THE APPLICATION OF THE INTERCULTURAL DIMENSIONS DURING THE TRANSITION PROCESS IN SLOVAKIA

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Abstract

The business environment and management of the Central and Eastern countries has been continuously under crucial changes since 1989. Slovakia started the integration into the global world economy with the impact on the rapidly transforming mosaic of new managerial experiences and behavior which has been changed over time and varied from firm to firm. The aim of the paper is to describe the national culture in transition process focusing on the new managerial experience in the historical and comparative contexts. The management of the number of companies in Slovakia entered the multicultural environment where the new skills were developed mainly in the area of international marketing, competing in the global business, cooperating in the international projects and teams and face the new challenges of the continuously learning process.

Keywords: intercultural dimensions, international projects and teams, transition process.
JEL classification: M210

1. INTRODUCTION

The political economy of many of the world’s nation-states has changed radically since late 1980s. Two trends have been evident. First, during the late 1980s and early 1990s, a wave of democratic revolutions swept the world. Totalitarian governments collapsed and were replaced by democratically elected governments that were typically more committed to free market capitalism than their predecessors had been. Second, there has been a strong move away from centrally planned and mixed economies toward a more free market economic model.

Culture is both simple and difficult to understand. It is simple because definitions abound that are easily understood by any reader. At the same time, culture can be difficult to comprehend because of its complexities. The development of the culture of the nation is a long process and is influenced by political, economic and social changes.
As generally understood, the culture of a society comprises the shared values, understandings, assumptions, and goals that are learned from earlier generations, imposed by present members of a society, and passed on to succeeding generations. This shared outlook results, in large part, in common attitudes, codes of conduct, and expectations that subconsciously guide and control certain norms of behavior (Deresky, 2011, p.106).

The transition in Central Europe (CE) has started with moving from central planning to market led in 1989. Since transition started, one of the most important modes of penetrating the CE market has been foreign direct investment, mainly provided by Western European MNCs, with Germany being the major player, followed by MNCs from the US and Japan and South Korean MNCs. As the process of transition has been perceived differently in CE countries, the cultures went through the transition as well as the political and economic changes in CE were implemented differently.

In early 90’s Slovakia together with Bulgaria and Romania were consider risky countries for foreign investment (Morita, Chen, 2010, p.13). At the beginning of 21. century due to progressive economic reforms Slovakia and other three countries of Vysegrad region Czech Republic, Hungary and Poland have been perceived as less risky and more promising because of their inclusion in the first wave of CE countries that join the EU in May 2004.

Since 1989 Slovakia has been under the transition process where Slovak culture evolved as society adapts to transitions in its external and internal environments and relationships.

2. METHODOLOGY OF PAPER

The objective of this paper is to address the process of culture transition in Slovakia, one of the four Vysegrad countries after the year 1989. More precisely, we apply the Hofstede’s cultural dimensions model in order to identify cultural differences during the transition process. Through the theoretical research our aim is to identify how fundamental cultural dimensions were implemented in Slovakia. Thus, we explore the economic changes in the country in transition, their impact on the national culture and more specifically we study the cultural experiences within the international projects.

The empirical methodology in our research is qualitative and based on case studies and interviews with managers working for foreign companies located in Slovakia. These research methods provide us with in-depth analyses of how the culture is formed, developed and changed in historical and comparative context. We attempt to define four stages of the culture in process of transition.

3. THE NATURE OF ECONOMIC TRANSFORMATION

The collapse of communism in Eastern Europe was precipitated by the growing gulf between the vibrant and wealthy economies of the West and the stagnant economies of the Communist East. In looking for alternatives to the socialist model, the populations of these countries could not have failed to notice that most of the world’s strongest economies were governed by representative democracies.

