 2005, pp. 51–129; Whiten, Byrne (eds.) 1997, pp. 144–173]. Apart from primatology research, works on neuronal interpretations of exercising power are also advanced. It seems that this process involves both brain systems related to aggression and mirror neurons recognized as basic for empathy and cooperation [Gallese, Goldman 1998, pp. 493–501]. Regardless from the assessment of Machiavellianic intelligence concept, there is no doubt that power in human communities is created on biological basis. Simultaneously, owing to the development of societies, that is to say mass and anonymous social structures, and organizations, defined as formalized social institutions, the development of power sphere took direction which is characteristic only of human communities and which does not exist in case of other animals.

### **3. Power among people**

Although it has evolutionary foundations, power in human communities is conditioned by culture. Most comparative intercultural research takes into account diversified approach to power in different communities. For example, the research by Hofstede as well as by Hampden-Turner and Trompenaars or R. House et. al. indicates that individual cultures differ considerably in the distance of power. The distance of power can be understood as a degree of submission and dependence shown by a subordinate and accepted as normal in a specific culture. Despite differences between the results, all projects revealed that cultures which involve a relatively high distance of power are the communities of South and Middle America (Mexico, Argentina, Chile), while the relatively least distance of power could be observed in Scandinavian countries (Sweden, Denmark). However, it should be emphasized that the research on cultural diversification indirectly confirms the thesis of moderate cultural universalism. Power and hierarchy are present in all known and studied communities, although they may have various forms and intensity.

The issue of cultural conditioning of power encourages to raise philosophical questions whether culture is the source of social agreement and whether it moderates excesses of power. In chimpanzee communities possibilities of abusing power are usually strongly limited. Primatologists describe evolutionary benefits derived from sporadic outbursts of uncontrolled aggression by a dominating individual; however, staying in power requires cooperation and coalition, which is, in turn, connected with a dose of acceptance within a significant part of the group. Therefore, power among chimpanzees and bonobo is not based on tyranny, although violence is one of the most frequently used attributes. It is work specialization, work distribution, technology development, and the increasing size of human communities that created possibilities of abusing power on a large scale.

If power in human communities differs from power even among primates, which could be the areas valuable in terms of cognition to which neoevolutionary approach could be used? It seems that many signs of social life connected with power have sources and some significant characteristics which have remained unchanged since the times of our evolutionary ancestors. These are, above all, wars, aggression, violence, relations between sexes, ideas of justice and equality, and the relationship between power and property.

#### 4. Aggression and violence

Aggression and violence are induced by culture and biology. Aggression is a kind of quick reaction to dangerous situations and it is an alternative to an escape. The purpose of violent behaviour is to scare the opponents off, hurt them or even kill them. The use of aggression is strongly emotional and is connected with mental and physical stress. The consequences of aggressive reaction involve the narrowing of perception and also the limiting of rational thinking ('blindness') [Gladwell 2005]. In animal communities aggression always has a physical form (attack, threats), although these forms are more of ritual nature and they do not aim at hurting the opponent. Apart from physical forms, people also use the forms of symbolic aggression (insults, invectives, shaking fists), which do not change the nature of physiological reaction. Primatology research on chimpanzees indicates that most frequently it is individuals which are aggressive enough that become alpha males rather than the most aggressive ones. It seems that a higher level of aggression makes it easier to compete and fight for power. However, the excessive level of aggression limits one's possibilities of cooperation, coalition, and alliances; it facilitates 'blindness' instead. The level of violence and aggression in a chimpanzee community is considerably higher than in a human community. Probably they are important regulators of social order; individuals which are quite aggressive have higher chances of reproduction. Bonobo (the second living species of a chimpanzee), in turn, are gentle; they use violence and aggressive behaviour considerably more rarely. Among bonobo it is presumably sexual intercourses that play the role of the key regulator of social order. Thus, trivially speaking, it can be observed that the key to exercise power is violence and sex. *Homo sapiens* is located within the same distance from chimpanzee as from bonobo, at least genetically [Dawkins 2004]. Aggression and violence patterns are very complex and changeable among people; however, they show some similarities, grounds of which are formed by evolutionary causes:

- on average men display higher levels of aggression and inclination to use violence than women [Wilson, Daly 2004],
- there are standards of aggressive behaviour specific for sexes, age groups and status groups, e.g. aggression of male adolescents, aggression of young women, or aggression of superiors towards subordinates [Campbell 2004],

- there are standards of aggressive behaviour related to dangerous situations as well, e.g. aggression of women in defence of children [de Waal 1996, p. 90],
- degree of kinship correlates negatively with the use of violence [Wilson, Daly 2004],
- acting in a homogenous group enhances inclination to violence,
- threat from another group increases possibility of violence.

### **5. Human wars and chimpanzee wars**

For a long time wars were regarded as an exclusive human domain. They demand a lot from the members of a group in terms of cognition, communication and organization. They are also connected with deliberate and intentional action, an action which shows signs of conscious planning. Wars are also amazingly risky and expensive, although they undoubtedly bring evolutionary benefits (they increase evolutionary fitness) [Tooby, Cosmides 1998, p. 1]. However, the research by Jane Goodall and many other authors explicitly proved that chimpanzees also fight wars [Wrangham 1987; Goodall 1986]. War is understood here as the regular and mutual use of group violence towards the representatives of another group, activities which aim at destroying this group as a whole and incorporating its resources. This is a group undertaking in primate groups, an undertaking which, statistically speaking, is beneficial to its participants. Chimpanzees from Gombe fought with neighbouring groups, attacking collectively males from other communities and seriously hurting or killing lonely individuals. After the neighbouring group had broken down, they took over its females. As a matter of fact, the level of aggression and violence towards strange groups and unknown individuals is considerably higher than towards the representatives of one's own group. It seems that such an attitude may be interpreted as biological source of xenophobia. Primatology research and interpretations of evolutionary psychologists indicate that there are many variables which increase probability of war, variables which are related to its adaptive function:

- certainty of victory,
- certainty of random distribution of death risk or injury risk among members of one's own group,
- certainty concerning 'just' division of loot (food, sex, territory),
- effectiveness of using reproduction resources.

Tooby and Cosmides think that the presence of these factors creates favourable conditions for the participation in coalitions of fighting males, compensating for the life threat [Tooby, Cosmides 1998, p. 6]. The establishment of cooperating male coalitions was connected with enthusiasm and excitement, feelings which compensated for uncertainty, risk and the threat. Evolutionary psychologists seek sources of war enthusiasm, excitement coming from group activity, and daze of aggression and fighting here [ibidem, p. 7].

Aggression and war are ways to increase one's power by gaining access to limited resources. Additionally, war as aggression directed to the outside of a group is a source of authority and it gives potential possibilities of choosing leaders who have the highest level of Machiavellanic intelligence.

## 6. Relationships between power and sex

Research indicates that, although aspiration for power and aggression are species characteristics, there are clear differences between sexes in this area. Cumulated results of social research confirm the stereotype describing males as those more avid for power and more aggressive than women. However, this does not mean that women lack aggressiveness or ambition of exercising power [Campbell 1995, pp. 367–381]. On the contrary, in most countries the level of violence among women increased during the last decades. It is yet another proof that evolutionary factors are inseparably linked with cultural ones in determining social activities.

Observations of chimpanzees indicate that males far more frequently use violence and aggression, aspiring to higher position in hierarchy. This is a fight for domination in a group, although cooperation and alliances are more important here. On the other hand, aggressiveness is enhanced by participation in wars. Females do not participate in wars because of different reproduction strategies. A male increases chances of reproduction by access to females from different group, while a female would not benefit in this way at all; she would only risk her life. As a matter of fact, differences in reproduction strategies are one of the causes for 'natural' sources of rape. Since the dawn of mankind, females have been regarded as spoils of war. Does the universality of rape, according to the views of the main feminist trend, come from men's aspiration to intimidate women and maintain patriarchy? [Brownmiller 1993] Neoevolutionary interpretation is completely different and it refers to reproduction strategy [Buss, Malamuth 1996]. The research which points at the men's significantly higher inclination to use sexual violence (CSX coercive sexuality) is also credible [Thornhill, Thornhill 1992, pp. 363–421; Catanese, Wallace 2002, pp. 92–135]. The issue of differences in the level of aggression in sexual behaviours between men and women is well examined.

The issue of the development of power relationships with reference to the sexes is poorly examined and it is a source of many scientific, political, and social controversies. Human societies are moderately monogamous, a fact which is a phenomenon among primates. Therefore, it is difficult to find credible evidence in the area of primatology. Most anthropologic resources show that the predominant succession pattern is the dominance of patriarchy communities and patrilineality. However, there are also many researchers who indicate that in most primitive hunter-gathering societies it was women who chose their partners, a fact that forced sexual selection. Cooperative, protective, social, and

reliable individuals were promoted statistically more frequently; males who were too aggressive were rejected. One of evolutionary hypotheses explicitly indicates that it was women's choices and power that gave direction to social development of hominids [Miller 2004]. Therefore, it seems that it cannot be stated, at the current stage of research, that one of the sexes is more 'naturally predestined' to exercise power.

### **7. Justice in a social group**

Franz de Waal belongs to the supporters of the thesis that moral sense, including a sense of justice and equality, is of evolutionary character and that it is present in chimpanzee communities or even in other species. Aspiration to justice and the equality of treatment is a way of maintaining social order. It consists in showing respect to the authority of power, which is represented by the alpha male. On the other hand, chimpanzees protest as a group in response to the excessive use of violence inside the group. The tasks of the alpha male include separating the fighting parties, reconciling them, and taking care about just distribution of resources according to hierarchy. Observations of chimpanzees contain many cases when the group objected to excessive aggression of the alpha male, what often resulted in him losing the dominant position. Chimpanzee communities are based on rules and norms recognized by the community. Among those, the rules of exercising power and of justice are very important. The range of social sanctions for breaking the rules is also quite numerous. The most gentle punishments are shouted reprimands, threats or minor corporal punishments. The most severe ones are connected with the loss of one's position in hierarchy, ostracism, serious injuries, and even banishment from the group [de Waal 1996, s. 92]. Behavioural rules connected with power in ape communities include a wide range of real and ritual behaviours of submissive individuals towards dominating ones, such as bending forward, turning around so as to face a dominating individual, moderating gestures, silencing cries, coming when one is called, obeying orders, and showing respect and submission in many other ways. Dominating individuals have clear privileges, which are accepted by the group. However, this does not mean that rules of distribution and mutuality do not apply to them [ibidem, pp. 150–153]. Chimpanzees also have a wide emotional repertoire, which favours aspirations to the highest possible position in hierarchy. On the other hand, it strengthens the sense of justice and the aspiration to maintain social structure. This emotional repertoire includes joy, pleasure, anger, and irritation as well as emotions which are strongly socially induced, to be more precise embarrassment and the feeling of guilt. Therefore, primatology research clearly indicates that chimpanzees and bonobo have an instilled respect for power, principles of hierarchy, rules of justice and rules of social order. The alpha male is only one of many elements of this moral and social protosystem.

In the context of presented discussion, one can see an idealized picture of a chimpanzee community, a group which resembles a community of happy savages, almost like one from the works of Jean Jacques Rousseau. This community has the natural Hobbes 'Leviathan' and also the internalized moral sense [Hobbes 1954]. This is an incorrect association because the basis for the development of power and justice rules was formed by a spontaneous balance mechanism, which provided social individuals with maximum chances for reproduction and survival. Therefore, the repertoire of behaviours connected with power includes also ones which could be recognized as asocial but which are beneficial to an individual. A good example of these may be sporadic outbursts of unreasonable aggression in alpha males, often directed at random weaker individuals. Social result of such behaviours is, above all, the enhancement of fear of the dominating individual and of a punishment from the group, a feeling which stimulates self-controlling mechanisms in submissive individuals. However, these outbursts of aggression make it also difficult to predict the alpha male's actions and to use mind-reading, which forms a basis for social manipulation.

Basing on research among chimpanzees as well as other primates and dolphins, Franz de Waal and many other primatologists think that the sense of justice and the rules of hierarchization and exercising power evolved in animal communities. Human morality, sense of justice and respect for power are not only cultural constructs but they are also rooted in those primal biological rules [de Waal 2006; de Waal 1996, pp. 161–162].

### **8. Power and property**

Apart from money and specialization of work, property is one of the bases of economic development. Its beginnings are present among primates. However, it is only in human communities that it plays a role of key resource which regulates social relationships. Property is understood here as a possession which enables its owner to use a resource to satisfy the owner's will.

Research on the origins of property in human communities included, above all, intercultural comparative research on the basis of anthropology, primatology observations of primates, analyses of children's behaviour on the basis of developmental psychology, and research of evolutionary psychology and sociobiology. Conclusions from this research indicate that property was created on biological grounds and that its beginnings may be sought as early as in primates; however, it does not have the characteristics of 'property instinct' because it takes very different cultural forms. Among cultural universals, only the following could be mentioned: the presence of property in all examined communities and its relationship with power and, as a consequence, with rules of social stratification.

Evolutionary psychologists associate the beginnings of property with power and jealousy of a sexual partner transferred to objects [Campbell 2004]. Sexual

jealousy is grounded in biology with the mechanism of protecting one's own genetic reserve. This feeling is particularly intense in species with tendencies to monogamy.

The spreading of property norms in hominid communities may have taken place by imitation and learning, and it has become a stable evolutionary strategy [Meltzoff, Prinz 2002]. Among many other theories on the origins of property, two concepts can be mentioned, to be more precise the concept of symbolic complement and the hypothesis of the 'extended self' [Pierce, Kostova, Dirks 2003, pp. 84–107].

## 9. Conclusions

Neoevolutionary approach results in interesting research on power, research which has its origins, above all, in primatology, but also in psychology and evolutionary anthropology. The research indicates that power comes from deep evolutionary sources, although it is modified under the influence of cultural variables. In this meaning, power occupies an important place in the system of human needs and it forms the basis for the development of many other social processes, e.g. war, aggressive behaviour, relationships between the sexes, property, and leadership. Power is subject to rational control in case of planned activities. On the other hand, it is a strongly emotional and intuitive sphere because it is rooted in relatively 'evolutionary older and deeper' brain structures. The fast development of civilization and the transfer of power patterns from the Pleistocene hunter-gathering community to modern and historic societies resulted in many tensions. Modern wars are driven by similar individual and group emotions as in a primeval community but their results, as a consequence of technology development, are immeasurably more destructive than a few dozen thousand years ago. Aggression induced collectively in mass societies also produces similar dangers. Evolutionary research may be used to interpret sources of behaviours connected with power and to show possibilities of limiting some dangers.

The processes of distributing power are translated into the creation of social structure, a structure which is constitutive for a community of any kind. Therefore, research and reflections on power are and will be conducted in many scientific disciplines. However, neoevolutionary trend creates possibilities of integrating results of research on the origins of power with its primal properties. The cultural changeability of power is formed on biological foundations and is rarely developed according to the rule of antinomy. From the point of view of management sciences, a theory of power should exist which would enable one to model processes connected with management.

### Abstract

*The author of the paper expresses the opinion that research and reflection upon the subject of power are and will be developed in many scientific disciplines, however it is the neo-evolutionary approach that allows the opportunity to integrate the results of the research of the origins of power with its primary features. Cultural variability of power is created on the biological foundations and infrequently develops on the principle of antinomy. From the point of view of management sciences, there should be a theory of power that would allow to model management-related processes.*

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## **Cultural Warrior. Public Relations as Artifact and Agent of Culture**

Cultural recognition of public relations as a significant and powerful profession began to gain prominence in popular culture with Sloan Wilson's [1955] bestselling novel, "The Man in the Gray Flannel Suit." Wilson's protagonist, Tom Rath, is a dissatisfied, somewhat anxious WW II veteran with a growing family and a modest paying job as a mid-level manager at a not-for-profit foundation. Frustrated in his attempts to be promoted to the top job at the foundation and a growing need to increase his earning potential, Rath begins to look for other employment. A friend tips him off about a job opening at a growing media conglomerate where the money and opportunities for growth should be better. The position is in the public relations department.

The novel and the acclaimed movie version starring Gregory Peck [Johnson 1956] were among the first entertainment media to spotlight the growing recognition of public relations as both a profession and a powerful tool for influencing public opinion. It was also acknowledgement of this booming profession's growing ascendancy and prominent role in American life. It was no accident that author Wilson's use of public relations as Rath's entryway to corporate success came at a time when the United States was also ascendant as the world's leading industrial nation and one of its major military superpowers. As the United States had grown so had the uniquely American-born profession of public relations.

At every stage of public relation's development as a profession it came to reflect as well as help sustain and create the social, political, civic and business institutions that it represented. Beginning with its birth in the late 19<sup>th</sup> century, each stage of public relation's development has been marked by a specific approach to communication that dominated its activities and behavior. Each

stage reflected the time period's social and political tensions and the level of sophistication with communication technology. In each stage of development public relation's honed its process technology to better exploit and employ the emerging communication technologies of each period thus becoming both an artifact and an agent of the culture that gave it life and nurtured it.

### 1. Public relations as artifact of culture

As used here, the term *artifact* has a much broader meaning than is typically defined as an "object produced or shaped by human craft, especially a tool, a weapon, or ornament" [Free Online Dictionary]. Archaeologists have come to greatly expand the definition of *artifact* from something merely man-made to include anything that that has been shaped, altered or modified by man. Deetz included within this broader definition such human activities as topiary, body tattooing, parades and songs [Claney 2003, p. 4]. Consequently, *artifact* has been also described as something characteristic of or resulting from a particular human institution, period, trend or individual [Merriam-Webster Online Dictionary]. It is within this broader definition that we discuss public relations as an "artifact."

The activity of public relations, similar to the activities of topiary or tattooing, also creates other artifacts. For example, topiary creates ornamental shrubs and trees, and tattooing creates body art. Similarly, public relations creates numerous artifacts or what are often referred to as sub artifacts, such as print, audio and video news releases, news kits, news conferences, advertisements, brochures, videos, podcasts, news clips and a wide array of pseudo events. Another form of artifact resulting from public relations activity is what Norman [2007], writing about computer technology nearly two decades ago, termed a *cognitive artifact*. He used the term to describe any "artificial device designed to maintain, display, or operate upon information in order to serve a representational function" [p. 1]. Moreover, a cognitive artifact, similar to any artifact, reflects the "productive intentions" of its author(s) [Hilpinen 1992, p. 65]. Consequently, a cognitive artifact could be a drawing, a diagram or a model.

Public relations creates numerous cognitive artifacts that reflect the production intentions of its authors, such as a variety of models to describe both operational and communication processes, as well as planning documents for communication programs and campaigns. For example, today's public relations is guided by a model comprising a series of programmatic steps for producing communicative outputs. This four-step model has been thoroughly explicated by Cutlip, Center and Broom [2000, pp. 339–452], among others. Moreover, throughout its century-long history, public relations has been guided in its activities by various communication models or a combination of those models.

Among these the most popular are those proposed by Grunig [1989]. These four models attempt to explain how public relations practitioners employ

communication activities in practicing their profession. These are the press agency, public information, two-way asymmetrical and two-way symmetrical models [pp. 29–30]. Each model not only describes the dominant communication paradigm extant during various stages of the evolution of the practice but also constitute a history of the functions growing sophistication with the psychosocial aspects and evolving technology of communication.

Consequently, from an archeological and anthropological perspective, public relations may be described as a human activity that serves as an artifact and a producer of artifacts reflecting the production intentions of its authors to influence public opinion and behavior through the systematic management of communication content and media.

## **2. Sense Making of Public Relations as a Cognitive Artifact**

To make sense of artifacts, Clancy [2003] argues that they must be seen and understood in context since there exists an “active relationship between artifact and culture.” In context, artifacts can help us understand how they are used to “express as well as construct, maintain, and reinforce cultural and social meaning and to both implement and adjust to cultural change” [pp. 3–4]. So any interpretation of public relations as a cognitive artifact or of the artifacts that it produces, can only be understood in its historical context. To simplify the understanding of this historical context, public relations educators have divided the profession’s development into various periods or eras. Cutlip, Center and Broom [2000, pp. 111–112] have identified six periods: Seedbed Years (1900–1917); World War I Period (1917–1919); Booming Twenties Era (1919–1929); Roosevelt Era and World War II (1930–1945); Postwar Era (1945–1965); and the Global Information Society (1965–present). During each era, the artifact of public relations can tell us much about the society of that period.

As an example, let us examine the artifact of public relations in its Seedbed Years. The context in which public relations was born had two aspects: one was the sea change in American society occurring at the turn of the twentieth century and the other was the growing recognition of the power of the dominant mass media of the day – newspapers and magazines – to influence, if not control, public opinion.

