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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 Pudielko, 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		

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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