The shift toward a market-based economic system often entails a number of steps: deregulation, privatization, and a creation of a legal system to safeguard property rights (Hill, 2011, p.73).
Deregulation involves removing legal restrictions to the free play of markets, establishing private enterprises, and operating private enterprises in different ways. This opened the door to privatization, which transfers the ownership of state property into the hands of private individuals, frequently by the sale of state assets through auction. Well-functioning market economy requires laws protecting private property rights and providing mechanism for contract enforcement. Many CE countries lacked the legal structure required to protect property rights. For example, the title to urban and agricultural property was often uncertain because of incomplete and inaccurate records, multiple pledges on the same property, and unsettles claims resulting from demands for restitution from owners in the pre-Communist era. The government policymakers and implementers also face (and sometimes create) uncertain situations in which they have neither the experience nor the education to operate effectively.

The macroeconomic factors of life in Central and Eastern Europe before the transition process was started may be summarized as follows (Grayson-Bodily, 1996, www.iiasa.ac.at):
- because of the unfavorable economic legacies left by the respective Communist regimes, the post-Communist governments had to adopt restrictive economic policies which caused recessions in the domestic markets; the recessions most unfavorably impacted companies such as those selling home improvement or other postponable consumer goods,
- the collapse of the Communist regimes coincided somewhat with cyclical recessions in Western Europe and North America, the Soviet bloc markets collapsed in 1991,
- in addition to the recessions in Western Europe, export possibilities were harmed by the tariffs and quotas erected by the European Union (EU), especially in industries where CEE countries had spare capacity such as agricultural products, steel, and textiles,
- successive devaluations of domestic currencies, vis-à-vis US dollars or deutsche marks, raised the prices of imported inputs; for domestic producers the degree and timing of the devaluations added to already existing uncertainty and for the foreign joint/ventures partners devaluations worsened their income statements,
- as the target countries reduced their tariffs and quotas – in an effort to liberalize – foreign companies entered the markets causing domestic companies giant problems.

Most of the CEE companies at the beginning of 90s have started to integrated themselves into world economy.

Source: [Grayson-Bodily, 1996, 12]

Figure no. 1 Variables determining integration into world economy
4. THE TRANSITION PROCESS OF SLOVAK’S NATIONAL CULTURE

Slovakia had a common ground in the transition process such as central planned economy, dependency on the Soviet Union market and common history as it used to be Czechoslovakia till 1993 and even older historical tights in the Austro-Hungarian Empire.

4.1. The political and historical background

The political, economic and legal environments of a country clearly influence the attractiveness of that country as a market or investment site. The benefits, costs, and risks associated with doing business in a country are a function of that country’s political, economic and legal systems (Hill, 2011, p.76).

Despite years of political and economic change, including liberalization, post-communist countries attracted a relatively small percentage i.e. 3 to 4 per cent in 2003 of foreign investments. The importance of privatization initiatives in attracting foreign investors to the region is shown by the fact that a decline from a record 31 billion USD of inflows in 2002 decrease to 21 billion USD in 2003 was almost entirely due to the end of privatization in Slovakia and the Czech Republic (Rugman, Collinson, 2006, p.575).

After 1989 Slovakia started the integration into the world economy through rapidly transforming mosaic of managerial behavior which was changing over time and varied from organization to organization. Certain fundamental features of understanding and running the business were observed as follows:
- prior to 1989 companies had no foreign market intelligence, no foreign market research, move from producer orientation to consumer orientation,
- old marketing approach “If you produce, they will come”,
- foreign investors viewed CE countries as export base because of their low labor costs,
- local companies regarded many joint ventures as vehicles to entering these markets and former Soviet Union,
- no one pattern of behavior that could be prototypical,
- success was determined, to a large extend, by the managers’ flexibility to adopt to rapid, uncertain changes.

After joining the European Union in May 2004 prospects for FDI looked better for the future. Changes in macroeconomics, microeconomics and in the managerial behavior were very important for foreign investors to look at. Some of the CE countries were attracting automotive investors, including Toyota-PSA’s investments in the Czech Republic and PSA, Kia and Hyundai in Slovakia. Volkswagen Slovakia is country’s largest company and biggest employer in the auto sector together with another big employer US Steel Slovakia.