### ***The Sea Change in American Society***

From the Gilded to the Digital Ages, public relations has played and continues to play a significant role in expressing what and how we see and think about ourselves as a society, a culture and a nation state. Public relation’s birth during the Gilded Age – that period just preceding the Seedbed Years -- reflected the rapid growth of mass communication technologies, the growing efficacy of publicity as a marketing tool, and the business community’s effort to adjust to dramatic cultural and social change. The first vestiges of true public relation’s practice

can be found in the late 1880's when the American Mutual Insurance Company formally opened a "literary bureau" staffed by former journalists whose job was to generate positive news stories for the company [Slater, p. 150]. By then, public relations' basic skills of press agency and publicity had been well honed by such entrepreneurs as P.T. Barnum, Davey Crockett, and Gustave Cuerbetin, among others [Bates, p. 8; Slater, pp. 149–150]. All had effectively used promotional stunts, pseudo-events, advertising, press releases and sophisticated social networking to promote their various enterprises.

By the end of the century, public relations had become a recognizable function – though referred to then as *publicity* -- marked by the opening in Boston in 1900 of the Publicity Bureau, the first public relations agency. In 1902, William Wolf Smith, a newspaper correspondent, opened a firm with a man named Walmer of whom little is known. *Smith & Walmer*, located in the nation's capital, declared itself to be in the business of publicity. Four years later, Ivy Lee Ledbetter, one of the founding fathers of modern public relations, opened an agency with George Parker in New York City [Cutlip, Center, & Broom, pp. 113–115]. While these firms used the term *publicity* to describe their business, the term *public relations* had had a much earlier debut in a speech at Yale University in 1888 [Slater, p. 150] and was reintroduced a decade later by the American Railroad Association in its corporate brochure [Bates, p. 9]. *Public relations* would not become the title du jour until the Twenties when it would be popularized by the other founding father of modern public relations, Edward Bernays, in his prescient book, "Crystallizing Public Opinion" [Bates, p. 13].

The period from 1885 to 1917 gave birth to public relations because of the unique juxtaposition of numerous sociocultural factors. These included rampant industrialization, advances in communication technologies, the rapid organization and concentration of corporate "trusts" in the railroad, shipping, steel, coal, petroleum and meat-packing industries and a rapidly expanding and literate population. These all combined to create fertile ground for the new practice of public relations.

All these industries were tightly held by a handful of aggressive, innovative, entrepreneurs, such as Andrew Carnegie and Henry Clay Frick in steel, Stanley Morgan in railroads, John D. Rockefeller in oil, Cornelius Vanderbilt in railroads, and Philip D. Armour, Nelson Morris and Gustavus F. Swift in meat-packing [Current, Williams, & Freidel, 1991, pp. 493–500]. They were men of a similar philosophy best expressed by financier William Vanderbilt's declaration, "The public be damned" [Bates, p. 11]. Their outlook reflected a belief in the newly minted theory of Social Darwinism, expounded by the Englishman Herbert Spencer, that was a rather shameless recasting of the evolutionary theories of Charles Darwin who had published his seminal work *On the Origin of Species* in 1859. In brief, Social Darwinism argued that in the business world as in life, all

was a struggle with the weak perishing and the strong surviving. This was, the theory predicted, as it should be because society benefited when only the strong and successful survived [Current, Williams, & Freidel, p. 502].

These business tycoons did their best to live out this philosophy, using a pliable and often willing partner in state and local governments to exploit their workers and the nation's natural resources. By the 1880s push back began with the birth of the grassroots Populist movement that would lay the groundwork for the later and more politically successful Progressive movement of the early Twentieth Century. The Progressive movement would begin in what Hofstadter [1955] called *The Age of Reform*. In addition, newspapers, especially the urban dailies, saw the big corporations and trusts as easy marks for the popular yellow journalism of the day. Negative, hard-hitting stories of the robber barons' various transgressions played to a popular sentiment among the people, rapidly increasing readership, especially among the fast growing immigrant classes who worked the mines and factories of corporate America [Campbell 2002, pp. 279–280].

In response, companies began to hire journalists to write and place stories with local and national press to mitigate the negative coverage or to protect their corporate image, as was the case with the American Mutual Insurance Company. Its prescient introduction of an in-house publicity function was replicated in 1889 when George Westinghouse hired a publicist to promote his system of alternating current that was vying with Thomas Edison's competing direct current system. Likewise, in 1890, the organizers of the World Columbian Exposition in Chicago established a Department of Publicity and Promotion, issuing its first news release a year later [Slater, p. 150]. At AT&T, Theodore N. Vail, who would one day become the company's president, had begun to recognize the power of public opinion and would become a champion of employing public relations as a significant senior management tool to protect the image and identity of his company [Cutlip, Center & Broom 2002, pp. 119–120].

The mostly deserved criticism that corporate America suffered on the pages of the nation's populist press during this period was nothing compared to the excoriation it would receive at the hands of a growing array of national magazines that contended with the press for mass media dominance. Public relations began to come into its own precisely at the time when the national magazines, such as *Ladies Home Journal*, *McClure's*, *Cosmopolitan* and *Colliers* staffed by many former journalists, also recognized the obvious -- that attacking big business was good for their business. So with the turn of the century began the era of the muckrakers [Campbell 2002, pp. 313–315; Hofstadter, p. 192]. Industry leaders began to respond, often by hiring the newly emerging public relations firms, such as the *Publicity Bureau* in Boston, *Parker & Lee* in New York and *Smith & Walmer* in Washington, DC.

### ***Growing Recognition of the Power of the Mass Media***

It was also during this period of the ascendancy of newspapers and magazines that sociologists and pundits began to write about the power of the mass media to control and shape public opinion. Here European thinkers were ahead of the curve. In 1887, Tonnies' *Gemeinschaft und Gesellschaft* argued that newspapers had become a powerful mechanism for "manufacturing and marketing of public opinion" [Slater, p. 151]. Le Bon (2002) made a similar argument in his 1895 seminal work on the formation of public opinion, "The Crowd: A Study of the Popular Mind." The book would prove to be extraordinarily influential, especially among fascist dictators such as Adolph Hitler who allegedly based many of his ideas about propaganda in *Mein Kampf* on Le Bon's work [Schreiber, n.d. Ch. 3]. In a later book, "The Psychology of the Great War," Le Bon [1916] would argue that newspapers were "always potent leaders, because their ready weapons are affirmation, repetition, suggestion, and prestige, which are the real affective factors of crowd opinion" [p. 228].

While Le Bon focused on the crowd as the central focus of opinion making, Tarde focused on how consensus developed among publics. In his essay "Opinion and Conversation," Tarde argued that "conversation" or public discourse, "and the press, which at present is the principal source of conversation, are the major factors in opinion" [Glynn, Herbst, O'Keefe, Shapiro & Lindeman 2004, p. 53]. The views of these European sociologists were also shared by many of their American counterparts, as well as those who sought to influence that public opinion through well-managed publicity.

As we have seen, public relations came into being for two reasons: First, to express the culture – the beliefs, values and norms – of a business community set upon by the new forces of a populist mass media; and secondly, to exploit the increasing recognition of the power of that mass media to cultivate public favor and support. The remaking of corporate America's image, much like Ivy Lee's artful remaking of John D. Rockefeller's image [Bates, p. 11], was written in the vernacular of a belief in the ultimate supremacy of unrestrained capitalism and self-serving Social Darwinism. And often, such as with Lee, those who practiced public relations, were also believers in the righteous cause of the industrial giants of the age.

### ***The Meaning of Public Relations as Artifact***

The meaning of public relations as artifact can be interpreted on two levels suggested by Barthes [1964] taxonomy of meaning. A semiotician, Barthes, building on the work of Saussure, created two orders of meaning or signification for any given symbol [pp. 1–23]. In the first order of meaning there are three components: first, the signifier or the item itself, in this case the words *public relations*; secondly, the signified, the literal or explicit meaning of the words

*public relations – maintaining good connections with the public*; and thirdly, taken together, the signified and the signifier constitute the sign – *public relations*. This is the denotative level.

The second order of meaning is when those interpreting the sign give the signified an implied or associated meaning. This is the connotative level wherein the interpreter of the sign *public relations* infers a belief that through specialized techniques, the mass media could be exploited and manipulated. Expanding on this dyadic schema, Barthes [1972] argued that such connotative meanings were socially constructed since they were heavily influenced by the dominant power structure. Consequently, Barthes labeled such connotations as *myths*. The sign and how people have internalized the various meanings of that sign, create a mythology, or what some call a third order of meaning. In the case of public relations, this paper posits that mythology or narrative tale embodied the belief that through the use of the power of public relations the rich and powerful could exercise social control by influencing and manipulating public sentiment. In fact, Grunig [1989] claims that public relations practice “is dominated by the presupposition that the purpose of public relations is to manipulate the behavior of publics for the assumed, if not actual, benefit of the manipulated publics as well as the organization” [p. 29].

This proposed mythology is the legacy imparted by the artifact of public relations, a legacy still with us today. As artifact, public relations during the Seedbed Years conveyed how society viewed the growing power of the mass media in all of its evolving forms while both admiring and distrusting those practitioners who manipulated that power.

### **3. Public Relations as Agent of Culture**

As Claneý [2002] noted earlier, artifacts have an active relationship with culture. Simply, artifacts not only tell us much about the culture that spawned them but they also help create, influence and transmit that culture. This is the public relations role as agent of culture.

Vygotsky [1929], the Russian semiotician and learning theorist, was the first to articulate this concept of agent of culture in his cultural-historical theory of learning. Vygotsky theorized that children learn principally from their interaction with the culture of their social system [Tharp & Gallimore 1988, pp. 6–7]. For reasons that will be explicated further on, his theory is more often referred to as sociocultural theory, one that has had a profound impact on education.

There are two important aspects of Vygotsky’s theory. The first is that his theory is rooted in culture. Vygotsky argued that a child’s behavior is driven or directed by their cultural knowledge [Trevarthen 1988]. The child acquires this cultural knowledge from his or her caregivers or, what Vygotsky called the agents of culture. For the child, the most influential agents of culture, at least

early on in their maturation, are parents. As the child matures, other agents of culture begin to play a significant role in their acquisition of cultural knowledge. These may include, peers, relatives, teachers, and religious, civic and political leaders. Agents of culture pass along their cultural knowledge by sharing language, symbols, concepts and ways of thinking about the world. These become internalized as cognitive processes that mediate social behaviors [Kozulin 1990, pp. 114–115].

This notion of mediated social behavior leads to the second major aspect of Vygotsky's sociocultural theory, as Lantolf [2000] explains, positing that humans are mediated beings. Vygotsky argues that humans are born with natural cognitive processes and that these processes become "reorganized" during maturation as a result of the child's interaction with cultural artifacts, activities and concepts [p. 69]. Vygotsky further argues that human behavior is never free of these sociocultural influences. Hence the more commonly used Sociocultural theory name for his theory of learning.

As noted earlier, the role of agents of culture are assumed by different players in the various milieus in which the maturing individual finds him or herself. In the neighborhood it might be peers while in school it could be teachers. Once an adult enters the work world, they become exposed to still other agents of culture, those who will begin to instill the cultural knowledge -- the language, symbols and concepts -- essential for the individual to survive and succeed in a highly competitive and demanding environment. It is the practical knowledge of learning "that's how it is done around here" and of how to navigate the often treacherous shoals of work life.

Schein [1988] expands on this notion by providing a functionalist anthropological definition of culture as it applies to groups and organizations. He explains that culture is a "property" of groups that reflects the totality of what they have learned during their lifetimes. Moreover, he argues, that his definition emphasizes learning and refers only to that "accumulated learning" that is passed along to group or organizational members. Consequently, he defines culture as:

"1) A pattern of basic assumptions, 2) invented, discovered, or developed by a given group, 3) as it learns to cope with its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore 5) is to be taught to new members as the 6) correct way to perceive, think, and feel in relation to those problems" [p. 7].

### ***Public Relations as an Organizational Agent of Culture***

In the work setting, group learning occurs through the agency of many system actors, some naturally more influential than others. Organizational agents

of culture include fellow workers, first line supervisors, middle and senior managers, human resources and public relations functions. Arguably, among the most powerful and influential is the public relations function.

The reason for its powerful role as agent of culture is because of its unique position in managing organizational communications. No other organizational management function has such a far-reaching and intrinsic role in managing formal communication processes throughout an organization by controlling information production, access and distribution. Moreover, public relations is also that unique function given the responsibility both to interpret organizational image and identity, and to manage public discussion of organizational issues and values for both internal and external audiences [Cheney & Vibbert 1987, pp. 174–177]. In this unique organizational role public relations serves as the principal mediator of corporate culture.

As an agent of culture, public relations transmits to system members the cultural or psychological tool set that they will need to successfully manage workplace life. These psychological tools carry the “accumulated learning” people need to mediate their understanding of the world around them [Kozulin, Gindis, Ageyev, & Miller 2003, p. 4]. Psychological tools comprise the symbols, language, concepts, behaviors, and modes of thinking or, in Schein’s [1988, p. 7] words, “pattern of basic assumptions” that group members require to ensure the system survives and succeeds in a competitive and, often, hostile environment. It is through public relations creative, purposeful use of symbols, language, rites and rituals that culture is formed, sustained and transmitted to both internal and external audiences.

Public relations transmission of psychological tools may be both intentional and unintentional. For example, in organizational publications, such as annual reports, corporate magazines or employee newsletters, the weaving of cultural values and norms often occurs naturally in the telling and retelling of stories and myths that emanate from the organization’s philosophy, vision, mission, history and traditions. Conversely, in conducting rituals and ceremonies, public relations deliberately orchestrates such events to reflect and reinforce the underpinning values and beliefs of the organization. Often these events are pregnant with symbols or what Durkheim calls totems that are the reification of the corporate entity itself [Kozulin 1990, p. 125]. Such totems run the symbolic gamut from team mascots to the American eagle.

### ***Public Relations as Mediator of Culture***

Externally, public relations must make the organization’s culture real for other actors in the environment. Organizations, groups and individuals cannot beneficially interact with one another unless they share a common basis for mutual understanding. This basis is rooted in knowledge of the culture of all actors in the environment. For these environmental actors to successfully

mediate their behaviors with each other they rely on the psychological tools passed on to them by the public relations function. This is especially true for corporate organizations that have to be perceived as living entities, as both “being” and as a “being”.

Corporate museums are a good example of public relations engagement with external audiences. Usually sited at an organization’s corporate headquarters, corporate museums are designed to use the highly effective communication attributes of slow media to immerse audience members in the culture of the organization. Many companies, such as Hershey and Harley-Davidson, have corporate museums, as does Coca Cola, which opened a new \$96-million facility in Atlanta two years ago. Coke’s chairman and CEO accurately characterized the museum as a “manifestation” of the organization’s “mission, vision and values” [McKay 2007].

Similarly, public relations must also make real for internal system members the culture of external groups. So while sharing the organization’s culture with the external environment it also feeds back information about the cultures of those external groups it interacts with. The primary function of the public relations practitioner, as Carey (1969) argues, is to translate the “attitudes, knowledge, and concerns” of one culture into readily understood language of another culture, or what he called a “differentiated speech community” [p. 27]. Cheney and Vibbert [1987] characterize this public relations function as boundary spanning in which public relations practitioners “are continually involved in making symbolic connections between organization and environment [pp. 177–178].

Ironically, such intercultural communication occurs both within and outside of the organization. Internally, numerous functional and hierarchal groups or subcultures populate organizations. Schein [2003, p. 35] argues that one of the ways that these groups define themselves is through a common language, or what is often referred to as jargon. Public relations, using a common language, mediates between and among these groups to foster among subsystem members a sense of organizational belonging, commitment, and a commonly shared uber culture. Externally, public relations, using specially crafted language and symbols, translates and transmits the organization’s culture to other distinct cultural groups and subgroups. It also serves to mediate between and among these groups so that the organization can better manage adapting to environmental change and challenges.

#### **4. Public Relations Goes Back to the Movies**

More than a half century after the stunning success of “The Man in the Gray Flannel Suit,” another well-received movie featured among its main characters a public relations practitioner. “Hancock” starred Will Smith as a rather despondent, depressed and antisocial superhero [Berg 2008]. While performing his various “good” deeds, protecting the local citizenry from one disaster

after another, he saves a man from being crushed to death by a locomotive. Unfortunately, Hancock causes considerable damage to private property while performing this prodigious feat bringing on the wrath of the surrounding crowd. The man he saves, Ray, operates a public relations firm and convinces the ambivalent antihero that what he needs is an image makeover.

In transforming Hancock, Ray changes the superhero's language, appearance, symbolism and behavior. He provides Hancock with a new "psychological tool box" so that Hancock can successfully navigate a society that wants and needs a superhero but one with a persona that conforms to its culturally acceptable values and beliefs. And that is exactly what Hancock gives them.

In "The Man in the Gray Flannel Suit" public relations is portrayed as a new, emerging profession just coming into its own as America ascends the world stage as the dominant superpower. In "Hancock," public relations manifests its skillful use of language, symbols and behavior to remake a cultural icon – the superhero. These two theatrical films represent the opposite poles of a half-century of moviemaking, representing the popular understanding and appreciation for the role that public relations plays and continues to play in both reflecting, transmitting and influencing our culture.

## 5. A last Word

As an artifact of culture, public relations reflects our perceptions of the power of the media and those who manipulate it to influence and shape public opinion and behavior. As an agent of culture, public relations plays an active role in influencing and shaping our thinking, feeling and behavior in the world. As both artifact and agent, public relations is a warrior, forever engaged in transmitting and transforming the culture that both spawned and nurtures it.

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## **The influence of intercultural communication on management: regional aspect**

Apart from mutual benefit, understanding of positions and motives of the parties in the sphere of business relationships, considering cross-cultural differences in the system of management organization is of fundamental importance. We talk about peculiarities of intercultural communication when making contacts with partners from different countries or of different nationalities in order to cooperate and set up long-term trade, economic, industrial and other relations.

Intercultural communication in the sphere of management and trade and economic relations is a relatively new phenomenon which requires being studied and analyzed. The term “intercultural communication” was introduced by culture anthropologist Eduard T. Hall in 1954 in the framework of adaptation program for American diplomats and businessmen in other countries; which he prepared for the US State Department. He defined intercultural communication as the subject of scientific researches and presented his vision of putting anthropological and linguistic concepts into practice. Main assumptions of his approach were given in 1959 in the monograph “The Silent Language”. His work was published several times and it served as a basis for compiling programs and courses in educational institutions in Europe and the USA. Hall suggested the conception that presupposed the ability to “study” foreign cultures [Koptelzeva 2006, pp. 15–21]. In a common sense, intercultural communication is defined as adequate mutual understanding of two participants who belong to different cultures during

a communication act [Vereshchagin, Kostomarov 1996, p. 26]. So, intercultural communication includes conversations in which representatives of different cultures participate, personal contacts, indirect forms of communication (such as letters), and mass communication. Peculiarities of intercultural communication are studied on interdisciplinary level and in the framework of such sciences as psychology, linguistics, ethnology, anthropology, sociology. Each of the mentioned above sciences implements its own approach towards studying these peculiarities. It is interesting to know that in our country in the end of the 90ies the discipline known as “Foreign languages” in the “Classification of disciplines and specialties of a higher vocational education” was changed into discipline 022600 “Linguistics and intercultural communication” [Ter-Minasowa 2000].

We still don't have one generally accepted notion for intercultural communication. We call this discipline in several different ways, such as “Cross-cultural differences”, “Business culture”, “Cross-cultural management”, “Intercultural communication”, etc. Being a scientific discipline, intercultural communication is now at the stage of its formation and it has two peculiarities. Firstly, intercultural communication is of applied character, which means that it provides efficient communication between representatives of different cultures, and it decreases risks of creating conflict situations, and secondly, intercultural communication is of interdisciplinary character.

