

## **CULTURAL OBSTACLES IN MNCS? YES, BUT... „BACK TO BASICS“ GUIDELINES FOR SUCCESS IN HRM IN CENTRAL EUROPE**

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### **Introduction**

There is a long tradition in international business which considers that national cultures play a major role in management and that „multicultural management“ is needed. It is true that communication channels, concept of authority and decision processes vary from one place to another. Multinational Companies (MNCs) witness the possible confrontation of different beliefs and representations about what is power, what is long-term, even what is a customer, etc. (Laurent, 1983; Chevrier, 2003; Meier, 2006). But at the same time, it is possible to observe that there are strong tendencies towards homogenization and normalization of management throughout the world. Therefore, does national culture matter to such an extent? We would like, in this article, to implement this question in the case of Central European countries, and extend the debate that we proposed already (Livian, in Mayrhofer, 2013) about the role of cultures in alliances of MNCs.

### **The National Culture debate in Central European Countries**

Even if the cultural differences are often weaker inside Europe than outside, we cannot consider that there is a unified „European style“ of management (see, for example, the results of the Globe Project). When European MNCs decided to invest in the Central European countries, they discovered different ways of thinking and behaving. It is said, for example, that the managers of a West European bank, having bought a big local bank, were surprised by the attitudes of the nationals. In one meeting where West European managers exposed a problem and asked the local nationals what would their personal opinions about the solutions be, the only answer was heavy silence. Local managers were not used to being consulted or proposing new ideas, and they were very respectful of the new owners, who were supposed to make all the decisions.

Several analyses have been made about cultural aspects of European countries (Barmeyer and Davoine, 2006) and of Central European countries which may have an impact on management. For example, in the main book in French on that topic by Davel et al. (2008), there are chapters about Czech Republic (Machkova, Livian), Slovenia (Globokar), Poland (Magala) and Romania (Boruz).

Another ethnographic perspective, proposed by Philippe D'Iribarne and his team, has also pinpointed the different frameworks by which employees understand their

environment and then behave in international cooperation situations (d'Iribarne et al., 1998; d'Iribarne, 2008).

In a 1998 book, T. Globokar analyzes for example the reactions of Slovenians facing the French managers from Renault. They felt that information did not circulate and was restricted by the French, who were perceived as „invaders”.

About Central European nations, several books have pinpointed the bureaucratic tradition, the hierarchical conception of authority and the role played by social rites. A quick and direct way of communication, based on facts and figures, typical of North American or North European companies, has not been easily accepted.

A lot of researchers have tried to identify national traits of Central European cultures and have described the tensions or the conflicts with Western European or American investors (see, for example, Villinger, 1996).

But the assumption of national differences has not always been confirmed. For example, the assumption about different management styles amongst the new members of the European Commission arriving in Brussels after the integration of several Central European countries has not been confirmed (Ban, 2013).

A large number of these studies took place in the 1990's, when local executives and managers were socialized and trained in the communist regime. Now, a new generation has arrived, with a more international mindset.

We need therefore to actualize the analysis. The period of ending communism and of the beginning of international investments in Central Europe is finished. In the 2000s, globalization strongly increased in Europe, even if management practices remain partly diverse (Pudelko and Harzing, 2007). „Traditional” post-communist habits have very often disappeared and the Central European economies are no longer in a „transition” state.

As far as HRM is concerned, foreign MNCs experience in Central European countries the classical problems of recruitment of talents, retaining experts, wage competition and organizing international career paths. Most of them are striving to develop a corporate culture which can smooth international cooperation. There are still institutional vestiges from the former regime (types of unionism, importance of fringe benefits), but western-type HRM practices have been widely implemented.

Obstacles to competitiveness, if there are any, seem more linked to „institutional” aspects than to cultural aspects. The latest Target study, based on the opinions of 1000 foreign executives operating in Central Europe, highlighted that the main problems were not really about workers' behavior, but around public bureaucracy and corruption.

## **Back to the Basics: Some HRM Objectives**

Of course, it does not mean that national cultures don't play any role, especially in communication aspects. But most MNCs are already conscious of this, and some multicultural teams have been working now for more than 15 years.

Our view is that the risk is more about the universal practices that MNCs are adopting throughout the world: centralized decisions, complex organizations, information, normalization, lack of long-term vision, day-to-day pressure on everybody in order to get financial objectives, etc. It is the reason why some elements of positive HRM practices, which have been sometimes forgotten, must be recalled.

We think that some basic elements of Human Resource Management are of greater importance than cultural differences. We would like to put an emphasis on five objectives:

Developing the competence and the professional culture of employees. Technical and administrative skills can be a common ground for people having different cultures. They need to share the professional culture of the company and perceive it as a common objective. MNCs must also clearly recognize the quality of local technical competence, especially in countries where the educational system has always been of a good level (Czech Republic or Hungary for example). Good information on technology, competitors and corporate capacities is needed. A strong training policy is also a good tool for a continuing collective improvement.

Limiting the procedures, rules and norms which constitute very often a new bureaucracy in large MNCs. There are unavoidable norms (European norms, TQM, etc.) but some procedures (for example on control by the head office) are often too rigid. Managers are spending most of their time in reporting processes, authorizations of many kinds and red tape. For young graduates in Central Europe, this bureaucracy is associated with “old” habits and is strongly rejected. Some of them will prefer to work for more flexible medium-sized companies or even local small-sized, after some years of training in MNCs.

Developing autonomy for middle managers, well situated to take into account at the same time general policies and local constraints. Close adaptation of foreign MNCs to Central European conditions needs a strong and autonomous intermediate level of management. This autonomy will also contribute to retaining talented people.

Providing real support to employees in order to help them in achieving their objectives. Very often, the MNCs „modern” management consists of setting ambitious objectives and letting people make efforts to achieve them. The management is based on stress and strain. In case of severe problems, some „coaching” may be recommended. The employee living real difficulties is sometimes advised to phone to a „hot line” somewhere. These tools are obviously insufficient. Very often, the employee has a feeling of loneliness and this could bring despair (and then, create stress, provoke absenteeism, or dismissal). On-the-job training (like the Danone „one learning a day”) and psychological support from managers can be of considerable help.

Being a „citizen” of the country. For a long time, IBM, for instance, has communicated in all the countries in which it operates that it has been paying taxes and creating local employment. MNCs cannot create amongst their local employees a feeling of belonging if they don’t enforce local rules and don’t pay the required taxes. Employees cannot have a feeling of „fair” wages if they know that a part of the corporate results evades local institutional regulations and that the bigger part of the benefits generated in the country is concentrated outside without a perspective of local investment.

These five objectives are well-known but yet often unimplemented guidelines. The development of the new Central European markets has been the focus of attention for several years. Now, a new fashionable topic is about „social responsibility”. Very good. But it is time to remember also that some basic principles around motivation and respect are necessary in this part of world too.

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