Due to these multicultural working experiences and also being a part of the Continental Europe (CE, excluding UK) Slovakia adopted some of the cultural features as follows:
- Europeans enjoy more free time and access to free university education,
- high taxes and government interference make housing stock rather expensive, especially for young,
- free education and easier access to free time creates a condition where youthful indiscretion is prolonged, i.e. they graduate later, join the professional work-force later, and more tragically, delay family planning and have fewer children (Cole, 2008).
The political and historical background makes influences on the national culture. In the following part we have identified the major culture changes and we also provide the characteristic of the Slovak culture.

4.2. Culture in transition – managerial experience in the historical and comparative contexts

Having examined the macroeconomics and microeconomics of the country in this section we explore how the managerial behavior has developed and changed after 1989. Problem areas relate both to bad habits developed in the previous environment and to newly acquire nonproductive behavior.

The state-owned enterprises were playing an important role at the beginning of transition process due to the following reasons:
- they tended to have a large number of employees,
- they had huge, fixed, single-purpose assets and were capital and energy intensive,
- they generally employed out-of-date technology and equipment that governments couldn’t afford to replace.

Managers from state-owned companies that had been privatized right after 1989 were the first to gain new managerial experience such as fostering relationships with new partners, mostly foreign investors, negotiating the business deals, very often in a foreign language and important experience in marketing and management based on market principles. Most privatized firms preferred foreign partners for their needed capital, markets, technology and management.

Through the research and theoretical background we have identified 4 main stages in cultural process of transition that can be as follows:

First stage: 1989 – 1995 characterized by the beginning of transition to market based approach, split of Czechoslovakia and the extensive privatization process
Second stage: 1996 – 2003 characterized by the emphases on the gaining of new managerial experience offered through many mergers and acquisitions, rapid development of foreign cooperation offered by various international experts and international programs
Third stage: 2004 – 2008 became part of the common market of the EU
Fourth stage: 2009 – till present characterized by the Euro currency acceptance and the affects of the global economic recessions

In the following part we will emphasize the culture issues which will be analyzed by using fundamental intercultural theory developed by Hofstede and we provide several research outcomes.

5. INTERCULTURAL DIMENSIONS

According to Luthans and Doh (2009, p.96) the culture is defined as acquired knowledge that people use to interpret experience and generate social behavior. This knowledge forms values, creates attitudes, and influences behavior. Steers, Sanches-Runde and Nardon (2010, p.46) emphasize more on the results of the different cultures. They discuss that culture can make a difference in determining how we think and how we behave. This is equally true in our personal lives and our work lives. Unfortunately, too many managers have ignored even the most rudimentary cross-national differences while working
overseas and, as a result, have missed significant opportunities for themselves and their companies.

There are many ways of examining cultural differences and their impact on international management. Culture can affect technology transfer, managerial attitudes, managerial ideology, and even business-government relations (Luthans, Doh, 2009, p.97).

Geert Hofstede (2001, p.34) has attempted to provide a composite picture of culture by examining its subparts, or dimensions. He identified four dimensions and later a fifth one such as power distance, uncertainty avoidance, individualism, masculinity and time orientation. We analyzed and characterized the Slovak national culture based on the Hofstede’s cultural dimensions such as individualism, power distance, uncertainty avoidance, masculinity and time factor.

**Individualism** is the one side versus its opposite, collectivism, that is the degree to which individuals are integrated into groups. On the individualist side we find societies in which the ties between individuals are loose: everyone is expected to look after him/herself and his/her immediate family. On the collectivist side, we find societies in which people from birth onwards are integrated into strong, cohesive in-groups, often extended families (with uncles, aunts and grandparents) which continue protecting them in exchange for unquestioning loyalty (www.clearlycultural.com). Hofstede found that wealthy countries have higher individualism scores and poorer countries higher collectivism scores (Luthans, Doh, 2009, p.105).