Researches made in the sphere of intercultural communication become more and more significant, which results from the globalization process and intensive migration of population. In this sense the Astrakhan region is of a special interest, as a lot of different cultures have lived here together for ages. Here such civilizations, as Khazar Kaganate, Golden Horde, Astrakhan khanate, etc, were born and then died. None of the tribes were endemic, they were alien, there was no native population on this territory. Astrakhan region was a crossroads of cultures, trade routes and religions. Astrakhan has served as a merchant town for many centuries. Here merchants of different nationalities had their own places for trading – a Persian yard, an Indian yard, an Armenian yard, etc. Each ethnos had its own settlement area. For example, on the territory that was previously inhabited by the Persians there was a Persian mosque; Persian consuls could rent houses there and the street in the centre of the former Persian settlement is called “Gilyanskaya”, the Tatar district in Astrakhan is still called “Tatar-Bazar”. Each ethnos in Astrakhan had its own industrial area, and its corresponding industrial culture. The Tatars grew vegetables; the Kalmyks bred sheep, the Kazakhs – horses, the Russians fished, the Azerbaijani and Armenians traded. Each ethnos guaranteed high quality of the goods, so when purchasing you had to ask where the specific goods were produced. Nowadays there still remains a certain kind of industrial ethnical certification. But even in our poly-ethnic region there are traditional nationalities and those that came here with the last wave of migration process. Then nationalities that are traditional for our region

and those that are new differ in terms of their languages, culture, and period of living in the region. Anyway all these nationalities have been living close to each other for many centuries. During this long period of time common traditions of intercultural cooperation appeared, and the dynamic balance among all nationalities was found. During the Soviet period attempts made to create one common nation – the Russian nation – were aimed at eliminating specific national characteristics. Yet, in the end of the 20<sup>th</sup> century, during the implementation of political, social and economic reforms which took place in the modern Russian society a new interest towards national origins and ethnical self-awareness revived. This period is also characterized by institutionalization of national and cultural associations. Nowadays on the territory of the Astrakhan region there are more than 25 national and cultural associations. They are: the German autonomy “Einheit” and 6 German charitable organizations, the Dagestan national and cultural society “Barakat” (“Welfare”), the Checheno-Ingoosh society “Vainah”. There are regional and district associations of Kazakh culture and language “Zholdastyk”, the Astrakhan regional social organization “Kazakh national centre”, the Astrakhan community trust named after Kurmangazy, etc. The third, as far as the population is concerned, ethnical group in the region belongs to the Tatars. It organized several national and cultural associations, the largest of which is “Duslyk” society. There is also a female Tatar organization “Ak Kalfar”. Turkmenian national and cultural association “Vatan” was firstly formed as a section of Nogaisky society, which lately became an independent organizing committee. The constituent assembly of this society was held in 1994. The Ukrainian diaspora registered “Berkut” society. Kalmyk community organized a regional society of the Kalmyk culture “Halmg” in 1992; and in 1993 in Liman there was formed one more Kalmyk cultural society “Garel”. The Jewish community organized the “Thiya” society. There is also one more Meskhetian Turks national and cultural society “Idyn”. The society of Korean history and culture “Kore” operated only for a short period of time, though it passed registration in 1992–1993. The “Uzbekiston” society formed in 1996 satisfies national and cultural interests of the Uzbek population. In autumn 1996 a new society of Armenian national culture “Arev” appeared in Astrakhan.

In the beginning of 2002 there were two newly registered organizations: the Astrakhan regional Gypsy social organization “Romani Duma” and the Astrakhan regional social organization of the Iranian culture “Tehran”. In spring 2002 “Society for friendship and cultural ties with the peoples of Russia and India” appeared.

The Astrakhan social organization of Greek culture named after Varvakis and the national and cultural society of Nogaisky culture “Yashva” appeared recently. In 1993 the Astrakhan regional society “Slavonic unity” was registered. In Astrakhan a group of museum employees involved into local studies formed an association of the Russian history and culture. Ukrainian immigrants tried

to form their own association, but they failed; however, a group of local citizens of the Polish origin managed to organize a small association in spring 1993.

Along with traditional societies there are such national business centers as the “Tatar business center” which is responsible for national management. So a question arises concerning economic ethics presented as a combination of behavior standards of regional business representatives, requirements made by cultural society towards their style of work, type of conversation between participants, social image, and use of ethical methods of competition. Economic ethics includes business etiquette which is formed under the influence of traditions and specific historical conditions of a specific territory. Business ethics cannot appear at somebody’s subjective will. Its formation is a complicated and enduring process the main requirements of which include political and economic freedom, strong executive power, stable legal system, and legal regulation...

In the western countries managers are motivated not by common wealth, but by self-profit. Greeting each other they first say their own name, then their social status, and only then they name their company. In the East, where collectivism dominates, the order of introduction is different: the name of the company, the status of the person who is introducing himself or herself, and only then follows his or her proper name. Russia which is located somewhere between the West and East occupies an intermediate position on the individualism – collectivism scale. That’s why Russian managers behave extremely inconsequently: in the East they show traits of individualism, and with western individualists they behave like collectivists.

There are two substantially different styles of management in Russia – of public and private enterprises and this causes cross-cultural differences. Management in public enterprises is distinguished by centralization of decision taking, lack of authority delegation, profit-sharing, financial motivation, subjective personnel management and choice, etc. Management in private enterprises is characterized by certain peculiarities which become evident in the business globalization process when much attention is paid to economic ethics existing in those countries that consume goods produced by Russian business. In connection with this, practically all top-managers in biggest Russian companies are expatriates. This helps to simplify cultural adaptation of output in accordance with new requirements of cross-cultural environment of international business. As a rule, expatriates are concerned with mismatch of balance data and real situation. Quality and quantity of schemes which Russian companies practice impress with their variety: artificial capital increase, low assert disguise, profit optimization by means of the reserve accumulation, etc. This fact denies the formal balance analysis, so the first place goes to the abilities of an analyst to “clear” balance from schemes, and receive information (sometimes from informal sources) concerning functioning peculiarities of this or that enterprise or bank.

One of the Russian peculiarities is a “non-transparent” business reputation of the administration and business owners. In Russia it happens very often that those people who actually lost their business, thereby damaging economic perspectives of their partners, and leaving their clients and customers without money, start them once again and thus involve new people who can be “potentially harmed”.

Unfortunately, the new Russian business culture is more “kumovskoy” (or sponsoring). It means that it is characterized by the strong impact of personal factor, and sometimes “personal” is predominant over “professional”. It is also characterized by the importance of “acquaintances and relations” in a certain sphere. And when evaluating risks it is sometimes necessary to step back from official procedures.

Actually it is not the worst way out. Those ties that connect top-managers may sometimes guarantee that the required information, if necessary, will be obtained. In Russian business practice there are cases when contacts between top-managers helped to reduce some problems of their business partners and to agree on debt rescheduling in banks, though they were on the verge of bankruptcy.

It is necessary to point out the low level of discipline that is attributable to the Russian business culture. “Russian perhaps” for the recent time has been the main reason that prevented the adequate timely reaction on micro- and macro economic situation, despite the fact that there are procedures used for analyzing and controlling risks.

From our point of view, revealing those problem factors makes it possible to correct the existing Russian model of cross-cultural management and strengthen its effectiveness.

It is fair to say that Russian labor force of the middle age is characterized by high level of education, adaptation towards world requirements for doing business and herewith it is not very expensive. Existing symbiosis of the middle aged labor force, assimilating European cross-culture and the older labor force representing unique remains of the “post-soviet” mentality that combines collectivistic and individualistic characteristics of the society, high level of respect for the authorities both in public and private enterprises, tolerance of the representatives of different age categories towards certain life values and also the “in-born” ability to operate in terms of not stable economic situation, forms a special type of business cross-culture. This helps modern Russian companies to avoid “cultural shock” which makes any business more complicated when dealing with foreign partners.

One of the most important issues is the analysis of the socially oriented economic business activity as the demonstration of responsibility towards society and authorities. Russian researches still do not have one opinion concerning main

characteristics of this phenomenon. But considering the history of this issue it is necessary to point out that originally, social responsibility was understood as the reaction of business to critical social problems that arise from the differences in the income of different social groups, incapability of the government to conduct effective social and economic policy, weak structure of the civil society. So the problem concerns also charity, sponsorship and patronship. However, it did not transform the social responsibility of business into the social institute of the society that is based on the principles of rationality and effectiveness. It was necessary to adapt new forms: grant contests for public organizations, social funds, and inter-sector social partnership. One of the very important stages in the history of this issue was the speech of the President of the Russian Federation, Vladimir Putin, in December 2003 at the board meeting of the Russian Chamber of Industry and Commerce where the social responsibility of business is treated as the main functioning principle. It means that every conflict that involves interests of business and that of the society should be solved in favour of the society as business is its integral part. Taking such an approach, new relations between business, government and society develop. Business starts to connect itself with the local society and independently, without any initiative from the government, tries to solve socially important problems. Herewith, it is emphasized that now we are talking only about the opening phase of the implementation of this strategy as business still needs to fill the following gaps: stable development, balance of commercial and social interests, and effective social programs.

To fulfill this task in 2003 during the circuit session of the Fourth international conference “Corporate culture and reputation of the organization” Business Culture Centre and Committee on Business Ethics were opened on the basis of the Astrakhan Chamber of Industry and Commerce. Both structures organize different seminars, conferences, fairs, and courses that touch upon social responsibility of business and culture of entrepreneurship.

At the same time Astrakhan Chamber of Industry and Commerce initiated a new direction in the development of inter-sector social partnership. This topic was first considered within the framework of the seminar “Collaboration of business, government and society within the framework of charity projects realization in Astrakhan” which was organized by PR Committee of the Astrakhan Administration and Committee on Business Ethics of the Astrakhan Chamber of Industry and Commerce in cooperation with Human Rights Committee and Russian branch of the British Charity Fund (SAF). As the result the Fund of Local Community was established. Later on this idea was developed and discussed in the series of publications, meetings, and seminars, and was accepted by the RF Presidential Council on the institutional development of civil society and human rights.

The Board of Founders includes Astrakhan branch of “Opora Rossii” organization, the Astrakhan tourist association, publishing house “Privolgie”, and “Sivitas-Russia” Fund. The purpose of the Astrakhan Fund of Local Community is to support initiatives of citizens and legal entities that are aimed at solving social, cultural, educational and other socially important problems of the region, and also to improve the living standards of the population. The system of inter-sector cooperation is based on the mutual social responsibility and voluntary union of financial, administrative and social resources of the region.

At the first competition of social projects called “We are making tomorrow” that was held in August – October 2007 123 applications were sent in and in 2008 – 256 ones. In the competition there are three categories – “450 charitable acts for the city anniversary”, “The future starts today” and “Many nationalities – one region”. 18 participants became winners in 2 competitions and got grants to put their projects into implementation. Grants are given on the initiative of local entrepreneurs and representatives of the local community. As many foreign and Russian researches show such types of social investments indicate high level of the business culture development and demonstrate a substantial economic effect.

Thereby, the effective solving of the problems existing in the region largely depends on the collaboration between business, government and society. Considering the existing traditions of the inter-sector partnership, it is necessary to continue developing conceptual basis for collaboration, priorities and directions, methods and technologies that help to promote and develop local community. Simultaneously, it is necessary to point out that contacts based on mutual respect, morality and business ethics almost always enrich moral and spiritual level of their participants and lead to better mutual understanding and long-term relations between people of different cultures and nationalities.

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## **Culture of Japanese organization and basic determinants of institutional economy**

### **1. Organizational culture and institutionalism**

Organizational culture is one of the basic determinants of progress in management, it is the base of a firm's identity and it shows the manner in which the companies function in the market [compare: Zbiegień-Maciąg 2002, p. 14]. Commonly shared views, norms, values, symbols and artifacts have their source in the culture, history and accepted economic system created by the society. The institutional economy is a part of the social and cultural heritage of Japan and it acts as the determinant of Japanese mannerism of business which creates the organizational relations.

The institutionalism, initiated by T. Veblen, as a new direction in the political economy spread out within the United States in 1920's and during that time there was the advancement of the research into the institutional frames of economic activities. This research was, to a certain degree, against the Neoclassical economists who referred to the person's motives and their psychological considerations, omitting social meaning of the person's activity. Institutionalists wanted to research the whole of the economic life, both from the perspective of a unit as well as from the perspective of a social institution [Landreth, Colander 2008]. As F. Fukuyama wrote: "probably, the economy is the most important domain of modern life in which culture renders direct influence on affluence of the society and international order. Although the economy is connected with political and social life, erroneous conviction is promulgated by many economists that economy is a domain of right ruling, which may be beyond society. According to this view, economy is the sphere, in which the person returns only for realization of the egoistic needs, but after than the person wants to return to "genuine" social life. Otherwise, the economic activity

is one of fundamental and the most dynamic areas of social lives in each modern society. (...) People are egoistic. But they want to be a part of society simultaneously. Individuals perceive painful upset in face of lack of social norms adjusting the relations with other people. Modern institutions try to eliminate this upset within their employees" [Fukuyama 1997, p. 16].

T. Veblen criticized capitalism, hedonism and the principles of *homo economicus*, who in his economic activity was driven by the sole stimulus – personal benefits and economic egoism. He criticized the foundations of Neoclassical economy, he was interested in the social part of conversion. He considered that tradition, habits and imitation are the base for the consumer's choice. He considered that people's behavior is controlled by certain rules – institutions – which he defined as groups of customs, habits of reflections and mannerisms existing due to long lasting practices and recognition of a social group [Veblen 1971]. It has been clearly shown in the *Theory of Idle Class* that one should look at an economic process as a social process. Of course this process is defined by institutional frames, institutions, which determine directions of human operations. To understand the social and economic life one needs to research institutions, history of customs, habituation, tradition, instincts and people's subconscious motives [compare: Shein 1986]. People are led not only by the maximization of a personal benefit, which grows within institutions made by the financial culture, but this benefit is not the natural motive of the individual. People's life, according to T. Veblen, is the battle for life or the process of selective selection, or the development of a social structure as the process of the natural selection of institutions. Institutionalism does not negate the basis of the theory of choice or rareness of goods and competition, it negates only the instrumental rationality [Landreth, Colander 2008 ].

New institutionalism has introduced a new notion of economic analysis called the cost of transaction, or the cost of planning, adopting and monitoring the transaction, which has been deduced from the foundation of limited rationality [Landreth, Colander 2008]. The so called *path dependence* raises different questions, for example S.J. Liebowitz and S.E. Margolis [2000] regard the dependence of economic phenomenon, historic factors and unforeseen events. They affirm that the results of operations are not dependent on technology and other factors of development but considerably more on insignificant, unforeseen events, thus, the interpretation of the economic phenomenon should be carried differently in different socially – political systems [Liebowitz, Margolis 2000]. The authors differ regarding the three forms of the institutionalism: the first one seems to be the optimal path of development eliminating ineffectiveness, the second appears to be based on conditions of imperfect information, which rely on appropriate decisions do not look so appropriate when we look at them without the prospect of time. We will see that we can not perceive appropriately, in the moment of executing the choice, the existence of the effective alternative

path. That leads us to the effects we are not satisfied with, but the change is expensive. And the third form is when our choice leads to ineffective outcomes, but these outcomes are possible to be repaired. In the third case, the authors emphasise that even people who have all the information at their disposal will not predict the results of their operations, though it is obvious that each decision has an effect on subsequent decisions undertaken by others [Liebowitz, Margolis 2000].

By using the example of the functioning of the Japanese economic system and its organizational culture we can follow the basic foundation of the institutional economy. This is an interesting topic for investigation. As L. Zbiegień-Maciąg affirms: “the Japanese economic success is a challenge for researchers (...). Discussion began to take place that progress of the great economic American moloch does not lie in the transfer of technology. It meets more and more barriers and the sole hope lies in a change of organizational culture” [Zbiegien-Maciąg 2002, p. 19 ].

## 2. Reliance

According to North, co-operation is one of the basic foundations, in conditions where the process of negotiation is transparent and the market order is stable, when transactional cost amounts to zero [Hardt 2000]. “ When mutual reliance is evident among co-workers of given ventures from the same norm of ethical code, doing business is less expensive” [Fukuyama 1997, p. 40]. Japan is a group oriented society, rewards obedience to authorities practicing capitalism which has been called by L. Thurow a communitarian capitalism [ibidem, p. 41].

Confucianism promotes fabrication of such an atmosphere and it presents a package of ethical principles putting foundation under a properly functioning society. Confucianism came to Japan from China in VI AD. It underlines the superiority of the family over other forms of relations and the weight of a person as the important element of natural order. Social order is based on ethical rules and a decentralized unified state. There are basic moral rules like loyalty in accordance with authority and families, observance of social rituals and labels and such values as education, heavy work and harmonious interpersonal relations [www.exporter.pl]. The fifth dimension of the analysis of intercultural differences, called *Confucius dynamism*, is based on the fundamental difference between long and short run attitude to life (...) [Hofstede 2000, p. 248], “dignified and the correct behavior means not treating others in the manner you do not want to be treated yourself (...), dignified and good life’s purpose is gaining the knowledge and skills, heavy work, restraint in expenses and patience and consistency” [Hofstede 2000, p. 249]. Japanese workers put high regard to good interpersonal relations in work and to the rules of behavior which are traditional in the Japanese society e.g. identifying social rank and following the accepted norms. Distaste is explained in this philosophy by the show of individualistic

postures. The Japanese are driven not only by collectivism but also comunitarism: the capitalistic profit is interpreted as an element of contributing to the welfare and perceived as an altruistic operation, and it has nothing in common with western competition within the limits of competitive capitalism. The morality of Confucianism is expressed within Japanese enterprises e.g. in promoting older employees, showing them respect and paternalism. It determines the majority of Japanese choices performed as an economic subjects [Konecki 1992]. This peculiar outlook on life is expressed also in comprehending time, according to which there are no boundaries between the future and the present, however, the past is perceived as continuing into the present. Such an image of time looks like a developing spiral. As in the case of other cultures, Japan also allows to connect features of new and modern with old and traditional [compare: Humpden-Turner, Trompenaars 2003].

K. Konecki affirms that when we concentrate on professing common values and we follow the same ethical code based on the ability to estimate reality from the point of view of other people, then the basic Japanese values are: the aspiration to achieve harmony in the realization of business purposes and the selection of partners with whom transactions are conducted. The spiritual proximity, agreement of partners and an individual approach are the most important values. Also Japanese employees are modest which enables them to learn from their errors, consistency and simple easy adjustment to organizational conditions [Konecki 1992]. "This domain affirms that the culture of organization was an important creative element for the progress of Japan. The key difference among the culture of American organizations and Japanese firms is that American firms focus on individuality and competition, whereas Japanese concentrate on work in groups and cooperation. (...) It is well known, that higher salaries are based on seniority and group work, rarely on individual achievements. Employees often work their entire life for one company. It is a social disgrace, if an employee is dismissed. The Japanese also believe, that *quality control circles* or small groups, no more than ten-persons, representatives of different sections, whose task is to solve the problems in production, which increases its market share, give them the superiority over companies from America. Quality controls circles work well within companies which have the organizational culture based on cooperation, or on a high degree of employee participation in management" [Zbiegien-Maciąg 2002, pp. 26–27].

The Japanese culture respects multiple points of view, e.g. Japanese manager can see American objectivity as weakness. Particularism or harmony of individual cases sets up such values as loyalty, spiritual proximity and an individual approach to people [Humpden-Turner, Trompenaars 2003]. The care is taken to provide comprehensively for all the consumer needs, a commodity is valuable when there is an amount of maximum individual satisfaction. It is uncommon in Japan to find the foundations for unlimited rationality, or lack

of differences between the real world and the way people perceive it, not taking into consideration the perception of the others. In general, people in this country seem to be conscious about individual differences in experience and about the fact that the individual's knowledge is limited [Liebowitz, Margolis 2000].

Collectivity and synchrony promote the reinforcement of reliance. By establishing and nurturing the relationship with partners the mutual attachment to reliance is possible which enables the establishment of flexible agreements. This diversity of ability is the basis of harmony, which is implemented, but not substitutive. So, the collective logic within the community is used to achieve progress e.g. *Keiretsu*, an economic group which is organized around banks and enterprises of business campaigns. Synchrony and long-term thinking influence reflection in the categories of technological hybrids and technology mergers of the industrial domain [Humpden-Turner, Trompenaars 2003]. Nevertheless, one should remember that "the gloomy part of the Japanese sense of national separatism and big social reliance is a distrust in other nationalities" [Fukuyama 1997, p. 210].

Within the institutional approach, there are numerous cases of participants in transactions being cheated and a high degree of opportunism occurs [Liebowitz, Margolis 2000]. Reliance is aspired to within the economy, because it lowers the cost of transactions through honesty and care about the personal and social interest. The Japanese style of management counteracts results of opportunism, it is possible to define this as comunitarianism, or joining individual progress for the good of the community. T. Veblen also posed the problem of reliance and he indicated the difference between business basic contradiction in opposite to modern technology. Modern industrial system based on modern technology measures the development of production and continuous improvement. The *world of industry* is contrasted with the *world of interests*, in which reliance does not take a stand [Veblen 1971]. Enterprises and markets are alternative means of coordination, so old monopolistic practices are treated as aspiration to moderating opportunism forcefully. In Japan high regard is attached to efficient internal communication within firms, this raises employees' morale and promotes efficiency. This effective dissemination of information throughout the organization means that decisions are taken slowly, but implemented quickly, because the stimulus for changes emanates from the lowest ranks. Reliance is based on openness of intercommunication among employees of different ranks with a strong requirement for cooperation [Konecki 1992]. Economic behavior of the Japanese features a large heart, loyalty and gratitude. This mutual reliance often includes flexible and oral agreements, which decreases transactional costs and also removes the uncertainty of partners in interactions, particularly when the partners come from different cultures.

### 3. Institutions

Institutions are the next important question for an institutional economy, it is possible to illustrate their influence on reality on example of Japan, strictly – on the role of family in the Japanese culture and economy. According to T. Veblen institutions can be comprehended as mental habits of human life, recognized rules and principle procedures. We can distinguish formal legal norms and informal moral norms, generally, the basis for the social rules [Veblen 1971]. Strong paternalism can be a service, for example in the Japanese society as well as in an enterprise, it may be particularly visible in small firms, where employees work with the members of the owners' family and from time to time they live with them under the same roof. This promotes identity of the vital purpose with purposes enclosing their environment of work and sense of liability for the fate of organizations. The enterprise is perceived as family, a kind of local community, joined with the organic attachment to generations. Among others, the basic principles of Confucius are based on mutual commitments, respect, obedience and conviction, that "family is the prototype of all social organizations. First of all, each person is a member of the family and then an individual unit" [Hofstede 2000, p. 249]. "The superiority of family over other forms of organizations is the essence of Confucianism" [Fukuyama 1997, p. 41], besides, in the Japanese culture there are associated groups called *iemoto* defined as loose relationships between persons, who behave as if family ties connected them. "It is said about Japanese firms, that their structure is reminiscent of a family. A Japanese corporation with its power structure and moral sense leads to a family member attitude, but simultaneously it shows elements of voluntarism not limited by relationship, which tells us to treat it rather as a western organization with a voluntary character than a Chinese family or rung's structure" [ibidem, p. 207]. Moreover, Japanese Confucianism sets up that loyalty within the firm is even more important than that to the family.

Confucius paternalism has been joined in Japan with matriarchal phenomenon called *amae*, expressing demand for entity dependence which allows the unit to be put into traditional system of social attitudes [Konecki 1992]. Highly extended hierarchy and large network are characteristic for Japanese enterprises which reach more and more wide coordination, tradition of benevolent leadership and minimum subtle control, basing work on attachments, modesty and learning by mistakes, the need of giving and presenting. The attributed status also has a great impact, so that is why we have a definition of logic of economic development of Japan as "industrial politics or capitalism on order" [Humpden-Turner, Trompenaars 2003, p. 96]. Besides, Japan is concentrated, in the sphere of economy, on so called "mezoekonomik" or dynamics of branch of individual industry and sectors [ibidem, p. 184].

The next important postulate of institutionalism is the fact that it is not possible to analyze the behavior of economic subjects apart from organizational

empirical facts [Veblen 1971]. K. Konecki affirms that the person is employed in Japanese enterprise as a whole, it forms not only professional ability but also personality preparing them for fulfilling different organizational roles. The adaptation of the workers to the organizational culture helps to define a strong identification of the employee with his work place. An acceptance and systematic realization of purpose promote *ringi seido*: majority of proposals concerning organizational change are led from the lower rungs of the organizational hierarchy, so initiative of innovation happens due to the equality and taking decisions is a decentralized and collective process. The acceptance of the principle of employment for life promotes gaining knowledge about all rungs of the organization among the employees. The employee continues with company even if he is not satisfied with his work, he very seldom leaves it. That sense of loyalty, gratitude for employment, respect for the employer accompany him and, as there is the need to keep the employee in the enterprise, leaving the job could be interpreted as a failure of the employer. Besides, the change of work is badly perceived in Japan as a display of anarchism and non-liability of basic moral norms recognized in this society. For a person quitting the first work-place it is often hard to become employed in another place, it follows on one's chances on advance in payment in the future [Konecki 1992].

Within Japanese enterprises there is a very strong ritualization of organizational life. Stocks of knowledge, customs, language, procedures can influence the processes of rationalization of operations and they can ritualize them. Integrative rituals prevail in Japanese organizations, these are displayed by the morning assemblies before starting work, group exercises, acceptance, quality circles, accommodation of expressions and observance of etiquette. They are a method to maintain the balance and to limit the individual influence in favor of the cooperation within a group. One of the important rituals is *taking off the strip*, i.e. a symbolic removal of a white strip which signifies inexperience and lack of understanding for the organizational community from the hat of a young employee [Konecki 1992].

The ritualization and the promoting the philosophy of exceptionality hold up identity of enterprise which makes an employee create the image of enterprise as one social life which is enclosed in some organizational environment. Exceptionality can concern the character of interpersonal relations, which resist the equality of all employees. Similar uniforms worn in the work-places as well as common accommodation for directors and subordinates and the right of each employee to have a vote emphasize the sense of community [Konecki 1992].

S.J. Liebowitz and S.E. Margolis affirm that institutions define manners of people's operations, both participants and organizations are players [Liebowitz, Margolis 2000]. For example, the culture of Japan and organizational culture follow the theory of social game. The length of active working hours in Japan is

a good example, because it is usually about 10% longer than the active weekly time in Western Europe or the United States. Conformism of Japanese workers has its roots in the full devotion of an individual to his defenders or lords or samurai. Extra formal time functions apart from formally defined active time, and it involves work over hours on a request of a superior or on personal preferences of an employee. So, a Japanese employee does not work within firmly defined time frames, but the time is determined by the execution of the task. The impracticability of a task has no bearing on the employee's day of work, because he stays at work until the task is completed. As K. Konecki stresses in his work, even informal active time in work is subjected to formal limitations and an employee is to abide by it. It is also subjected to strict informal control, which manifest itself in informal criticism for not staying after hours as well as not coming to work earlier [Konecki 1992]. Comprehension of time in pragmatic categories covers the difference between free and active time. Japanese workers during breaks in work do not only eat, but also practice integrative sports. At a work place active time is estimated not by the number of hours spent but by the amount of executed tasks. Cultural conditions cause them not to perceive work in the categories of compulsion. Only a few workers identify work with necessity. Some can feel dissatisfied with the chosen enterprise, but it does not project on their loyalty or quality of their work. It is related to the demarcation in the Japanese culture of the notions *tatema* and *honne*. The former means package of principles, obvious natural rules, the latter – personal opinions and motives, which can differ from the generally accepted convention. However, although the opinions the employees hold are expressed in informal interactions, in the formal enterprise structure, the officially legitimate norms of Japanese culture predominate [Konecki 1992]. The owners of enterprises treat work as the source of satisfaction and the realization of ambitions, and they interpret it in emotive categories, their firms are treated as objects of care and affection. Majority of them emphasize strong attachment to their plants. The culture of work in Japan is related to work for the enterprise, which sometimes causes tragic events as the phenomenon of deaths from overworking called *Karoshi* [Konecki 1992].

Institutions are the effect of historical development, a process of cultural inheritance, so, it is necessary to research people in the environment defined by institutions [Liebowitz, Margolis 2000]. Strong identification of a Japanese employee with his firm has deep roots and is explained by Buddhist practices, involving roaming over villages and, on request, working for free. Young workers, unaccustomed to the culture of the organization have to participate in a similar training with a view to distancing them from their original social grouping order to create the sense of anxiety and rejection, then comes acceptance and becoming a member of work team which evokes a deep sense of gratitude. [Konecki 1992]. The Japanese difference in the approach to Buddhism is treated

as a Japanese equivalent of the protestant ethics of work: “this phenomenon has a close relationship with the present philosophy Zen and the tradition of striving for perfection. The perfection was achieved during the practice of daily meditation (...), not by mechanically possessed techniques. (...) That obsessive perfectionism, which decides today about the progress of the Japanese economy in a global scale, has a religious not economic basis” [Fukuyama 1997, p. 213].

In the Japanese culture it is possible to observe the instinct of good job introduced by T. Veblen, according to which the development of economy happens through the realization of technical progress and implementation of production capacity of work [Veblen 1971]. Unexplained curiosity and the sense of devotion for the community accompanies it. It can also have an affect the fact that a Japanese consumer chooses products of highest quality, he is fastidious in his choice, as he is used to receiving high quality.

T. Veblen stated that the instinct for work is opposite to idling. The groups which have it are coherent with modern industrial production (technicians, engineers, organizers of production) [Veblen 1971]. Working class can also have it and it can be activated by overcoming traditional conservative values, which do not interfere with the progress in Japan. Institutions of the idle classes are found in the largest number, according to T. Veblen, in the upper classes of barbarian cultures in feudal Japan. Class boundaries were rigorously obeyed there, the distribution of class occupation was the result of the economic aspect. Upper classes cannot be involved in the productive professions, it appears that they could perform only noble occupations, such as war craft or service for gods. There was the economic world of the superiority of that class over a subclass who performed slave productive work – the world of poverty. Idling and consumption on show brought honor [Veblen 1971].

The relation between institutions and the social and economic reality has a two-way character [ibidem]. Conversions in technology affect generation of new institutions, which started to confront the old ones. The adaptation of institution to the reality also follows (natural environment and technology). It is not possible to omit the direct influence of history on the processes of economic development because historic collective learning forms the way people perceive [Liebowitz, Margolis 2000]. So, if the change takes place, it should not negate the past but it should be based on what exists. The introduction of new formal rules will not suffice, there is a need for an informal structure on which one can base what is new. The reform of Meiji is an example of reorienting the manner of functioning of the Japanese economy, culture and consciousness without breaking with the tradition.

Matsuhito called Meiji became the Japanese emperor in 1868, after an uprising in the previous year, which removed the dominance of Tokugawa's dynasty. During this period, after eliminating the government, called the period

of Meiji (1868–1912), he transformed the feudal society into the capitalistic country, which enabled modernization, he introduced European patterns into many domains of social and economic life, performed a rural reform, introduced new distribution of administration in the country, introduced the compulsory military service, a new tax system and etc. In 1889 the constitution was introduced, the government was appointed, political activities were enabled. During the period of Meiji Japan also performed many territorial acquisitions [www.wikipedia.pl]. However, the morale of Confucianism and basic Japanese values did not diminish, but helped Japan to become one of the economic world powers. “After Meiji period people embraced the promotion of Confucianism to be an ideology able to reinforce the strategic purposes of Japan: modernization and strength of unity of nation” [Fukuyama 1997, p. 209]. Also today, in spite of the development of technology, a Japanese enterprise maintains a unique character – it is not a non personal organization based on getting competitive superiority but it is a primary social group based on direct interactions and emotive attachments.

#### 4. Knowledge

The theory stating that the knowledge people adopt will define direction of change [Liebowitz, Margolis 2000] is being revealed in Japan in XXI, it is illustrated by the development in the electronics field. All workers are motivated to realize the long-term goals, development cycles are example of long-range reflection. The direction of development of the Japanese economy and the connection with the electronics industry, creates a perfect example of creativeness and synthetic reflection as reasons for the Japanese economic progress.

Besides, a strong stimulus to gain pure knowledge exists in Japanese enterprises, and it is supported by the lower rungs. Continuous learning and care about intellectual development of an employee is very important for a Japanese employee. The *adaptation efficiency*, understood as the elasticity of institutional structure or long-range cooperation, and the postures of creativeness prevail and create welfare. The system of rotation of employees and acquainting them with the whole firm's structure make their professional flexibility greater. It frees up aspirations for an independent caring about order in the work-place and takes advantage of personal ingenuity to improve methods and execute tasks [Konecki 1992].

Organizations of information societies based on knowledge are currently emerging institutions. Japanese enterprises, which are examples of such organizations, accommodate to the changing reality treating employees as the source of knowledge and ability, and also by developing specific structure of management described as a rhomb. This structure has extended an intermediate level, representing leaders of average rungs, who have strict contact with the highest management and employees, as well as with the lowest levels. This

structure assures communication fluency and boosts inter-organizational attachment. So, among others, low degree of formalizing, delegating the authority, mutual control of members of the organization, group contribution to realization of task and general access to information are its characteristics [Pawłowska 2001].

The usefulness of the research on the intellectual capital and work and its importance for the development of the enterprise presents the work of I. Nonaka and H. Takeuchi *Creation of Knowledge in Organization*. The authors describe the process of the intellectual capital flow to a firm, which, according to them, is the creation of knowledge. The creation of knowledge is the process linked up with the functioning of an organization and with contacts enclosing environment in Japanese firms [Nonaka, Takeuchi 1995]. The inspiration to write the above-mentioned book by the two experts in business was the attempt to explain the progress carried out by Japanese companies in late 1970's and 1980's. The authors searched the base of the superiority of competitiveness within skillful organizational creation of knowledge. During many years of research in the Japanese enterprise, which can be treated as the representative for the business world, the authors concentrated on building a general organizational model for the creation of knowledge.

Organizational creation of knowledge is understood as the creation of the stock inside the organization and, next, taking advantage of it for organizational purposes, "signify ability of corporation as integrity for fabrication of new knowledge, generalization of it in organization and embodying in products, services and systems" [Nonaka, Takeuchi 2000, p. 14]. The authors describe the process of the creation of knowledge, which indirectly (e.g. changes in productive process), or directly (e.g. new product) is introduced on the market and they identify this "sale" with the process of innovation. Treating knowledge as certified convictions seem to be debatable, however, it is consistent with the cultural background or philosophy of the East. The discrimination between knowledge and information seems to be undoubted; thus knowledge is a package of possessed information, linked with the specific system, created in the social processes of interactions. The authors comprehend information as the instrument for creating knowledge, however, information can be also treated as the basic structural element of the knowledge [compare: Lash 1997].

The authors have introduced basic discrimination between two kinds of knowledge *implicit/cover* and *explicit/available* [Nonaka, Takeuchi 2000, p. 79], which is adopted from M. Polanyi's theories. They distinguish these two types of knowledge on the principle of complimenting contrasts: body – mind, practice – theory, operations here and now and operations then. It is possible to find cover, or hard to explain, knowledge in every organization, it is important to make it available for many subjects, in many domains of lives of organizations, it is possible to use and reconstruct it. Available knowledge is transferred directly,

unequivocally, in the form of system of information [compare: Shein 1986]. Here we have traditional epistemological the division into the object and subject of knowledge, and the unity of the learning and the learned, who are not the same but also not completely opposite, there are two dimensions of integrity as *jing* and *jang* [compare: Kuderowicz 2002]. The understandable discrimination between cover and available knowledge characterizes approach of I. Nonaka and H. Takeuchi and has its roots in Confucianism and Buddhism Zen. The next two levels of discrimination are the levels of analysis: epistemological and ontological. Epistemology is concerned with two different kinds of organizational knowledge, ontology – levels of knowledge (individual, group, organizational and inter-organizational). People are the basic units, they are carriers of knowledge. The authors emphasize that we enter the spiral of the creation of knowledge on more superior ontological levels, so, talking about organizational creation of knowledge we should understand it as fabricating knowledge in an organization and constructing favorable conditions for this process. If we join these dimensions, we will receive the spiral of creation of knowledge, which spreads out when “interactions between cover and available knowledge are dynamically transmitted on highest ontological stories” [Nonaka, Takeuchi 2000, p. 80].

The process which starts this spiral is the most important element of the theory and it takes place during the conversion of knowledge, which happens when “cover and available knowledge affect each other” [ibidem]. This interaction is a two-way process, it concerns units and has the character of social interaction [compare: Sztompka 2002]. I. Nonaka and H. Takeuchi distinguish four manners of conversion of knowledge: socialization, externalization, internalization and combination.

Co-perceived, notional, systematized and operative knowledge affect one another Socialization initiates the first spiral of knowledge, operative knowledge can start the next one. If it is joined with epistemological and ontological dimension of analysis, three dimensional scheme of spiral of the process of creation of organizational knowledge would emerge. While climbing higher ontological levels (individual, corporate, organizational, inter-organizational) the range of interaction between cover and available knowledge grows. In order to proceed to higher ontological levels, the spiral of knowledge must be full on each level i.e. include all four manners of conversions of knowledge.

Among mentioned by I. Nonaka and H. Takeuchi organizational conditions favorable for creation of knowledge, understood as the exciting spiral of knowledge, may be placed:

- intentions – captivated as “aspiration for purposes of organization” [Nonaka, Takeuchi 2000, p. 99]. They adopt the form of strategy, directing organization to deployment of useful knowledge and its purpose is the engagement of all employees into process of selection of knowledge, shared values present the base for that;

- autonomy – concerns all ontological levels. It sets up units with reference to possible wide range autonomy. Individual operations present potential chances for creativeness and development of organization and they help with the creation of a holographic structure, in which each part is a reflection of integrity [compare: Morgan 1997]. The authors notice that multi – task groups promote construction of autonomy, which is an inherent element of organizational culture of a Japanese firm, they grant particular function in the process of designing a new product. Here we see trends of development of modern organizations, aiming at greater elasticity and decentralization, delegating authority to the lowest working rungs and the holographic corporate work. I. Nonaka and H. Takeuchi give an example of the structure which provides the greatest elasticity to the organization, and which they compare to the game of rugby or *sahimi* [Nonaka, Takeuchi 2000, p. 104]. The difference of this structure is, in practice, the cooperation of all organizational departments;
- instability and creative chaos – result in promoting interaction between organization and its external environment. Instability has been defined as “unique order, the pattern of which is hard to define” [ibidem] and it aims at the reduction of organizational routine, revision of personal attitudes and habits. Chaos appears in situations of crisis and enhances creativeness in units, it mobilizes them to search new solutions. Managerial Japanese staff often introduce the atmosphere of imaginary crisis in order to mobilize employees to creative activity. However, it is important to remember that chaos can be destructive for an organization. I. Nonaka and H. Takeuchi notice that creativeness is freed up only when individuals can think about the situation they have been placed in. So, the lack of reflection leads to the loss of control and disorganization;
- redundance – is a quintessence of the saying “better to know too much than not enough” [Nonaka, Takeuchi 2000, p. 107]. First of all, it concerns cover knowledge which allows to understand intentions and personal position within an organization. In practice it can mean the cooperation of sections and lack of responsibility or competitive work in several groups, it also involves horizontal and vertical rotation of employees. The authors solve the problem of possible congestion of information by the distinct definition of the place within an organization, where the information is to be piled, and where the knowledge is to be placed.

According to G. Hofstede, stockpiling knowledge and information corresponds with the idea of the reduction of uncertainty. He defines the escape from uncertainty as “a degree of threat perceived by members of a given culture in face of a new, unknown or uncertain situation” [Hofstede 2000, p. 180]. It is expressed by stress and demand for forecast, for the existence of sanctions,

regulations etc. According to the index of The escape from uncertainty for 50 countries and 3 regions, Japan is on 7th position (UAI = 92 on 100). Japan and South Korea are exceptions among Asian countries, which are characterized by relatively low indexes. G. Hofstede explains this strong demand for safety and recognition in the above-mentioned two countries by the acceptance of the so called “risk accustomed”, expressing itself e.g. in a strong ritualization of organizational life [compare: Konecki 1992]. However, strong fear of ambiguous situations or “unknown risks” is inspired [Hofstede 2000, p. 197]. It can partially explain the attitude to redundancy as one of the elements protecting from unforeseen threats.

- desirable diversity – is connected with redundancy by means of enabling all the employees the information. It concerns differences among individuals in an organization, who are treated in this case as parts of a living organism [compare: Morgan 1997]. It is promoted by internal rotation on positions, flat and elastic organizational structure or frequent changes of structures [compare: Pawłowska 2002]. A synthesis or fabricating differences shows the quality as an integral component of productive process. The commodity is valuable when it gives an individual maximum satisfaction. It results in the care for the diversity and complexity of products. [Humpden-Turner, Trompenaars 2003].

## 5. Recapitulation

The paper presented while regarding some of the important foundations of institutional economy, as e.g. increasing of the meaning of historic analysis, introduction of notion of institution or transactional cost, shown on the example of the cultural and economic image of Japan obviously does not suggest that institutionalism can be illustrated only on this example. Similar examples can be found in other countries, however I put my interest in Japan as I have found it to be one of the fairest postmodern economically developed country.

## Abstract

*This article presents the basic foundations of an institutional economy, using the Japanese economic system as an example. This is the basis for the development of characteristic organizational culture which the Japanese economic progress is built on.*

*The article presents basic assumptions of the institutional economy using some Japanese economic organizations as examples. The organizational culture has been presented on such a base in the studies by K. Konecki, I. Nonanaka and H. Takeuchi. They describe the cultural foundations of the Japanese society which is an interesting example of institutionalism.*

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## **Power distance as a determinant of relations between managers and employees in the enterprises with foreign capital**

### **1. Introduction**

In the literature there are two different approaches to the role of the national culture in the management. On the one hand representatives of the convergence approach perceive the management practices as the factor independent of the national culture and institutional context. The scientists representing this school of thought argue that in the management there are the same 'best practices' which could be used independently of the cultural and institutional environment.<sup>1</sup> On the other hand, the second group, which represents so-called divergence approach, emphasizes that management practices are culture bounded and their transfer is not possible in all situations – it depends on contextual factors.<sup>2</sup>

In spite of globalization which leads to the standardization in the managerial practices the views of divergence approach seem to be closer to the truth. The articles in the psychology and organizational literature confirm this thesis. After the research in organizational behavior and human resource management articles Adler and Bartholomew stated that 70 percent of the articles include the concept of culture, and 98,3 percent of this kind of articles conclude that culture is important and caused differences to the organizational behavior and human resource management. [Tayeb 1994, p. 429] Considering culture as a critical contingency viable to explain the differences in human resource management

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<sup>1</sup> e.g. Hiltrop [1996, pp. 243–254] proposes eleven dimensions of human resource management which can be used to benchmark the practices for every enterprise.