<table>
<thead>
<tr>
<th>GNP per Capita in 2000 versus Individualism</th>
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<tbody>
<tr>
<td><strong>Slovakia</strong></td>
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</table>

Slovakia scored in high collectivism that might be explained by the history during the socialism period and the current statistics of GNP per capita is rather low compared with EU
average. The reason for this could be the in the reference to political system, number and depth of the economic reforms, different experiences with other cultures and with multicultural environment and also behavioral pattern established within the society e.g. Slovak managers were found by the foreigner as very modest, with small self-confidence and with the great emphasis to belong into the group.

**Power distance** is the extent to which less powerful members of institutions and organizations accept that power is distributed unequally. Countries in which people blindly obey the orders of their superiors have high power distance. In many societies lower-level employees tend to follow orders as a matter of procedure. In societies with high power distance, however, strict obedience is found even at the upper levels.

The effect of this dimension can be measured in a number of ways. For example, organizations in low-power distance countries generally will be decentralized and have flatter organization structures. These organizations also will have a smaller proportion of supervisory personnel, and the lower strata of the workforce often will consist of highly qualified people. By contrast, organizations in high-power distance countries that is observed in Slovakia, will tend to be centralized and have tall organization structures. Traditional Slovak organizations with high-power distance will have a large proportion of supervisory personnel, and the people at the lower levels of the structure often will have low job qualifications. This latter structure encourages and promotes inequality between people at different levels.

The **dimension uncertainty avoidance** measures the extent to which a society feels uncomfortable with the ambiguity that typically arise from the unknown or surprises. Cultures with high uncertainty avoidance try to minimize uncertainty through strict laws and rules as well as safety and security measures. People in these societies tend to be more emotional, and are motivated by inner nervous energy.

![Power Distance vs Individualism Diagram](image-url)
In general, societies with lower uncertainty avoidance are more tolerant of new and different opinions. The cultures prefer as few rules as possible. Typically, people in these cultures don’t easily express their emotions. Based on Hofstede’s statistics, the world average uncertainty avoidance score is 64 points per country (www.suite101.com).

In this dimension the culture of Slovakia is characterized with much weaker uncertainty avoidance as average uncertainty avoidance index together with high power distance. We can explain this within the organizational concept – family type where there is a great respect to positions but also reliance on the development of the relationships and support.

Masculinity stands for a society in which social gender roles are clearly distinct. Men are supposed to be assertive, tough, and focused on material success; women are supposed to be more modest, tender, and concerned with the quality of life. Femininity stands for a society in which social gender roles overlap: Both men and women are supposed to be modest, tender, and concerned with the quality of life (Hofstede, 2001, p.187). Countries with a high masculinity index place great emphasis on earnings, recognition, advancement and challenge. Individuals are encouraged to be independent decision makers, and achievement is defined in terms of recognition and wealth. The workplace is often characterized by high job stress, and many managers believe that their employees dislike work and must be kept under some degree of control.

Countries with low masculinity (Hofstede’s femininity dimension) tend to place great importance on cooperation, a friendly atmosphere and employment security. Individuals are encouraged to be group decision makers; an achievement is defined in terms of layman contacts and living environment.
Slovakia has very high masculine preferences. The success in job, orientation to earn more money, internal competition among employees resulting in high stress is very common in most of the companies in Slovakia. This also explains the transition process that this culture is going through. It is in contrast with the previous values from the socialism where good relations and atmosphere at work place was considered as the most important element for employees.

**Time orientation** is a dimension that was added later by Hofstede. The long term orientation stands for the fostering of virtues oriented towards future rewards, in particular perseverance and thrift. Its opposite pole, short term orientation, stands for the fostering of virtues related to the past and present, in particular, respect for tradition, preservation of „face” and fulfilling social obligations (Hofstede, 2001, p.192). The differences between these dimensions are shown in table 1.