<sup>2</sup> More about the convergence-divergence debate see Pudelko, Carry, Fink, Wentges [2006, pp. 15–16].

practices between nations results in more in-depth studies which show that the national culture has a considerable influence on this area of management. [e.g. comparing American and Japanese work practices: Shibata 1999; comparison HR practices in Chinese and UK companies: Esterby-Smith, Malina, Yuan 1995].

In case of the national culture in a multinational organization three different layers could be distinguished: home country culture, host country culture and, in case of enterprises hiring employees from the third country, employee country culture.

This paper focuses on the influence of the home country culture in the enterprises with foreign capital operating in Poland. The first goal of this paper is to explain cross-cultural differences in internal relations between managers and workforce, which include horizontal communication and employees' participation, which are caused by the level of power distance. The second goal is to show the degree of implementation of culture bounded practices in above mentioned areas in the host country.

## **2. Cultural dimension**

In literature one can find several studies proposing classifications of the culture dimensions. The most popular among such classifications was proposed by Hofstede who conducted research among IBM workers from different countries. He identified five dimensions: individualism/collectivism, power distance, masculinity/femininity, uncertainty avoidance and long-term orientation. Among these dimensions there is one especially linked with relations between managers and employees, it is the power distance.

According to Hofstede's definition, the power distance is connected with the social acceptance of unequal distribution of the power. This inequality can be connected with prestige, wealth and power. [more: Hofstede 2001, p. 79] The level of the power distance describes "how the culture tolerates and fosters pecking orders, and how actively members try reduce them" [Mead 2003, p. 36]

The high power distance societies are characterized by the tolerance for inequality and the members of such societies agree that power should be unequally shared. The people with higher social position obtain numerous privileges and it is considered as something right and natural.

The low power distance societies are those in which inequality is less tolerated. The privileges connected with the position are not easily accepted. In the cultures with low power distance the independence is more valued than the conformity. [Mead 2003, p. 36]

## **3. Relations between the managers and the employees in the cross-cultural context**

Basing on the previous research the direction of cultural influences in the power distance dimension can be identified.

The work relationship between managers and their subordinates is dependent on the power distance. In the country with the low power distance superiors and subordinates are perceived as partners and in consequence the best management style is the democratic one. Mead [2003, p. 36] writes that in low power distance cultures “employees don’t like close supervision and prefer a participate superior”. Technical education and competence are used to acquire expert power rather than to signal social status [Mead 2003, p. 36]. The distance between the subordinates and the superiors is smaller, and the contacts are direct.

In cultures with high power distance the most often used management style is an autocratic one. Both the managers and the subordinates consider each other as existentially unequal, which results in wide acceptance of the visible signs of the status [more: Hofstede 2005, pp. 55–56].

The cultural context plays an important role in a decision making process. In high power distance cultures the superior is the person who more often takes decisions without the subordinates’ participation and gives the subordinates precise instructions in how to execute his decisions. [Hofstede 2000, p. 77 and 192] The responsibility for decision making is in the hands of the staff at top. This is accepted by employees because in high power distance cultures inequality is tolerated and considered as something natural [Sagie, Aycan 2003, p. 456]. In low power distance cultures there is no acceptance of inequality connected with the position in an organization, whereas the employees consider that they have rights to participate in making decisions that concern them [Sagie, Aycan 2003, 456].

Moreover, in high power distance cultures there is a fear of punishment in case of disagreement with the management’s decision. This fear is weaker in the low power distance cultures [Mead 2003, p. 36], and in fact in such cultures participation is more frequent and more valued by the supervisor [Sagie, Aycan 2003, p. 456].

The power distance is also linked with the internal communication in enterprises. The level of power distance indicates the way and quantity of information transferred between managers and subordinates.

In the society with low power distance communication is more open, and more information is transferred from “top-to-down”, and vice versa. The employees in enterprises in low power distance cultures have more possibility of contact with top managers and this possibility is used more often than in high power distance society.

#### **4. Cultural determinants of relations between managers and employees in French and Swedish enterprises**

The results of research based on two countries, France and Sweden are presented in this article. In the table below the index scores and maximum-minimum levels of the power distance dimension for those countries are presented.

**Table 1.** Index scores in power distance for French and Swedish cultures

Low power distance	Min	S	F	Max	High power distance
	11	31	68	104	

Source: adapted from G. Hofstede, *Culture's Consequences*, Sage Publication, London, New Delhi 2001, pp. 500–501.

French enterprises are very hierarchical. In practice it is connected with giving a lot of competence to top managers and more strictly established hierarchy in which one subordinate has only one supervisor [Inzerilli, Laurent 1983, p. 104]. The main role of lower level management is to provide advice to top managers and not to manage or to take decision on their own (for this reason matrix structure is not popular among French enterprises [Turner, Trompenars 1998, p. 328]).

In spite of the high power distance in the French enterprises the relations between the supervisors and their subordinates are very strong. The supervisor takes care of the subordinates and their private life but these relations are formal, not friendly. Top managers are considered as a very special persons with high authority. Their contacts with employees from lower levels are limited and very rare [Neymann 2005, p. 131].

In many cases the internal communication in French enterprises is horizontal and very formal [Hall 1999, p. 135; Max, p. 128]. High hierarchical structure results in dislike for passing the information and empowering the subordinates [Turner, Trompenars 1998, p. 328].

One of the most emphasized characteristics of the Swedish management is high level employee participation. They have high autonomy and the employee involvement is considered as a very important element [Bjerke 2004, p. 223, Lawrence, 2000, p. 147]. The supervisors give only general suggestions, and the control is limited to encourage employees to take individual incentive, which is connected with the high level of individualism and tendency to avoid conflicts [Czerniawska-Joerges 1993, p. 17].

Additionally, the Swedish management is characterized by a large number of information passed to an employee. The internal communication is considered to be very important and, in accordance to low power distance, is direct [Lindell, Arvonell 1996, p. 85].

Taking into consideration the directions of the power distance dimension influence on relations between managers and employees and the practices in this area in enterprises operating in Sweden and France the three hypotheses, the positive verification of which confirms home-country culture influence, can be made:

*H1. In Swedish enterprises the relations between managers and employees should be more direct, the power should be based on competencies, and less connected with the status symbols than in French enterprises.*

*H2. The communication in Swedish enterprises should be characterized by mutual exchange of experiences between managers and employees and upward communication should be present in larger degree than in French enterprises.*

*H3. The Swedish enterprises should be characterized by larger dimension of employee involvement and participation than French enterprises.*

## **5. Method**

The main purpose of this article is to compare the relations between managers and employees in Swedish and French enterprises and to find to what degree the differences are caused by the home country culture. Additionally the practices in this area are analyzed to show the level of adequacy to the Polish culture and expectations of Polish employees.

The choice of the countries was determined by the differences in culture in the dimension of power distance, resulting in choosing France and Sweden.

The research was conducted among the foreign enterprises operating in Poland whose main capital source was either French or Swedish as this enabled to compare the employee relations in the home country and in the host country. Two Swedish manufacturing plants and two French manufacturing plants are examined in the research which was based on interviews, documentation analysis, and questionnaires.

The interviews were conducted mainly with the personnel responsible for human resource management (together with the fourth persons) and were concentrated on the examination of the roles of and the ways of communication between managers and employees and the procedures of employees' empowerment.

In the second part of the research the documentation connected with the internal communication was analyzed, especially notice boards and newsletters.

The first part of the questionnaire consists of four questions aimed at examining the employees' perception of relations between the manager and the staff and the decision making process. Each question describes two different situations and respondents were asked which of them is closer to the reality in their enterprises. The choice made was expressed on a five point scale.

The second part of the questionnaire presents a set of three factors asking how those factors motivate employees to work and how they are represented in the work place.

The sample consists of 103 employees from two enterprises operating in Poland with a capital share from France (68 surveyed employees) and two with capital from Sweden (35 surveyed employees). To reduce the diversity caused by the

differences connected to the position occupied in enterprises, the questionnaire based research was limited to the administration and production employees, excluding managers. First, the average for each enterprise was calculated, and next, the average for the enterprises with the French and Swedish capital.

## 6. The results

The results of research conducted using the questionnaire are presented in the table below. Table 2 presents the first part of the research identifying which situation is closer to reality in the place of work for employees from Swedish (continuous line) and French (dashed line) enterprises.

**Table 2.** The results of research using the questionnaire – part 1

<i>Situation A</i>	1 2 3 4 5	<i>Situation B</i>
<i>The employees with higher position obtain special privileges connected with position in organizational hierarchy</i>		<i>All employees have equal rights, there are not privileges for those with higher position in an organization structure</i>
<i>The employees have no influence on the enterprise management</i>		<i>The employees have possibility to empower</i>
<i>The relations between a superior and subordinates are hierarchical and formalized</i>		<i>The relations between a superior and subordinates are open and friendly; there is a mutual exchange of experiences</i>
<i>The authority comes with the position in the hierarchy</i>		<i>The authority comes with the competencies</i>

Source: the results of questionnaire.

The results of the second part of the questionnaire presented in table 3 make it possible to compare the employee assessment of the factors significance and the perceived presence of the factors in the place of work. The differences between the factor significance and its existence in the work place indicate the level of employees' satisfaction.

**Table 3.** The results of research using the questionnaire in enterprises with Swedish and French capital – part 2

	Average the responses in			
	Swedish enterprises		French enterprises	
	significance	presence	significance	presence
The good climate in workplace	4,19	3,49	4,16	3,62
The good relations with supervisor	3,89	3,42	4,06	3,72
The participation in decision making	3,28	2,66	3,02	2,21

Source: the results of questionnaire.

The comparison between the results obtained in the questionnaire, interviews and documentation analysis allows to present the picture of the relations between managers and employees, especially in the sphere of communication and the degree of participation in researched enterprises, and to compare enterprises with the capital from two different home-countries allowing to draw conclusions about the implementation of culture bounded practices to the home-country.

#### ***Relations between managers and employees***

The respondents participating in the survey in the enterprises with the French capital assessed that the power is based on authority connected with the position in hierarchy rather than on competence in larger degree than employees in enterprises with the Swedish capital. The biggest differences in responses were connected with the questions about the privileges for the employees in higher positions in an organizational hierarchy. The research between the employees in the enterprises with the Swedish capital allows to state that in these enterprises there are fewer special privileges for the employees on top of the organizational structure. The research using interview also allows to state that in the Swedish enterprises the relations between managers and employees are more open. Especially in one of them emphasis was put on the importance of the egalitarianism in the relations within the organization. In the enterprises with the French capital there are fewer possibilities for direct contact between production employees and managers than in the Swedish enterprises. These results are in line with previous predictions that if there are influences of the

home-country culture, then Swedish enterprises should be more egalitarian and the distance between top-managers and employees should be smaller and contacts more open.

### ***Communication***

The results of the research conducted show that both in the French and Swedish enterprises the internal communication is rather hierarchical and rather in top-down direction. In French enterprises a small number of information is transferred to employees. Only the information connected with the production indicators were regularly transferred to employees during special meetings or using the notice boards. In one of the enterprises the upward communication was realized by the usage of the special box for the employees' suggestions and questions which are discussed during weekly meetings. Additionally there is an employee opinion survey conducted every year or two.

The Swedish enterprises were more direct in the transfer of the information. The employees were informed about the situation in the enterprise, decisions connected with their situation, and the planned changes. There was an effort taken to learn about the employees' opinion. For this reason the surveys were conducted to examine the employees' opinion (in one case using SYMLOG questionnaire, in another – corporate questionnaire).

The results obtained from the interview and observations indicate that according to the home-country culture the communication is in a small degree more open and direct in the Swedish enterprises rather than in the French ones, but the results of the survey conducted among employees working in these enterprises show that the employees in French enterprises see the relation as more open and not-hierarchical and that there exists the mutual exchange of experiences.

These differences in the results of the research don't allow to verify unambiguously the thesis about the influences of the home country culture on communication in researched enterprises.

### ***Participation in decision making***

The research indicates that the practices in enterprises with foreign capital are consistent with those in the home-country. The analysis of the questionnaire shows that possibilities to empower are mostly perceived by employees from Swedish enterprises, and that in French enterprises employees feel that they can hardly influence the management in their enterprises. Additionally the research using the interviews and analysis of documentations further confirms the results of the survey. In one of the Swedish enterprises there was a trade union, and both enterprises put pressure on encouraging the employees to take initiative. In one of the enterprises the employee suggestion system was formalized. In the other one the director emphasized that the employee involvement is very

important in the decision making process. In one of the French enterprises the suggestion system was found and in the other one the surveys were conducted to get to know the opinion of employees but the participation of employees in decision making wasn't one of the guidelines for personal politics.

The results of the research indicates that, in the researched enterprises, the practices connected with employee participation in decision making are consistent with these of their home-country culture.

The differences in human resource management practices and the employees appraisal in the researched enterprises allowed to verify positively two out of three posed hypotheses assuming that the home-country culture has influence on relations between managers and employees in the enterprises with capital from Sweden and France. These results provoke questions about the effect of the transfer of the host practices to Poland. Are such practices suitable in Polish cultural background? How do Polish employees react to them? The second part of the questionnaire used to conduct the survey among employees helped to answer these questions. The results of the research show that in the case of the researched enterprises the level of the employee satisfaction from the relations between them and the managers and from the climate in the workplace is higher in French enterprises (lower differences between needs and the present situation in enterprises). Only the participation in decision making was appraised higher in Swedish than in French enterprises but this factor is also less valued by the employees participating in the survey. This fact could be explained by the level of the power distance in the Polish culture. According to Hofstede [2001, p. 502] the power distance index for the Polish culture is 68, which suggests that the Polish culture in this dimension is closer to the French rather than Swedish culture and Polish employees prefer the adaptation of French practices with more autocratic management style and, which is connected with it, – smaller participation in decision making.

## **6. Conclusions and implications**

We can draw two main conclusions from the research conducted. The first and most obvious implication emerging from the research is that the enterprises with foreign capital operating in Poland which were the subject of the research in this article transfer to the host country their own nationally distinctive style of relations between the manager and the workforce, especially connected with the level of the involvement of the employees and the kind of their relations with the subordinates.

A second general conclusion should be taken under consideration not only by a human resource researcher but especially by practitioners – managers who work in the companies with a foreign capital share. The transfer of practices from the home country is more acceptable by host country's employees if the host country culture is closer to the home country culture. According to this, especially

enterprises from different cultures should consider whether transferring the practices will be acceptable for employees in the host country. For this reason they should have an idea in which way every dimension can influence the practices and activities in the human resource management. It should enable them to fit better the areas of the human resource management which without this correction could be less effective in a new cultural environment.

However, the limitations of this study should also be noted. This research was conducted in four enterprises only. Additionally, only one cultural dimension was taken into consideration and only in one small area of human resource management. Other areas of human resource management in enterprises with a foreign capital operating in Poland are worth future study in order to check if there are also cultural influences.

### Abstract

*The managers very often don't take into consideration cultural determinants which can influence their employees' attitude and preferences. This can result in the transfer of practices which are not suitable in specific cultural environment. The aim of this paper is to present the direction of the influence of one of the national culture dimensions – power distance on the internal relations between managers and workforce which include employee participation and communication. The first part of this article presents the direction in which differences in the level of power distance influence relations between managers and employees in the chosen country whose cultural background in the power distance dimension is diverse enough to allow cultural differences to be easily observed. The remaining part of the paper is dedicated to presenting the results of the empirical study examining how this relations are shaped in practice in the foreign capital enterprises operating in Poland. The comparison with the practice in the capital source countries will allow to draw conclusions about the degree of the influence of the capital source country culture on the employee participation and communication in foreign capital enterprises.*

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## The arrest of Hilarion Capucci and the relations between the Holy See and the State of Israel

John Paul II was well-known to and respected by the Jewish people as one of the Popes who to a high degree contributed to the improvement of the previously strained mutual relations. It was not so with his predecessor, Pope Paul VI. The Jews did not highly appreciate Paul's VI pilgrimage to the Holy Land (4–6 Jan. 1964). The Pope did not visit the *Yad Vashem* Institute then, neither did he mention the name of the Jewish state in any of his speeches<sup>1</sup>. The Jews remember that in his other statements which dealt with the situation in the State of Israel, although the Pope actually condemned Palestinian assaults in general, he did not mention the Jewish victims or the difficult situation of the Jewish state. Yet, an analysis of the Pope's official addresses during the Six Day War period and his later statements allow to adopt a more positive view of the Pope's attitude towards the State of Israel and the Jewish people. The Pope demanded not only the free access to the Christian Holy Places but also the recognition of the State of Israel by the Arab states.

Paradoxically, one of the situations which contributed to tightening the contacts between the Holy See and the State of Israel was the act of arresting by the Jewish police on 6 August, 1974, of the archbishop Hilarion Capucci, born in Aleppo in northern Syria. He used to be the auxiliary Melkite Greek Catholic bishop of Syrian Antiochia, delegated to conduct his service in Jerusalem. Various publications which present the Catholic-Jewish relations mention briefly this event [Mendes 1990, pp. 156–159; Giniewski 2000, pp. 301–302]. Two weeks after his arrest, on the 3rd of September 1974, the Israeli prosecution

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<sup>1</sup> The pilgrimage of Paul VI to the Holy Land is presented in the publication: *Il pellegrinaggio di Paolo VI in Terra Santa*, Libreria Editrice Vaticana, Vatican City 1964.

drew up the charge against the archbishop. He was accused of collaboration with the Palestinian independence movement, that is of smuggling arms and money to support the Palestine Liberation Army.

After the arrest of Capucci, the archbishop Maximos V Hakim, the patriarch of Antiochia, stated that the accusations would never be proved. In the statement given by the patriarch we can also read that Capucci's lawyer declared that the Jewish court had not had the right to judge the prisoner because its procedure had been illegal. In the opinion of the archbishop's lawyer the process was to be held in the old Jerusalem, which, according to the ONZ declaration was not the part of the Jewish state. In this context we must remember that according to the U.N. General Assembly's Resolution no 181 of November 29, 1947 "The City of Jerusalem shall be established as a corpus separatum under a special international regime and shall be administered by the United Nations". In spite of this Resolution, after the 1947 Arab-Israeli War Jerusalem was divided into two parts: the west, which was occupied by the State of Israel and the east, controlled by the Kingdom of Jordan. After the 1967 war the whole city came under Israeli rule. In November 1967, the United Nations Security Council Resolution 242 was passed, calling Israel to withdraw "from territories occupied in the recent conflict", the old Jerusalem included. Maximos V Hakim declared that Capucci would not answer the questions of the court in the part of Jerusalem annexed by the Jewish state [Problèmes de L'Eglise melkite ... La Documentation Catholique 1974, No. 1662, pp. 881-882].

The arrest of Capucci was widely discussed by Christian leaders in Damascus on September 20, 1974. They announced that his case had to be considered in the context of unresolved problems of the Palestinian region, and especially those of Jerusalem. His accusation was directly connected with the political issues and humanitarian problems. In the opinion of these Christian bishops the accusations had to be appreciated in the perspective of the Israeli-Arab war and from the point of view of the international and human laws. Moreover, the leaders also put some questions. The first one was, if the bishop, the shepherd of the Palestinians in Jerusalem, on seeing their tragedy, the illegal Israeli occupation and judaisation of its east part ever since 1967, could not support his people? The Leaders stated that his help for the Palestinian resistance movement, inside and outside, was his national and pastoral duty, which was an honour to the archbishop Capucci. Bishops gathered in Damascus considered that the act of arresting of Capucci, was aiming at:

- Forcing to silence the courageous and responsible people who protested against the Israeli annexation and its policy in the occupied territory.
- Destroying Islamic and Christian beliefs concerning destination of Jerusalem.
- Blackmailing the Holy See to change its attitude towards Jerusalem and to stop its help to the Palestinian people.

- Satisfying the political religious parties in Israel and delivering Christian Arabs the blow.
- Seeking the support of the American opinion concerning its policy towards Jerusalem [Declaration des chefs des Communautés... *La Documentation Catholique* 1975, No. 1668, pp. 98–99].

On December 9, 1975, the archbishop Capucci was sentenced by the Israel court to twelve year imprisonment. The following day the Holy See press office issued the statement, in which we can read: “The Holy See with the deep care and lament was informed about the sentence of the archbishop Hilarion Capucci”. This event – according to the statement – was the serious blow aimed at the one of the oldest and most honorable Catholic communities of the Melkite Church, in which, for many years, Capucci had been the bishop and the shepherd. His arrest would only cause an increase of spiritual problems. In spite of the noble efforts the people of this region still live in the climate of anxieties, conflicts and incertitude. The official communiqué also informed us that the Holy See would be watching the fate of the archbishop, looking for the positive solution for him and the reconciliation among all the people [Declaration de la Salle de Press... *La Documentation Catholique* 1975, No. 1668, p. 97 ].

The Israeli were surprised by the attitude of the Holy See and its statement was criticized for a long time. The official communiqué of the Israeli authorities presented those Jewish opinions. It emphasized that the Holy See did not express disapproval of the offence committed by the archbishop. “From our point of view” – the Israeli document said – “we do not consider that the Holy See identifies the Catholic Church with the acting of terrorism conducted in Israel”. The Jewish statement recalled that the archbishop was tried in the objective and public trial, he had the right to choose the lawyer. In the end of the Israeli statement it is said that the State of Israel had always appreciated the religious Christian leaders who thoughtfully conducted their duties” [Mendes 1990, p. 157]. As a prisoner Capucci was allowed to say the Holy Mass, to wear the clerical robe and to stay in a one man cell. He was visited by priests, the Latin patriarch of Jerusalem and other people.

On the 31<sup>st</sup> of March 1976 the patriarch Maximos V Hakim sent letters to Gerald Ford – the president of the United States of America, Valéry Giscard d’Estaing – the president of the French Republic, Kurt Waldheim – the general secretary of the United Nations and to Jose Barosso Chavez – the president of the International Federation of the Red Cross and the Red Crescent Societies. He informed them that Capucci had been beaten and harassed on March 15, 1976 by the prison guards because he had gone on hunger strike to protest against the conditions in which he was imprisoned. As the international law was broken, the patriarch demanded the immediate intervention and that the prisoner be released [Message du patriarche... *La Documentation Catholique* 1976, No. 1697, p. 447].

The letter of the patriarch sent to the above mentioned personages included the personal Capucci's notes. We are informed by the archbishop that he went on hunger strike on the 20<sup>th</sup> of January 1976. About one month later, on the 25<sup>th</sup> February, he was force-fed by the prison guards. On the 15<sup>th</sup> of May, he went on total strike. In reaction to the contemptuous treatment by the prison service and the director, – as he wrote to his patriarch – Capucci cried that “the victory was for the rightful people”, “I am not afraid of violence”, and “enough of humiliation”. The archbishop compared his humiliation to the suffering of Jesus Christ. We are informed by Capucci's note that he was not surprised at the way he had been treated because “A servant is not greater than his master. If they persecuted me, they will persecute you too” [Jo 15, 20]. Before the arrest the archbishop weighed 90 kg. Maximos informed the above mentioned personages by that time he had lost 34 kg [Extraits d'une lettre de Mgr Capucci à son... *La Documentation Catholique* 1976, No. 1697, pp. 447–448].

On the 29<sup>th</sup> of June 1976, Capucci wrote a letter to the Pope, priests, monks, seminarians and lay persons of his archdiocese and compared the imprisonment to the arrest of St. Paul in Rome. In the letter he emphasized his Arab patriotism, the love for the Holy Land and the desire to serve the peace and justice. Paul's VI reply to the letter was sent on September 16, 1976. The Holy Father expressed his gratitude for the archbishop's attachment to the Holy See, his prayers and suffering offered for the Pope, and especially for the peace. The Pope also said that finding the way to the agreement, harmony and peace would be the great grace of God to the people of the Holy Land [Paul VI 1976, p. 107].

At the beginning of 1977 the talks began between the Holy See and the State of Israel aiming at freeing the archbishop. On the 31<sup>st</sup> of July 1977, Paul VI sent an official letter to Ephraim Kazir, the president of the State of Israel. Articulating his personal concern for the archbishop's health, the Pope asked the president, as the Head of the State, to grant a presidential pardon and to free Capucci. The Pope also said that such an act of kindness would be appreciated by the Holy See. Addressing Paul VI, the president remarked that he appreciated the meaning and the significance of the Pope's request. Kazir stated that using his rights and fulfilling his decision, he issued a warrant to reduce the punishment of the archbishop. According to the order the arrest of the archbishop was to be finished on the 6<sup>th</sup> of November 1977 [ibidem, p. 158].

The president's decision “was received by the Holy See with the complete satisfaction. It did not stop being interested in the situation of archbishop Capucci and it was continuously concerned about his fragile health”. “The gesture of the Israeli president”, as it is said in the official Vatican communiqué, “would be well received by the Christians of the Holy Land, and the Melkite community especially” [Communiqué du Saint-Siège... *La Documentation Catholique* 1977, No. 1730, p. 962].

Indeed, on the 6<sup>th</sup> of November 1977 the archbishop was released and deported from the territory of the State of Israel. After that he went to one of Rome hospitals.

In conclusion we have to say that the decision of the Israeli president was pragmatic. The Pope asked him to grant the presidential pardon, and not to annul the punishment. It was recognized by Israel as the act of confirmation of the archbishop's guilt, though indirectly. It is necessary to remember that before the arrest of Capucci the authority of the State of Israel had asked the Pope to help to rescue their soldiers from the Arab prison. That is why the president of the Jewish state could not have refused the papal request.

From the point of view of the official relations between the Vatican and the State of Israel we must remember that until 1994 the Holy See did not officially recognize the Jewish State. In their addresses the Popes did not even mention the name of the state. The punishment of the archbishop caused that Paul VI, perhaps for the second or third time in his official statements, addressed the president of the State of Israel. But Capucci's arrest and his doings must also be seen as one of the problems for the modern theology. The archbishop put the question about the limits of the involvement of priests in the modern armed conflicts not only in the Middle East but in the whole world as well. It is necessary to remember that after his release and deportation archbishop Capucci did not stop his activity. Until today he has been participating in supporting the Palestinian people in their combat with Israeli.

### Abstract

*The official contacts between the Holy See and the State of Israel were not very frequent during the pontificate of Paul VI. One of the situations which contributed to tightening the relations was the act of arresting archbishop Hilarion Capucci by the Israeli police on August 18, 1974, on a charge of collaboration with the Palestinian independence movement. The court sentenced him to twelve years imprisonment, but three years later, in 1977, the official talks began between the Holy See and the Jewish State, aiming at freeing Capucci. The Pope even sent a letter to Ephraim Kazir, the State of Israel's President. After the papal message the arrest of the archbishop ended on the 6th of November 1977. That was the second or the third occasion when the Pope addressed the President of the Jewish State by his name and the official title.*

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## The reasons for managers – expatriates' failure and their problems at work<sup>1</sup>

### 1. Introduction

The research on expatriates involves two approaches concerning the influence of cultural factors on such managers' work. One of the approaches is called the **divergence** approach and is oriented towards the diversity of different management methods, attitudes and behaviours of employees coming from different countries. This approach is also called the **situational** approach [Sitko-Lutek 2004, 2.16] because it assumes that managing a company in a given country (in which the company's branch is located) will take the existing situation into account, which means that cultural, economic, political and social aspects are considered.

Another approach is called the **convergence** approach. It assumes that there exists only one universal management model involving employees' behaviour and attitudes. This model is successful in case of every country regardless the cultural and social diversities.<sup>2</sup> Such an approach causes a lot of problems connected with e.g. "the risk of transplant rejection",<sup>3</sup> which means difficulties

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<sup>1</sup> **Expatriate** – also *expat*, is a manager who comes from the country of the origin of a company's headquarters or from the third country and is ultimately transferred by the headquarters for long or short contracts to foreign branches of the company or he/she travels among different branches of a given corporation: S. Przytuła, Rola menedżerów-ekspatriantów w transferze praktyk ZZL w przedsiębiorstwach międzynarodowych [in:] *Kulturowe uwarunkowania zarządzania kapitałem ludzkim*, M. Juchnowicz, Wolters Kluwer, Kraków, 2009, p. 476.

<sup>2</sup> C. Brewster indicates two paradigms of international management: **universal** (which explains the point of convergence approach described in this article) and **contextual** (regarding divergence approach), *Międzynarodowe i porównawcze zarządzanie zasobami ludzkimi*, "Zarządzanie zasobami ludzkimi" No. 6/2003 pp. 9–12.

<sup>3</sup> See more: R. Rutka, M. Czerna, *Wpływ kultury kraju pochodzenia dominującego kapitału*

in the acceptance of the culture, methods of work and behavioural patterns proposed by the country where the headquarters is set. According to M. Bartosik-Purgat “cultural features of different societies arising from cultural convergence will be similar to the so-called Western values characteristic for Western European countries or the U.S.A. In some cases it might mean the creolization process, which means absorption and joining foreign values, traditions and beliefs with the local ones. Creolization is true mainly for poorly developed or developing civilizations. Japanese culture might be an exception because on the one hand it is the imitating culture, and on the other hand it is the imitated culture” [2008, p. 296].

However, from another point of view, the practice of international companies operating on the global market of the 80ies and the 90ies proves that the *only best way of management pattern* might influence company's successes<sup>4</sup> regardless the cultural background.

According to A. Sitko-Lutek, “the attempt to decide which of the approaches (convergence or divergence) is more important, creates immense difficulties and comes down to managers' choice: is the transfer of behaviour and techniques among countries more important in connection with cooperating in the same environment, or is this the matter of greater knowledge, more extensive and diverse practice and techniques?” [2004, p.16]

In relation to A. Poczowski's opinion, “organizational cultures of some of the companies constitute a kind of mixture made of elements common for both models and they are shaped by the model whose features dominate” [2002, p. 28]. This tendency was confirmed by the research on managing panel in 35 international companies based in Poland. The results of the research indicate that “[...] it is difficult to describe the accuracy (background) of personal practices in global organisations. They have branches in different countries, where the values, models and norms of behaviour intersperse and on account of that it is difficult to find from which cultural background the human resources actions are derived. The tendency towards behaviour and personal practices universality is confirmed” [Listwan, Stor 2008, p. 285].

It means that practical international management is based rather on extracting methods, tools and models chosen from the practices of different countries (not just copying and transferring the whole models) and instilling

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na kulturę organizacji działających w Polsce [in:] *Kulturowe i kadrowe problemy internacjonalizacji przedsiębiorstw*, P. Wachowiak, SGH, Warszawa, 2008, p. 69.

<sup>4</sup> According to Ł. Sułkowski, however, a uniform management model and a model of Japanese organizational structure were applied in all Japanese branches all over the world in the 90ies, it was a base for criticism and disapprobation of the countries where the branch operated. Nevertheless, the use of Japanese managing methods (kaizen, TQM, quality circles) and instilling them in the American and European background made them to be successful. *Czy kultury organizacyjne zmierzają do unifikacji?*, “Zarządzanie zasobami ludzkimi” No. 3–4/2002, p. 16.

them in the country where the branch is functioning. It might be said that there are some organizations which are learning and sharing the knowledge. According to D. Simpson “in knowledge-based economy the important fact is the manager distinguishing himself by high qualifications and extensive experience acquired on different international markets. They should understand how employees with different cultural background are able to learn from each other” [2004, p. 313].

## **2. The reasons for expatriation failure in the literature of the subject and management practice**

It is difficult to determine clear boundaries regarding management area defined by the country where the headquarters or the branch is situated. The only items which might be indicated are the factors resulting from the complexity of the international activities. These factors cause a lot of problems in managers-expatriates work. Because of international business activity development, the growing interest in managers-expatriates' problems is observed. The variety of foreign literature as well as empirical research in this area provide a lot of examples confirming a growth of employment within such a group.

The research carried out by S. Colakoglu and P. Caliuri [for: Harvey, Moeller 2009, p. 17] shows that there are about 850,000 branches of international corporations, which might indicate potential employment possibilities for managers-expatriates. The reason for choosing expats for managing positions in most of foreign branches might be a rather quite poor local market of well-qualified managers with international experience. The fact was confirmed by *Corporate Relocation Survey* which indicates that one of the most significant challenges for many of the corporations is the lack and availability of qualified personnel on local markets<sup>5</sup>.

Furthermore, cyclical GMAC Global Relocation Trends research<sup>6</sup> proves that 65% of studied corporations expect systematic expats' employment growth in the next decade. H. Scullion and C. Brewster also present a growing trend towards the use of expats services [1999, p. 45].

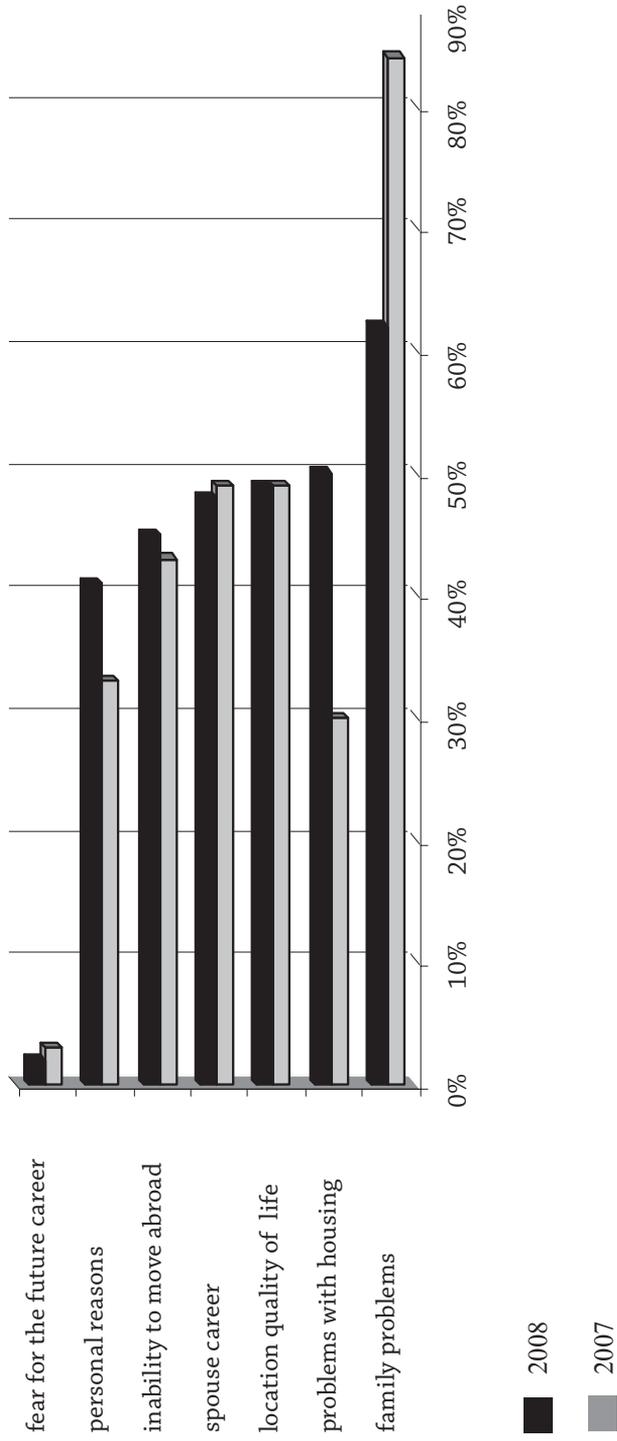
However, on the other hand, the examples of failures and problems connected with employment, development, remuneration, maintenance costs and repatriation of such managers are observed [Harvey, Nivicevic 2001, p. 69 and Harvey, Moeller 2009, p. 17]. The above fact strengthens the limitation of employing expats by corporations in their branches in favour of local managers. The *Corporate Relocation Survey* indicates the following reasons for expatriation failure:

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<sup>5</sup> <http://www.atlasworldgroup.com/survey/results>

<sup>6</sup> Extended research carried out by GMAC Global Relocation Trends since 1993 with the results published in the form of the report every year. The research concentrates on relocation issues, mobility and adjustment to new working conditions specific for the group of managers. They are carried out in more than 110 countries all over the world and provide an in-depth analysis concerning expatriation costs, personality profile of expats and also present trends and challenges for the future.

**Figure 1.** The reasons for expatriates' failures



Source: <http://www.atlasworldgroup.com/survey/results>

The above figure suggests that the most common reasons for terminating a contract by expats include: family matters, accommodation problems and the costs of living in a new place, finding a job by a spouse, low territorial mobility of the candidate and other personal reasons.

Other research carried out by J. Shen and V. Edwards among American and Japanese expatriates confirms that the most common reasons of expatriation failure are expats' personal and family problems as well as psychological features and problems with adjusting to other culture [from: Rakowska 2006, p. 409].

The reasons for failures have their beginning in the evaluation of candidates during the recruitment and selection processes. This is the stage when "adjusting" the candidate to requirements connected with working abroad takes place. In *Organization Resources Counsellors'* research, the group of the most important qualifications required for managerial position in regard to foreign contracts during the selection process was defined:

**Table 1.** Qualifications requirements for managerial positions in international companies (in %).

managerial knowledge and skills	66
achievements in the previous place of work	28
position taken in the organizational structure	4
previous experience in working abroad	2
good command of foreign languages	1
costs of living abroad	1
knowledge of the country of the future assignment	0
marital status	0

Source: J. Bonache, Z. Fernandez, *Strategic staffing in multinational companies: a resource-based approach* [in:] M. Mendenhall, G. Oddou (eds.), *Readings and Cases in IHRM*, Routledge, 1999.

A strict connection between the selection process and expatriation failure is observed. In most cases, when searching for the appropriate candidate for a vacancy in a foreign company, candidates' knowledge, skills and professional achievements were considered to be the most important. International experience, speaking foreign languages, the knowledge about the country of future work were the least important at the stage of selection.

As it appears neglecting predisposition in the selection stage constitutes the most frequent reason for failure and expatriation problems. The researches made by J. Chew within Australian companies transferring managers to their branches all over the world indicate similar tendency. 87% of respondents indicated

technical competences and knowledge as the most common reasons for expats' success. Psychological features, adaptation abilities and internal motivation are of less importance for 47% of respondents [2004, p. 30].

Numerous examples of failure induce the author to consider the reasons for breaking off the foreign contract by the expatriate. The result of some of the assessment problems, which expats experience, will constitute a reason for preventive actions performed by the researchers in a given area.

The following factors influencing expatriates' actions and dysfunctional behaviour include:

- **individual factors** (mainly personality features, being non-alterable features of an individual),
- **cultural factors** (more susceptible to change, derived from an expatriate's sociocultural environment),
- **organizational factors** (regarding international company, manager's work environment).

**1. Individual** factors connected with an expat's personality and deciding on expatriation failure include:

a) psychological features arising from Big Five<sup>7</sup> classification: introversion meaning being reserved towards social contacts, lack of optimism and preferences for spending time alone, neurotism which indicates the tendency to worry, states of hostility and anger, the feeling of confusion when meeting people, low openness to new experiences manifested by conventional behaviour and conservative views, low agreeableness, which is shown by egocentrism in contacts with other people.

According to the above listing these are the features which decide about a manager's failure in case of working abroad. They disagree with the required profile of a qualified international manager<sup>8</sup>.

b) Other psychological features include also low motivation for achievements, which means low tendency to undertake difficult tasks, the lack of willingness and readiness for continuous learning and increasing abilities.

Next psychological factor making expats' work abroad even more difficult, might be his/her low resistance to stress which means small ability to cope with depression arising from breaking away from an expat's country or close family.

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<sup>7</sup> Big Five classification is a set of five groups of personality features according to Costa and McCrae: extroversion / introversion, conscientiousness, being open for new experiences, tendency to compromise, emotional stability, for: S. Przytuła, *Psychologia zarządzania. Wybrane zagadnienia*, University of Economics publishing house, Wrocław, 2009, p. 89.

<sup>8</sup> See: S. Przytuła, *Dobór pracowników na stanowiska kierownicze, Zarządzanie kadrą menedżerską w organizacjach międzynarodowych w Polsce*, T. Listwan, M. Stor, University of Economics publishing house, Wrocław 2008, p. 108.

The above features are also connected with locus of control feature [Przytuła 2008, p. 58]. In international setting, inside control localization is required. This feature characterizes people who are aware they have control over their life and who make autonomic decisions. This is due to their own experience and knowledge.

Another required expats' feature is proactiveness which means that the person is able to control his/her future situation and social environment at present. Such a person is characterized by new goals and possibilities orientation, maximum concentration on the person's achievements, stubbornness and sticking to his/her plans.