<table>
<thead>
<tr>
<th>High Long Term</th>
<th>Low Long Term (i.e. Short Term)</th>
</tr>
</thead>
<tbody>
<tr>
<td>emphasis on persistence</td>
<td>emphasis on quick results</td>
</tr>
<tr>
<td>relationships ordered by status</td>
<td>status not a major issue in relationships</td>
</tr>
<tr>
<td>personal adaptability important</td>
<td>personal steadfastness and stability important</td>
</tr>
<tr>
<td>face considerations common but seen as a weakness</td>
<td>protection of one’s „face” is important</td>
</tr>
<tr>
<td>leisure time not too important</td>
<td>leisure time important</td>
</tr>
<tr>
<td>save, be thrifty</td>
<td>spend</td>
</tr>
<tr>
<td>invest in real estate</td>
<td>invest in mutual funds</td>
</tr>
<tr>
<td>relationships and market position important</td>
<td>bottom line important</td>
</tr>
<tr>
<td>good or evil depends on circumstances</td>
<td>belief in absolutes about good and evil</td>
</tr>
</tbody>
</table>

*Source:* [Hofstede et al., 2001]
Slovakia reaches high scores on the long term orientation which is similar to scores for South Korea, Taiwan and other CE countries.

According to the available data and latest studies societal cynicism is strongest in Eastern Europe, East Asia (Korea, Taiwan), Pakistan and Thailand and make people less happy and foster various forms of negativism (Hofstede, Hofstede, Minkov, 2010, p.289).

5.1. The four phases in the transition process in Slovakia with the integration of the Hofstede’s cultural dimensions

Since 1989 Slovakia started the path of the creation of the new standards, values and behavior as a result of culture change. The most significant features during each stage of cultural changes and cultural differences will be described in following part.

The first stage (1989 – 1995) of entrepreneurial managerial activity that can be best described as dysfunctional entrepreneurship (Grayson-Bodily, 1996, www.iiasa.ac.at). Part of the origin of this activity was established under the regime of central planning. Managers were unable to develop a medium term business plan, they were facing difficulties to design a system for coordination and implementation and problems to keep budgets and follow schedules. The first stage was characterized by the drastic reductions in employment compared to previous state-owned enterprises that resulted in increasing fear of losing one’s job. The two types of the managerial approaches were identified those described in table 2.
Table no. 2 Managerial and dysfunctional behaviour

<table>
<thead>
<tr>
<th>Managerial behavior</th>
<th>Dysfunctional behaviour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very little fundamental change</td>
<td>Short term perspective - trade away what you have, quick action, no-long term development</td>
</tr>
<tr>
<td>Many managers still acts as the corporate bureaucrats</td>
<td>Deal making - manipulation of immature markets, acceptance of huge bank debts, emphasis on growth, profitability not in a consideration</td>
</tr>
<tr>
<td>Managers and workers alike show little loyalty to their firms</td>
<td>Culture - Yuppie, money, greed, power, media conscious</td>
</tr>
<tr>
<td>Nonconstructive criticism</td>
<td></td>
</tr>
<tr>
<td>Managers value their economic and social power, with change they risk losing their positions</td>
<td></td>
</tr>
</tbody>
</table>

Source: [authors own analyses based on the research and enclosed literature]

In this phase Slovaks were lacking the experience with intercultural cooperation since international projects had just started in larger amounts in the early 90’s.

During this period a group of young entrepreneurs, generally energetic, well educated and well traveled with the foreign languages ability were produced. These people were ambitious enough to accept the high managerial positions even lacking the managerial experiences due to their young age. The predictable end came between 1994 and 1995 when a series of highflying firms went bankrupt. This happened mostly due to emergence of foreign competition, extreme diversification and very often personal conflicts developed between the founding partners.

During the second stage (1996 – 2003) of the cultural changes the new managerial experiences were gained due to vast foreign investment. The research on four CE countries was mainly focused on their preparation for EU entry. All these countries were studied and several differences have been identified as they are described in table 3.