It should be emphasized that psychological features are permanent, inborn and very difficult to modify. They are not the characteristics which people can learn, however, according to J. M. Crant as far as proactiveness is concerned "this covers both personality features and contextual features. The most important is not to disregard inborn proactiveness and with different intercultural training use it for creating positive required features" [for: Bańka 2006, p. 102]. It means that inborn psychophysical predispositions, which are immensely important regarding the nature of work or profession, might be reinforced and shaped by appropriate trainings and courses. This is a valuable clue for people who work on adaptation programmes for foreign contracts candidates.

c) A set of above listed psychological features is connected also with expats' career development and shaping. K. Inkson and others indicate two models of international career. The first model describes "foreign contract" for an expat which is the result of international corporation initiative to create a vacancy for a new employee. It is called an *expatriate assignment (EA)*. Another model of professional career is called "private odyssey" or an *overseas experience – OE*<sup>9</sup>. It comes from internal motivation to develop oneself in international setting. The second model is characteristic for expats, also called "free agents"<sup>10</sup>. The comparison of both career models is presented in Table 2:

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<sup>9</sup> The importance of this feature in building an expat's career (self-initiated assignment) is underlined also by J. Bonache, C. Brewster [in:] *Preface: Knowledge, International Mobility and Careers*, "International Studies of Management and Organizations", Vol. 37, No. 3, Fall 2007, p. 6.

<sup>10</sup> If an expat is not engaged in the interests of headquarter or a branch, if he/she is not engaged in the process of management practices transfer, he is called a "free agent". Such a person is characterised by flexibility of actions, courage and willingness to take risk, cares mainly of his/her career, likes challenges, freedom of acting and thinks highly of financial benefits and immaterial benefits regarding the expatriation. For: S. Przytuła, *Rola menedżerów-ekspatriantów w transferze praktyk ZZL w przedsiębiorstwach międzynarodowych* [in:] *Kulturowe uwarunkowania zarządzania kapitałem ludzkim*, M. Juchnowicz, Wolters Kluwer, Kraków, 2009, p. 482.

**Table 2.** Contrasting qualities of expatriate assignment

	<i>(expatriate assignment-EA)</i>	<i>(overseas experience-OE)</i>
<b>Initiation</b>	company	individual
<b>Goals</b>	company project (specific)	individual development (diffuse)
<b>Funding</b>	company salary&expenses	personal savings&casual earnings
<b>Career type</b>	organizational career	boundary-free career

Source: Inkson K., and others, *Expatriate assignment versus overseas experience* [in:] *Readings and cases in IHRM*, (ed.) D. Thomas, Sage Publication, 2003, p. 332.

**2. Cultural factors** connected with expats' cultural background and influencing their work in an international company include: sex, age, race, religion, nationality, ethnic identity, language.

It seems that the expats' country of origin and nationality should be priorities which are taken into account in case of expats' preparation process for working abroad. However, the most important features of the preparation stage include getting to know the cultural and organization standards of the country where the headquarters is based and the knowledge of sociocultural, legal and political aspect of the country to which the expat will be transferred. The cultural background as well as an expat's origin are not treated seriously – these are the conditions which often influence the success or failure of the expatriation. The conditions in which mobility of international employees grows, the practices of employing in which e.g. an American corporation employs a Japanese employee, who will be transferred to Germany will be more and more frequent. According to A. Bańka “expatriates take part in intercultural transfers twice: among organizational cultures and among national cultures. Both kinds of transfers are a source of the cultural shock” [2006, p. 93].

Moreover, N.J. Adler's research confirms that an employee's behaviour is influenced more by his/her national culture than the culture of a given corporation [from: Sułkowski 2002, p. 12]. Factors such as religion, age, profession or sex differentiate people less than cultural affiliation. For example, an American Christian is first an American and then a Christian. It means that he/she has more in common with an American of different religion, than with a Polish Christian [Hofstede 2003, p. 29]. That is why an expat's preparation process should firstly consider cultural elements of the country of his/her origin, and then cultural elements of a given corporation as well as the culture of a new country.

The correlation of the three cultural dimensions: the expat's country of origin, the country of headquarters and the country where the branch is placed influence the character of psychological contract<sup>11</sup>. One of the types of psychological contract is a **transactional contract** – perceived by the parties as a short-term exchange of experiences and economical benefits. The area involved in the contract includes work in exchange for remuneration. A **relational** psychological contract concerns long-term cooperation of economic, social and emotional character [Miroński 2004, p. 115].

The culture of the expat's country of origin is of great importance when taking creating psychological contract into account. For example, the Japanese are more relationally oriented and prefer contracts based on long-lasting confidence and *guanxi* rule in the place of work. However, a transactional contract is characteristic for Americans who adopt the attitude of a “*player*” working for the company until the situation is advantageous for them. Ch. Hampden-Turner and A. Trompenaars' research is the proof. They asked the managers the following question: When I apply for the job in the company:

1. I am, nearly for sure, going to work there for the whole life.
2. I am almost sure that I am going to work there for specific period of time.

99% of American respondents have chosen the second option [Grzeszczuk 2003, s. 91].

3. Another group of factors which might be described as **organizational** and which influence the success or failure in an expat's work are: organizational structure of the corporation, which determines the number of branches and subsidiaries in the country of origin and abroad, as well as dependence on headquarters. The notion of a branch and a subsidiary should be distinguished. A **branch** constitutes the investment property of the corporation. It can be an independent company controlled by the headquarters (where the headquarters share is at least 95%) or it can be ruled by minority. The branch has a legal entity of a country in which it operates and is treated as a foreign company from the outside. Its functions include production, distribution, services and financial areas of the business. A branch has its own board of directors and is responsible for a part of a decision making process. The branches are allowed to set their own branches in different countries and to control shares [Moraczewska 2003, p. 90]. A branch might be set up in two ways: by buying a local company or making an investment from the beginning till the end (*greenfield*). A **subsidiary** does not have its own legal entity and is not as much independent as a branch. It is under the jurisdiction of the country of the origin and not of the country in which it

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<sup>11</sup> In the specialist literature the following types of contracts are listed: an **economic contract** (i.e. employee's expectations regarding remuneration) and a **psychological contract** (i.e. employee's expectations regarding immaterial aspects of work), for: Makin P., Cooper G., *Organizacje a kontrakt psychologiczny. Zarządzanie ludźmi w pracy*, PWN, Warszawa, 2000, p. 10.

is placed [Rymarczyk 2005, p. 193]. A subsidiary is an integral (delegated) part of the headquarters company which is responsible for the obligations of the subsidiary company.

The above distinction is significant when taking expatriation into account because it implicates the scope of responsibilities and duties for which expatriates are responsible. In case the expatriates are delegated to the branch they have greater freedom of acting and managing the company, if to the subsidiary - their role is based on control and coordination of actions which must be consistent to the headquarters requirements. Their freedom of acting, the scope of responsibility and required qualification are completely different<sup>12</sup>.

Another factor of organizational character is the multiplicity of headquarters in one corporation. For example the situation of a Spanish expatriate employed in American corporation branch based in Poland, which is supervised by the company's headquarters in Europe, based in Germany. A mixture of different management styles, employees' attitudes to work and elements coming from the three organizational cultures (values, symbols, artefacts, rituals and myths) provoke numerous intercultural problems.

The applied general strategy of the corporation implicates the shaping process of expatriates. The majority of specialist literature regarding international strategies is based on **EPRG approach** (ethnocentrism, polycentrism, regiocentrism and geocentrism) created in 1969 by H.V Perlmuttera. Applying any of the approaches by the company is reflected in personal strategies realised by given subjects. They particularly influence **managerial personnel recruitment** for international companies.

Another organizational factors regard individual subfunctions of expatriates' human resources management especially: selection process, adaptation programmes preparing an expat and his/her family to leaving the county, motivating and remuneration of managers<sup>13</sup>, programmes prepared for expats' development. A very important, as shown in the research, though neglected stage of the expatriation is the process of remigration. As M. Juchnowicz writes "the effects of carrying out the remigration process badly is an employee's resignation. It causes that the organization does not get back the investment made in the area of human resource"<sup>14</sup>. The employee who leaves takes with him/her valuable knowledge and experience acquired abroad, which will be gladly used by the competition.

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<sup>12</sup> See: S. Przytuła, *Rola menedżerów-ekspatriantów w transferze praktyk ZZL w przedsiębiorstwach międzynarodowych* [in:] *Kulturowe uwarunkowania zarządzania kapitałem ludzkim*, M. Juchnowicz, Wolters Kluwer, Kraków, 2009, p. 482.

<sup>13</sup> Remuneration blocks for international managers are different in different countries and depend on legal, cultural and social conditions. *Global compensation*, L. Gomez-Mejija, S. Werner, Routledge, 2009, p. 18.

<sup>14</sup> ROI Model return on investment in expatriation process, presented by H. Scullion [in:] *Global staffing*, Routledge, 2006, p. 51.

### 3. Conclusion

The significance of the cultural factor in the area of intercultural business influenced the creation of management strategies of cultural differences [Waszczak 2009, p. 81]. In this approach the diversity is perceived mainly as a source of the company's competitive advantage which consists of employees' knowledge, qualifications and experience derived from different cultural backgrounds.

The success of expatriation is conditioned by numerous merging factors which include: manager's personality factors (psychological features) which make the person predestined to or preclude him/her from work in an international environment. Personality features are, according to the majority of psychologists, innate and difficult to be changed, however they might be strengthened with the use of different trainings or courses, if they constitute an advantageous expatriate's side.

An important, but often neglected set of factors determining an expatriate's work as well as deciding about the success of his/her mission or untimely contract termination, are cultural factors concerning an expatriate's cultural background. Adaptation programmes and intercultural trainings teach the culture of corporation and headquarters' country of origin as well as social and cultural values of the country of the new place of work. Taking the role of expatriate's into account (it is often the role of a coordinator or an inspector of management practices in a given branch, working on unanimity with headquarters' standards, eulogist of mission and corporate culture) it is a justified practice. However, too little attention is focused on the cultural origin of an expat (values and norms and attitudes towards work, religious believes, approach to time, etc.) which are the cultural legacy of his/her origin including his/her external environment meaning corporate and national culture he/she worked with.

The third group of organizational factors regards the organizational structure model of the corporation, the management style and methods of shaping management staff of a given corporation (especially the selection method, motivation, remuneration, training and career's model as well as repatriation meaning the use of knowledge and the experience of a returning expat).

In the face of numerous factors influencing the work of the expat it is worth considering the operationalization of the process of adjusting expatriates to work in an intercultural environment. It is about creating tools which would smooth away dysfunctions and failures regarding an expat's work and which would facilitate the process of expatriation. Even if the specialist literature presents a lot of adaptation models for expatriates, they are not enough for the management practice which provides numerous examples of expatriation failure.

## Abstract

*The growing dynamics of direct investment makes the international companies to take advantage of expatriate managers. It concerns greenfield investments, which mean establishing a new plant or subsidiary in the host country. Then, sending managers-expatriates makes sense due to the know-how that should be implemented in the new subsidiary and due to taking control of investment plans that should be realized in the host country.*

*The purpose of this article is to present various factors determining problems and failures in expatriate work. It is a study based on foreign literature and research findings.*

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## **Coaching modern day nomads**

International assignments in global corporations have immensely increased over the last few decades.

The growth of the global economy, multinational corporations and other organizations, as well as growth in intergovernmental and nongovernmental contacts have dramatically increased the number of expatriates.

Consequently expatriate development has become an important human resource development issue not only for multinational corporations but also for international organizations, [Osman-Gani & Tan 2005] governments and other businesses.

Expatriate performance effectiveness depends on a couple of factors, one of them being the ability to adjust themselves to the host culture.

Researchers claim [Shin, Morgeson, and Campion 2007] that in the expatriate literature there is strong support for the fundamental assumption that expatriates have to adjust to new cultural environments by modifying and adapting their behavior to fit the host country's cultural values, norms and paradigms. Meta-analyses that show that expatriate adjustment is an important predictor of performance [Hechanova, Beehr, & Christiansen 2003; Bhaskar-Shrinivas, Harrison, Shaffer, & Luk 2005] provide similar support.

There is a number of reasons for sending a manager overseas. Such managers are responsible for penetrating new markets, overseeing operational start-ups, transferring technologies, managing joint ventures, transmitting organizational culture and developing international communication skills [Bennet et al. 2000].

Many people decide to work abroad because it can give them invaluable experience that will not only help them differentiate themselves from their competitors, but will also help develop skill sets strongly valued by current or

future employers. Working abroad teaches people how to handle ambiguity and new challenges. With workforces becoming more multicultural and diverse, learning a new language and developing cross-cultural communications skills abroad served managers once they have returned home.

Expatriates' cross-cultural competencies have grown in importance [Zakaria 2000; Mendenhall & Oddou 1985]. However, in the dynamic, diverse global environment, the expatriate often plays a variety of roles which can be described as an explorer, refugee, outsider and even tight rope walker [Richardson & McKenna, 2002].

One must admit that expatriate managers are key players in the global economy, acting as the 'human link in international trade' [Ward, Bochner, and Furnham 2001, p. 168].

### **1. Failures in international assignments**

Although foreign assignments are viewed as a key strategy for MNCs, many expatriate managers are unsuccessful in the foreign organization [Rahim 1983; Baumgarten 1995; Bhagat & Prien 1996; Bennet et al. 2000].

Expatriates' early return to the home country is often a key factor on which most of the measures of success and/or failure in expatriate assignments are based on. However, foreign assignments may be classified as unsuccessful for the following reasons:

- delayed productivity and start-up time,
- disruption of the relationship,
- damage to the organization image,
- lost opportunities [Bennet et al. 2000].

Foreign assignments fail because an expatriate:

- may not possess the required personality skills for the cross-cultural interaction,
- may lack technical abilities,
- may not be motivated to work overseas [Bhagat & Prien 1996; Tung 1981],
- may not communicate well with local employees,
- may not be able to transfer managerial practices to the host country,
- may not be able to adjust to the overall characteristics of the host culture [Bhagat & Prien 1996; Caligiuri et al. 2001; Rahim 1983].

Not only expatriate managers themselves may be unable to adapt to the physical and cultural differences of the new environment. The same problems concern their families.

## 2. Acculturation

The acculturation process is complex and multidimensional [Thomas 1998]. Assisting expatriate managers in achieving a smooth acculturation is no easy matter.

This process has no identifiable end point where one could be considered as 'acculturated'.

Researchers [Mendenhall et al. 2002] confirm that there exists a considerable body of research on expatriate selection, training and development. However, the challenge of finding effective methods for improving an expatriate's performance and satisfaction still remains [Earley and Peterson 2004].

**Table 1.** Suggestions for Expatriate Development

Author	Suggestions
Tung [1982] Cross-cultural training for expatriates should include	<ol style="list-style-type: none"> <li>1. Information about geography, climate, accommodation and schools</li> <li>2. Introduction of local culture, values and customs</li> <li>3. Cultural assimilation training</li> <li>4. Language training</li> <li>5. Sensibility training to develop attitudinal flexibility</li> <li>6. Field experience</li> </ol>
Oddou [1991] Expatriate training and support should include	<ol style="list-style-type: none"> <li>1. Language training</li> <li>2. More time off to prepare for the move</li> <li>3. A clarification of performance criteria</li> <li>4. Consistent expectations between the domestic and the international site management teams</li> <li>5. Initiating regular communications with the expatriates</li> <li>6. Having assigned mentors</li> <li>7. Providing a social network for expatriate families</li> </ol>
Brewster and After investigating cross-cultural training in the European cooperation, Pickard [1994], suggested that training should develop expatriates'	<ol style="list-style-type: none"> <li>1. Awareness of culture and its influence</li> <li>2. Knowledge to survive and succeed in different culture</li> <li>3. Skills to understand and handle emotional challenges</li> </ol>
Zakaria [2000] The author suggested a new cross-cultural training model, which included two types of training programs:	<ol style="list-style-type: none"> <li>1. Experiential training to trigger affective and behavioral responses, which are the basis of intercultural effectiveness skills, and thus enhance psychological adjustment</li> <li>2. Cognitive training to trigger cognitive responses, especially cultural</li> </ol>

awareness and interpersonal skills, and to enhance socio-cultural adjustment.

Petranek [2004] The author suggested a “four C approach” for global human resource development:

1. Cooperation
2. Collaboration
3. Communication
4. Culture

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Source: Wei-Wen Chang , Expatriate Training in International Nongovernmental Organizations: A Model for Research, Human Resource Development Review/ December 2005, 4; 440, pp. 450.

### **3. Coaching compared with training and mentoring**

Organizations understand the importance of smooth acculturation and attempt to increase the likelihood of a successful sojourn by trying to select the right people and providing them with appropriate training opportunities.

One of them is mentoring, assisting expatriate managers to cope with the challenges of a sojourn. Mentors pass on their personal and professional skills, life experience and knowledge to their protégées [Clutterbuck and Megginson 1999]. Obviously, there are clear strengths in being guided by someone who has their own personal experience to share. That is why senior company executives have an important role to play as mentors in the process of acculturation [Harvey, Buckley, Novicevic and Weise 1999].

However, there are several limitations. For instance, what worked well for the mentor might not always be the right solution for the protégée because:

- cultural context in which a mentor gained the experiences and the contexts of the protégée are worlds apart,
- personal qualities and leadership style of the mentor and the protégée can vary significantly.

Additionally this kind of support is usually indirect.

Professional coaching represents a cross-disciplinary approach. It aims at the enhancement of well-being, performance and professional development as well as the facilitation of individual and organizational change [Grant and Cavanagh 2004]. The field of coaching is well-established in many countries. It is developing an international profile. Today, the International Coach Federation (ICF), an international association for professional coaching, formed in 1995, is the leading global organization, with over 14,000 members. The organization is dedicated to advancing the coaching profession by setting high professional standards, providing independent certification and building a network of credentialed coaches ([www.coachfederation.org](http://www.coachfederation.org).)

However, there are several other organizations operating worldwide:

- International Coaching Community,
- European Coaching Institute,
- European Mentoring and Coaching Council,
- International Association of Coaches,
- Association for Professional Executive Coaching and Supervision,
- International Consortium of Coaching in Organizations,
- Professional Coaches' and Mentors' Association,
- Worldwide Association of Business Coaches,
- American Coaching Association,
- Association for Coaching and some others.

The core constructs of coaching are:

- helping,
- collaborative and egalitarian relationship between a coach and a client,
- focus on the development of the client through an individualized, client-centered process [Grant 2003].

Coaching is used in cross-cultural contexts. Rosinski [2003] developed a coaching process that places the emphasis on leveraging cultural differences at the national, corporate, and individual level.

Over the last couple of years organizational use of professional coaches has grown considerably [Wales 2003].

Executive coaching encompasses a wide range of services and specialties:

- presentation skills,
- anger and stress management,
- strategic planning,
- team building,
- leadership etc.

There are many executive coaching definitions one of them being 'helping relationship formed between a client who has managerial authority and responsibility in an organization and a consultant who uses a wide variety of behavioral techniques and methods to assist the client to achieve a mutually identified set of goals' [Kilburg 2000, 142].

In other words the coaching process is a systematic goal-directed process, that aims to facilitate the sustained change, by fostering the ongoing self-directed learning and personal growth of the executive [Grant 2003].

The main role of coaching is challenging and encouraging clients to reflect on alternative perspectives and trying new approaches. Reflective thinking,

planning and action are essential features of coaching models. The role of a coach is to encourage clients to step outside their stressful work environments to examine their thinking styles and the effectiveness of those styles within their specific contexts. Cognitive perspective plays a central role in coaching. It is worth emphasizing that in the expatriate environment the client is surrounded by people whose cognitive patterns are likely to be very different. In coaching, collaborative goal-setting and action are crucial. Coaches encourage and support the client to extend their existing skills and competencies. The effectiveness of any coaching depends on the personal qualities and professional skills of the coach [Kampa-Kokesch and Anderson 2001]. Therefore, the choice of a coach is vital, especially in a cross-cultural setting. Coaches clearly need a high level of skill in order to be effective. According to Chapman, Best and Casteren [2003, pp. 272] the necessary attributes of a 'capable coach' are:

- communication skills,
- interpersonal skills,
- self-management,
- coaching craft (e.g. goal-setting, planning etc.),
- breadth of experience,
- technical skills.

However the coach who is working with expatriates should have a couple of additional traits:

- an appreciation of the cultures of the client and the host country,
- self-awareness in terms of the coach's own cultural background,
- personal experience in cultural adaptation and acculturation,
- familiarity with the theory, research and practice in cross-cultural psychology, communication and management.

Coaches can use "cultural maps" and dimensions during their sessions and discussions. The best-known writers on this subject are Hofstede [2001], Trompenaars and Hampden-Turner [1998, Inglehart and Baker 2000; Schwartz 1999; Smith, Peterson, and Schwartz 2002].