During these years there was the possibility to participate on EU projects and also a huge number of international projects were proposed and supported by new investors from abroad. At the same time the Slovak enterprises started to cooperate with large projects with their foreign partners. These changes brought the difficulties connected with intercultural project teams. Regarding this point there are generally these main problem:

- different understanding of work problems and features of individuals.

Generally speaking, Slovaks are not always ready to respect or accept other cultures and tolerate the cultural differences (Začková, 2003, p.1).

In the third stage (2004 – 2008) Slovakia together with the other three Vysegrad countries have joined the European Union. The major foreign investments have already been set up; the local cultures experienced lots of cooperation with expatriates working in the multinationals those operating in the CE region and those temporary living in all V4 countries.

Slovak culture has also adopted some characteristics of the American and Asian values and culture features as a result of multinationals from these geographical regions. One of the main changes that was identified during this stage was a strong shift from collectivism towards the more individualism dimension, especially within the young generation living in the capital city of Slovakia. Another change occurred which is typical for US culture that Slovaks are willing to work long hours and take few holidays in order to achieve a higher career and earn more money. On the other hand, Slovakia is seen by foreign investors (Sony, Kia, Samsung) as culture with little initiative, fear of raising the questions and a lack for innovations and new ideas. The research findings support the result of the “European innovation scoreboard” where most of the CE countries are lacking the innovation drive.
### Table no. 3 The cultural differences prior to entry to EU

<table>
<thead>
<tr>
<th>Czech republic</th>
<th>Slovakia</th>
<th>Hungary</th>
<th>Poland</th>
</tr>
</thead>
<tbody>
<tr>
<td>- quick liberalization and privatization</td>
<td>- legacy of agrarian society</td>
<td>- strong innovation culture</td>
<td>- individualism, discipline and loyal to old principles</td>
</tr>
<tr>
<td>- creation of the “Czech management approach”</td>
<td>- middle management very cost concerned</td>
<td>- active entrepreneurship mostly in SMEs</td>
<td>- strong preferences for formal structures</td>
</tr>
<tr>
<td>- foreign experts and investors are despised</td>
<td>- undervalued own capabilities</td>
<td>- new opportunities are highly welcomed, based on the informal contacts</td>
<td>- presence of both “old” and “young” management</td>
</tr>
<tr>
<td>- management orientation on technologies, autocratic leadership styles</td>
<td>- high power distance index in companies</td>
<td>- networking and relationships helps job promotion</td>
<td>- zero correlation between age of organization and management style</td>
</tr>
<tr>
<td>- little emphasis on the employees</td>
<td>- low market orientation</td>
<td>- high individualism and self-confidence</td>
<td></td>
</tr>
<tr>
<td>- professional management, a bit overrated</td>
<td>- strong masculinity-gender problems</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** authors’ analyses based on the research

### Figure no. 7 Convergence in innovation performance

**Source:** [http://www.proinno-europe.eu](http://www.proinno-europe.eu)
6. CONCLUSIONS

Since 2009 the culture has started the new phase of transformation which is characterized by the accepting of the Euro currency and mostly by the impact of the global economic recession. Through our research on culture development we have identified new characteristics of the culture:
- professional background and general education on a good level,
- a good knowledge of the local market, legal requirements and economics on one side, but on the other side more advanced knowledge of the global environment is needed,
- professionals are experienced in organizing, coordinating and also in the team work using both types of communication is presents i.e. formal and informal according to the situation and partner,
- new economic conditions required more emphasis on innovation, developing creativity in the work place and the ability to take a risk and implement new idea and new skills.

The aim of the research published in the journal “Management in theory and practice” in 2010, which was realized in the companies in Slovakia owned by the foreign owners, was to identify the barriers in the cooperation in intercultural teams. There were 150 survey participants of this research. Nearly 40 % of the participants think that there are no barriers between Slovak and foreign workers. Two thirds of respondents suppose that the Slovaks have no problems to accept the elements of other cultures. The most negative aspect considered by the respondents was no sufficient information about the specifics of Slovak culture. Other problem identified by the survey was the distance between the managers and the workers. Almost one third of respondents think that the foreign managers don’t know how to motivate Slovaks (Rusnák, 2010, p.34).

Cultural diversity is advantageous with projects related to innovations. It is necessary that the project manager tries to find the convergent factors for most of the project team members. One of these aspects is for example the similar status or occupational closeness. The homogeneous project groups are preferred to the routine and simple tasks (Zadražilová, 2007, p.134).

Regarding this point these are the following recommendations for the heterogeneous project teams:
- project team members are chosen according to their competencies and skills, not according to their ethnic origin,
- project team members have to accept their mutual differences,
- project team members from different cultures have problems with the consensus on the purpose of their tasks,
- dominancy of one culture is counterproductive for the project success,
- project team members have to feel mutual respect. This is possible to reach with the people who have comparable abilities and skills related to solving projects,
- culturally diversified teams have a problem to identify what is a good and a bad idea or decision. The project manager gives the feedback to the team members in order to accept the importance of each team member and to trust the judgement of the project team (Hodgest et al., 2000).

The cultures of the CE region are going through the transition process. The political and economic changes shape society and there is an obvious transition in the main cultural dimensions i.e. power distance, individualism, uncertainty avoidance, masculinity and short
term orientation. In our research we have identified some challenges in managing intercultural
differences efficiently and successfully. The most important are following:
- handling the language barrier,
- dealing with stereotypes and prejudices,
- ability to communicate effectively,
- creating a new innovative culture,
- making the most of the international experience for further professional development, to be
opened to new ideas and develop creative solutions,
- managing global projects and dealing with multiple people from different regions and
countries with different culture.

The first and obvious challenge in any intercultural cooperation is to handle the lan-
guage barrier effectively. Speaking English for instance does not mean that business
partners truly understand each other. This is a major difficulty in projects: combining tec-
hnical skills with language skills. The paradox is that sometimes, when people speak their
own language with the help of professional interpreters, they can be better placed to under-
stand each other than if they use a common language, usually English, which is not for the
most part their mother tongue. On the hand, English became a must for managers working in
the international environment and the young generation has already captured great skills in
this area.

Another challenge is to deal with stereotypes and prejudices. Stereotypes are images
that we draw of others from experience, but which are based on generalisations. They are
not necessarily false, but it is dangerous to believe that they are always valid. Prejudices go
one step further because a judgment is formed before one even know the individual in ques-
tion and because prejudices are always based on negative generalisations. In Slovak
business environment generation differences have occurred. The post-war generation repre-
senting the old socialist values, working habits based on discipline and respect to the
authorities became a big contrast with the young generation Y. The young generation is
based on strong individualism and less acceptable to power and authority. These generation
differences cause more conflicts and provide new research opportunities.

Finding ways to communicate efficiently is essential in any business, but particularly
in a cross-cultural type of cooperation. In effect, this means finding ways to reduce misu-
derstandings. These misunderstandings arise when we misinterpret what we see. Two other
challenges of effective communication in cross-cultural cooperation relate to, firstly, devel-
oping systematic communication rather than relying on ad hoc communication (distance can
easily break down communication) and secondly, to understanding that communicating
about the tasks is not sufficient because, at the end of the day, people work with people so
getting to know people at a personal level is also part of effective communication.

What is essential to success of any project is the ability of the project to generate its
own “culture” with which everyone will feel comfortable. This means striking a balance
between preserving the specificities of each culture within the international company and
developing a common reference framework, a new common culture that will draw on the
strengths of each individual culture. The challenge is to define new norms (what is accepted,
what is not) and new rules for the entire company, which need not be the rules of one of the
participants’ cultures, in particular of the culture of the MNCs’s top management (is often
the case). In effect, the challenge is to find what brings all employees together and what are
the values and interests that they share (in other words what are their shared interests). It is
important for management and employees to create their own rules, which they will accept together in order to fit to company’s strategic goals.

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