Although researchers debate about the validity of the maps [for example, see Hampden-Turner and Trompenaars 1997; McSweeney 2002; Hofstede 1996, 2002], they have a considerable impact on the management practice, including orientation and training of expatriates [Bing 2004].

It is worth stressing that overgeneralization about the results of such measurement across cultural dimensions can lead to failure. Osland, Bird, Delano, and Jacob [2000] believe that cultural dimensions are a good starting point or base from which managers can explore cultural paradoxes and develop complex explanations of the behaviors they observe in the new cultures.

Other important aspects of acculturation effectiveness and the work of a coach are:

- culture from which expatriate managers come from [Stening and Hammer 1992],
- cultural baggage of the coach,
- age and gender.

#### 4. The limitations of coaching

Although coaching is gaining more and more popularity and is a fast growing business, there are several limitations that need be considered:

- some managers don't want to have a coach Laske [1999],
- some managers don't respond to coaching,
- client may become dependent on the coach (inhibiting acculturation),
- when the expatriate is under most stress (early in the sojourn), they may not be receptive to using the reflective space provided by coaching,
- many expatriate assignments take place in developing countries and there is no guarantee that appropriately qualified coaches will be readily available in the host country
- high-quality executive coaching can be very expensive.

**Table 2.** Relative strengths of coaching, training and mentoring for facilitating expatriate manager success

Method: Characteristic:	Coaching	Training	Mentoring
Works in the affective (A) domain	Yes. Deals with the emotional 'here and now' of the client. Works from the values and aspirations of the client.	Not usually – mainly limited to role plays, simulations. Limited evidence of effective cross over into reality.	Yes. If relationship is strong, expatriate can discuss feelings and get strategies for coping.
Works in the behavioural (B) domain	Yes. Clients can set specific goals or behaviour change and experiment in workplace. Coach can deliver behaviourally based training in areas of expertise. Coach can directly observe behaviour.	Sometimes. Some training programs are specifically designed for skill acquisition and behaviour change.	Sometimes. Depends on how the relationship works. Mentoree likely to make behaviour changes in direct response to advice from experienced mentor.

Works in the cognitive (C) domain	Yes. Reflective thinking and cognitive reframing are strengths of coaching to promote situational awareness and client learning.	Yes. Often a focus of training courses in giving attendees a cognitive appreciation of facing the challenges of expatriate assignment.	Sometimes – depends on mentor. Mentors may give advice for action based on experience rather than encourage mentoree reflection and learning in context.
Works interactively across A, B and C	Yes. Works directly with feelings, thoughts, and behaviours of the client in context.	Rarely. Very hard to achieve within the boundaries of training courses. Role plays, simulations can go some way towards this.	Depends on mentor.
Helps build relationships	Yes – though not directly. Coach – client with others. Coaching goals often include relationship building.	Not usually.	Sometimes – depends on mentor.
Sensitive to context of expatriate	Yes – coach works in context.	Not necessarily – often delivered pre-departure.	Sometimes – depends on location of mentor.
Works over time through the assignment	Yes – regular sessions through sojourn if company is prepared to invest.	Not usually – though can be spaced before, during, and after assignment.	Yes – though sometimes by distance.
Assists with initial adjustment difficulties	Not usually – can assist expatriate in anticipating issues, but time for reflective thinking in the early phase is likely to be limited.	Not usually – pre-departure training can assist in anticipating issues. Early-assignment training programs for individual not usually possible.	Yes – can be very helpful in giving expatriate a trusting, experienced ear.
Tailored to the individual	Yes.	Not usually – group needs considered.	Sometimes – depends on mentor.

Culturally appropriate to expatriate situation	Yes – though depends on coach. Ideally coach will be experienced in relevant cultures, and integrate a cultural perspective to promote client cross-cultural competence.	Sometimes. Courses on cross-cultural management have some impact in cognitive level.	Sometimes – depends on mentor. Can be counterproductive if mentor is home-based and lacks relevant cultural experience.
Facilitates an integrationist approach	Most likely as coaching promotes an ‘and’ rather than ‘either/or’ approach.	Possibly, but not if training is anchored in home culture.	Possible if mentor has achieved success through integration.
Directed to needs of company	Usually – requires agreement between the coach, company, manager. Usually more directed to sustainable change rather than short-term business goals.	Yes – usually. Often courses are geared to specific needs of company at the time.	Yes – assuming mentor is or was in company.
Considers needs of family	Yes – if coaching approach is broad.	Not usually – though can include spouse and family. Spouses not usually a part of training.	Sometimes – depending on nature of the relationship. If mentor becomes a family friend, can be very effective.
Can apply knowledge from research and other sources	Evidence-based coaching is very strong here. Coaches can integrate	Yes, but limited in range and selection.	Possibly – but hit and miss depending on the individual mentor.

Source: Abbott, N.G., Stening, B.W., Atkins P.W.B., Grant A.M., 2006. Coaching expatriate managers for success: Adding value beyond training and mentoring. *Asia Pacific Journal of Human Resources* Vol. 44, pp. 296–303.

#### 4. Conclusions

Acculturation is an active, dynamic and holistic process. It impacts on an individual’s affective, behavioral and cognitive domains interactively and is quite often transformative.

Smooth acculturation is one of the most important factors that leads to success in foreign assignments. Coaching encourages synthesis between alternative cultural orientations.

Professional coaching is highly action-focused. That approach helps clients to reach meaningful goals. Professional coaches who have broad knowledge and experience in cross-cultural psychology, management and communication should be able to make a strong contribution towards enhancing the performance and personal satisfaction of modern day nomads.

### Abstract

*International assignments in global corporations have immensely increased over the last few decades.*

*The growth of the global economy, multinational corporations and other organizations, as well as growth in intergovernmental and nongovernmental contacts have dramatically increased the number of expatriates. Consequently, expatriate development has become an important human resource development issue not only for multinational corporations but also for international organizations, governments and other businesses. This article deals with the aspects of coaching in acculturation process of expatriate managers.*

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## Language, Bilingualism and Culture

### 1. Introduction

Language is one of the greatest human achievements, and it is a crucial and primary carrier of culture. The problems with language itself and culture in general have continued since before the dawn of civilization up to the present. Conflicts between different hordes of ancient people had started not only because of the scarcity of food, territory, etc. In order to survive, every member of a horde had to cooperate with other members. In this way, notions like ‘we’ and ‘they’ or ‘others’ became a part of those people’s views on the working of the world: we – meant good, and they – a (possible) threat. The logical outcome of this kind of thinking was a dislike or even hate of other people which led to persecution, killing and bloodshed. On the other hand, the same language, the same religion, customs, dress, ornaments and many other elements of culture bound people together. This trait of people’s nature – aggression – has been their instinct inherited from their primeval ancestors. This instinct is shared by the whole animal world and is called survival instinct; in the case of people, its term which has been introduced comparatively recently is intolerance<sup>1</sup>. People are not driven only by instinct, but hopefully, by reason and should tolerate the fact that other people are different, unless these people are intolerant of us.

Many people believe that the barriers separating peoples may be lowered, and even demolished, if they could understand better other peoples and learn more of their culture. This could be accomplished by learning foreign languages but, as everyone knows, the difficulty of mastering foreign tongues becomes more grave when we consider the number of languages and dialects

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<sup>1</sup> Animals are also not tolerant – dye a sparrow blue, or any other colour, and release it. The sparrow’s chance of not being killed by other sparrows is null.

in the world. Specialists agree that the estimates of the number of languages and dialects found in the world vary, some say that there are more than five thousand of them [Horsley 1986, p. 489], others claim that there are about three thousand [Encyklopedia Powszechna PWN, p. 359] or only 2796 (Pei 1964, p. 359). Everyone can appreciate the tremendous frustration and difficulties in the attempts to communicate with people speaking other languages. Not without some reason ancient Poles called Germanic people 'dumb' [Niemcy] when they could not understand their language. Another, humorous example of this kind of dislike of everything which is foreign, has been provided by Mark Twain, when Huckleberry Finn, a character in his book had a conversation about different languages with a friend, Jim, a runaway slave. When Jim learnt from Finn that Frenchmen speak differently from the way that he and Finn spoke, he refused to believe it. He argued that a Frenchman **was** a human being and, therefore, in Jim's opinion, he **should** speak a human language, i.e. English.

The earliest beginnings of teaching of foreign languages may be found in ancient Sumer – a highly developed civilization flourishing in the area between the two big rivers in Asia: Euphrates and Tigris. About two thousand and five hundred years before Christ, the Sumerians were invaded by Akkadians – a Semitic tribe [Titone 1968, p. 5].

Sumerian civilization was more developed than that of the invaders'. Sumerians had invented their own system of writing – one of the earliest in the world, had been excellent builders and, in general, their culture was superior to the culture of the Akkadians. Fortunately, the Akkadians recognized the superiority of the Sumerian culture and they adopted Sumerian writing system, absorbed their culture and studied and learnt the Sumerian language. In this way, many of the important people became bilingual in the two languages, although the Sumerian language later became dead.

An interesting example concerning natural acquisition of a foreign language, even in comparatively recent past, is our first king, Boleslaus I the Brave. At the age of seven he had been 'invited' to the German Emperor's court as a hostage who could guarantee his father's loyalty to the Emperor. He returned to his father's principality as a grown man who spoke German like a German, who declined a chance of becoming a next German Emperor and a person with the knowledge of diplomacy and government.

The rulers of all kinds, just like the governments of our time, needed clever individuals who spoke foreign languages and were capable of managing foreign diplomatic affairs, spies who could inform their bosses about important activities of both hostile and friendly states and people who could be sent to various provinces to govern the local people in their sovereign's name. These people had not been taught the language, or languages, which they had to master for doing their job successfully. Instead, in their early childhood, they were sent to live

and acquire the local languages in the places where they were expected to work in their adult age [Titone 1968, p. 6].

It is a norm that a country which is technologically, economically, culturally, militarily and politically superior to other countries in the area achieves such a high status that its language also becomes the dominant one in that area. This was in the case of Sumer, Assyria, Egypt, Greece, Rome and, more recently, France and now Britain and the United States.

English is now the principal language of communication practically in all areas of life; in politics, medicine, literature, arts, technology, the Internet, to mention only some examples. This evidence means that there is no doubt that the English language is a world language and it has a chance of continuing to be so for years to come.

In this situation, it is a sensible assumption for our country to create conditions for allowing its citizens to become bilingual in Polish and English [Krakowian-Płoszka 2008]. It is important to remember that nowadays the level of knowledge of English by citizens of a country may determine the level of its economic growth. This has been confirmed by Kumoch [2008] who has found that European Union members like Holland, Denmark, Sweden, Slovenia and Estonia, where the knowledge of English is higher than in other EU countries, the rate of economic growth has been also higher than in the rest members of the Union.<sup>2</sup> One has to agree that ...*[C]ommon culture and common language facilitate trade between people* (ideas).

## 2. Towards an international, auxiliary language for the world

The longing for having a common language for all people of the globe is not new and it has stayed with us until now. It seems that this feeling had first been expressed in the biblical story of the Babel Tower. Among the numerous, early inventors of artificial languages there was a nun, Hildegard von Bingen, who lived in the 12<sup>th</sup> century German convent and who, supposedly, invented a language called 'Lingua Ignota' [unknown language] [Atherton 1993]. She was a very intelligent woman. In that time women were not expected to be educated as men did, but she herself managed to acquire a great amount of education. In the convent she sang Latin songs, attended masses in Latin and heard homilies in German. She read the Bible in German and, by comparing the homilies with the biblical stories and the songs and psalms she managed to master Latin [Atherton 1993].

The estimated number of artificial languages which have been created so far, ranges roughly between six to seven hundred, which shows how interesting this issue is even now. Pei [1964, pp. 379–384] lists some more influential people of different walks of life who attempted to construct such languages: Francis

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<sup>2</sup> Note that the data were gathered before the financial crisis.

Bacon, Descartes, Comenius, Schleyer, Zamenhof and others. Monsignor Johann Martin Schleyer was the first, successful maker of an artificial language called Volapuk. Since 1879, the date of the birth of this language, it enjoyed a measure of success until 1887, when Ludwik Lejzer Zamenhof, a physician born in Poland, launched his Esperanto – the most successful artificial language so far.

The main defect of all artificial languages was that their construction was based solely on the European languages. The simplicity and ease of learning and easy understanding of both written and spoken texts in these languages did not in any way help the majority of the speakers of other languages which were not Indo-European ones.

One has also to keep in mind that having a common, global language would be very advantageous for everyone. Pei [1964, p. 372] summed it succinctly:

*(International language) ... would at one stroke do away with all linguistic difficulties encountered not only by diplomats, but by technicians, scientists, missionaries, immigrants businessmen, tourists and students. It would place within the reach of all, without linguistic restriction, the world of science, literature, political thought, channels of trade and general population. It would mean an end to the innumerable difficulties and delays by which men are beset as soon as they set foot beyond their own borders.*

In the late thirtieths of the last twentieth century, there appeared a new candidate for the international language called Basic English. This language does not resemble any other simplified language, either an artificial or modified dead one. This language, British American Scientific International Commercial, devised by C.K. Ogden [1968, p. 12] and his associates before the Second World War, is a simplified version of the ordinary English language. It is a living language in the sense that its grammar and vocabulary are identical with the 'mother' language. When spoken or written it looks just like ordinary English; the difference lies mostly in the number of the vocabulary which is used in Basic.

Ogden (beorth. b1) advertises the ease with which this language can be learned by pointing out that the learning load of vocabulary and grammar is extremely low:

*it is clear that the problem of a universal language would have been solved if it were possible to say all that we normally desire to say with no more words than can be easily legible to the naked eye, in column form, on the back of a sheet of notepaper. The fact therefore, that it is possible to say almost everything we normally desire to say with the 850 words on the frontispiece insert, which occupy about three-quarters of the space on the back of an ordinary sheet of business notepaper, makes Basic English something more than a mere experiment in simplification.*

Basic English caused quite a stir when it was made public. Many important personages were delighted with it and supported the idea of making it an international auxiliary language. Two of these enthusiastic people were Sir Winston Churchill and Franklin D. Roosevelt. Supporting the case of Basic English Churchill [1985, p. 588], wrote: *'The matter has become of grave importance, as Premier (sic!) Stalin is also interested'*. Stalin did seriously considered the idea of creating Basic Russian.

### 3. Mario Pei's road map to a common world language

In chapter six of his book – *An International Language* – Pei [1964, pp. 368–401], analyzed all earlier proposals for adopting a language for international communication and concluded that they were all based on wrong assumptions. Learning a foreign language by adults is a very hard task; they have to work diligently, systematically, and the process of learning usually takes a lot of time. This, however, does not refer to young children who learn their native languages all over the world with the same ease and speed. In bilingual or multilingual societies they become bilingual and/or multilingual speakers. Logic suggests that the international language, if agreed upon, should be first taught to little children, the future benefactors of this policy.

After the international language has been chosen, the next step would be the training of teachers who would later teach it to children in the first grade of the kindergarten. At least two to three years of training would have to elapse before the teachers could be ready to teach. Every year a new batch of young children would start acquiring the second language and every year they would be more and more proficient in both languages. Pei [1964, p. 399] calculated that *'where the plan we outline to be initiated in the 1960's, the universal tongue would be a living, powerful reality by A. D. 2050'*.

### 4. A realistic proposal for success

Mario Pei had a very good idea; one could say, a vision. Unfortunately, at his time this vision had no chance of being turned into reality. At that time the English language had not yet achieved the status which it enjoys now: everybody wants to know English. In addition, television was at its infancy, there were no videos, CD-ROMs, personal computers, the Internet etc. Now we have all these tools which may provide learners with what Krashen [1985] calls optimal input.

The rule leading to success in the acquisition of a foreign language is 'the earlier the better'. Authorities such as Piaget [1992] and Montessori [1972; 1994] assume that the age of three is the best for sending children to kindergarten. At this age they develop very quickly and they acquire knowledge like a sponge soaks water. The regular exposure to a foreign language should start at this age, not only because the earlier exposure to a foreign language might harm younger children, which is not true, but because at the age of three the child can

also look after herself/himself [e.g. in the toilet], can concentrate on what the kindergarten teachers want her/him to do and is eager to participate in various activities organized by the teachers. They also have a feature of their character which allows them to watch with interest TV programmes or listen to a story even if they do not understand everything that is said or/and shown<sup>3</sup>. Older children become bored if they do not understand everything.

In the view of the author, the easiest, cheapest and most successful acquisition of English can be obtained from watching television or video, from operating a computer, using CDs and CD-ROMs with English texts and surfing in the Internet<sup>4</sup>. These media can provide the learners with the optimal input.

The author has collected much anecdotal evidence showing that children can acquire a foreign language from watching television. There are also some documented cases confirming what the anecdotal evidence claims. One is an A. M. thesis by Król [1999], where she observed her younger sister's progress in acquiring English from watching television programmes for children. It was a shock to Król when she became aware that her sister understood what was shown on TV in English without having been taught that language. The author of this article also heard a similar story from a very reliable source. This time, a mother of an eleven old boy asked a language teacher to check the boy's competence in English. The teacher spent an hour talking with the boy and she found out that his listening comprehension was very good, his speech was fluent and his language, although with some minor errors, was fully understood.

I, myself, had been a subject in an experiment conducted by my father. He started to talk to me in English from my birth so that I could acquire that language the easy way. The experiment has been successful: I, with time, reached quite a high level of listening comprehension but, for years, refused to speak in English. I started to speak after a visit to Britain where I could not communicate in Polish. After that my development was speeded up and, somehow, without any tuition, I also learnt to read, and later, to write. I then polished my English at the University. My brother, three years older than I, was excluded from father's experiment. However, to father's delight, **he** not only learnt to understand English, but he also began to speak. His situation was psychologically differed from mine. He acquired English by casually watching and listening to what father said to me and how both of us behaved. **It was for him just like watching television:** there were two actors and there was a specific situation which was directly linked with what was being said and done. Since the time when foreign television became accessible, both of us – teenagers, spent a lot of time watching, the then not scrambled, Sky Television.

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<sup>3</sup> The exposure of children younger than three years old to English may be treated as a preparation for the future acquisition of the language.

<sup>4</sup> Of course, little children are not expected to use all these aids.

Many psychologists and parents are against allowing children to watch television because they are afraid that the children may become addicted to it. In addition to this, they argue that television programmes show violence, negative role models etc. A study in America [Winston 2002, p. 299] reveals shocking data concerning violence. It shows that

*[T]he amount of violence in the media has led to a new field of research examining whether this is a cause of violence in society or a trigger for underlying violent tendencies. In one study, the American Psychological Association estimated that the American child sees more than 100 000 acts of violence and 8 000 murders on television.*

Does this mean that we should stop using television? After all, there are also programmes without violence and bad characters, programmes tailored to the age and children's interests, like Mini Mini or Disney Channel.

Parents should monitor what their children watch and disconnect unsuitable channels. Television, just like many other tools, must not be outright condemned as evil; after all, a knife may be used both for killing and for slicing bread, a car is a useful means of transport but it may also kill or maim, and yet, nobody thinks that knives and cars should be banned! Likewise, television may be used for wrongdoing, but it may also be an excellent tool for education.

## **5. Conclusions and suggestions**

The limited space allocated to this article, prevented the author from a more detailed presentation of the most important issues. For this reason, a number of suggestions and some conclusions will be just listed here.

- There is strong evidence that a foreign language may be acquired by little children through watching television programmes in such language [Krakowian-Płoszka 2008],
- State educational institutions should see to that the state television shows programmes/channels for children in English, appropriate to their age,
- This will not be costly because the programmes bought from Britain are always originally produced in English,
- Very young children should be exposed to the input contained in television programmes,
- Some children watching English television programmes, after a time, may learn only to understand English; others may also speak in this language and, when all of them start learning English at school, they may quickly reach a high level of English language competence,
- This way of learning English by children will be fun, not work,
- This approach to teaching English may gradually result in a growing number of bilingual speakers in our country,

- When our country has enough money, and obtain financial help from the EU, it might, perhaps, be possible to start teaching children English from the first grade of the kindergarten. This teaching should be correlated with TV programmes.

### Abstract

*The main issue discussed in the article is concerned with the importance of language as an element of human culture and a tool for communication. The author argues that all attempts to introduce one, common language for the world, e.g., Esperanto, have failed and shows that the most important language in the present world is English. In this situation, it is crucial for Polish citizens to master it. Traditional methods of teaching a foreign language are not very efficient; the learners need years of hard work to succeed in this task. The author presents a quicker and a successful way of turning young Poles into bilingual speakers. Her main thesis, directed towards the future, states that children of three years of age, when proper conditions are created for them, can acquire the English language from watching English speaking television programmes.*

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