

# “Cross-cultural specifics from a Northern American perspective”

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## SECTION 4. Practitioner's corner

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### Cross-cultural specifics from a Northern American perspective

#### Abstract

Eastern Europe is a region rich of resources, beautiful cities and long history of traditions, but it is a region that had undergone significant political, economical, social and technological changes in the last century. As a post-Soviet region, the values and behaviors of the population are changing and adapting to democracy and open-market economies from an ideology that the majority of the population grew up for the latter part of the 20<sup>th</sup> century, Communism.

It is a region that continues to struggle, but has chosen to enter not only the new Europe, the European Union, but also the global world. As Eastern Europe opens its doors to capitalism and market economies, foreign businessmen must be aware of the some of the most significant cross-cultural differences between Eastern European and Northern American people and challenges that they may face when working in the region. The main cross-cultural differences and challenges that were identified and discussed are the following:

- ◆ traditional society;
- ◆ hierarchical society;
- ◆ homogeneous society and its lack of diversity;
- ◆ its current legal system and the interpretation of the law;
- ◆ corruption and bureaucracy;
- ◆ language issues;
- ◆ its entrepreneurial spirit;
- ◆ work ethic; and
- ◆ customer service.

As Eastern Europe opens to the rest of world and for them a new way of doing business, Eastern Europeans have started to undergo another period of evolution in which learning and adapting to a very different way of life are testing their resilience once again. They have undergone a series of changes already, but the learning curve to catch up to a world that is decades ahead of them will take a few more years. These challenges can also present opportunities that companies experienced with international savvy can bring to the area. Opportunities in the fields of management consulting, human resource training, cross-cultural sensitivity training are a few areas that Northern American companies can benefit when entering Eastern Europe.

Businessmen doing business in the region must be aware of the cross-cultural challenges that they may face and some recommendations are prescribed as follows:

- ◆ pick managers with diverse backgrounds or experience in international settings;
- ◆ provide cross-cultural sensitivity training;
- ◆ before relocating personnel, send them to perform various tasks or projects in order for them to familiarize with the culture, values and behaviors;
- ◆ staff must be open to change and adapt to their new environment;
- ◆ train and hire locals to represent the company in the region, especially young employees that have some business education and more aware of Western values;
- ◆ make the face of the company seem national, such as having a local CEO;
- ◆ due to hierarchical nature of Eastern Europeans, ensure that senior managers with the proper credentials are available for discussions with local businessmen and officials; and
- ◆ emphasize risk minimization instead of profit maximization.

**Keywords:** demographic economics, demographics, demography.

**JEL Classification:** J1.

#### Introduction: the background of being a Post-Soviet Society

The Eastern Bloc has gone through significant regime changes in the last 50 years. The Communist party formerly played a significant role in every ones lives. Living under the Communist regime influenced local behaviors and habits, as the repressive environments

conditioned them to fend for themselves. Many of the rights that westerners take for granted were abolished, such as the right to own property and freedom of expression. In the short term, it reduced the large income inequalities that existed during the Czarist years, but the long-term implication was that the standard of living fell behind

that of the Western democracies<sup>1</sup> leaving a communist heritage that includes corrupted civil servants, unreliable businessmen and opportunistic politicians<sup>2</sup>.

As of May 1, 2004, the Eastern Bloc integrated into the European Union. This is another change in ideology and culture that its people will have to adapt to. Becoming part of the EU signified a new beginning and the integration to a world that is 50 years ahead of them. The political instability that Eastern Europeans have endured has not been the most efficient way to develop their economies and create stable marketplaces, which could nurture entrepreneurship, risk-taking and innovation. After being part of a regime that outlawed open market systems, these nations have had to learn very quickly the how's of doing business in a very complex and technologically advanced world. There is no doubt that they will be successful as the resilience of the people and the culture is admirable, but the learning curve will take years. Some experts suggest that it may take a generation. Furthermore, most institutions (The police, universities, and hospitals) are in crisis<sup>3</sup>. Income inequalities and regional discrepancies are widening<sup>4</sup>. This is all compounded with the increasingly serious demographic problem of a large aging population that will face the region in the next fifty years.

The intent of this report is to identify some of the major cultural differences that Northern American businessmen could face when doing business in Eastern Europe. This is based on observations, interviews undertaken in Eastern Europe and research of existing literature on this matter. The major cross-cultural differences that will be discussed in this paper are the following:

- ◆ traditional society;
- ◆ hierarchical society;
- ◆ homogeneous society and its lack of diversity;
- ◆ its current legal system and the interpretation of the law;
- ◆ corruption and bureaucracy;
- ◆ language issues;
- ◆ the current entrepreneurial spirit;
- ◆ work ethic; and
- ◆ customer service.

<sup>1</sup> Griffin, R.W. and Michael Pustay. *International Business*, Fourth Edition. Pearson Prentice Hall. 2005, p. 35.

<sup>2</sup> Chelly, D. *Managing Human Resources in Central and Eastern Europe*. EDHEC MBA. June 10-11, 2004.

<sup>3</sup> Chelly, D. *Managing Human Resources in Central and Eastern Europe*. EDHEC MBA. June 10-11, 2004.

<sup>4</sup> Chelly, D. *Managing Human Resources in Central and Eastern Europe*. EDHEC MBA. June 10-11, 2004.

## 1. Traditional society

Catholicism has been predominant in this part of the world, where church and state were one for many years. Then the Communist regime prohibited the practice of religion, but was unable to diminish the faith of the people and religion was practiced subversively. An example of the power that religion has in these parts of the world is the devotion that the Polish people express and the influence of the Church in their daily affairs. For example, the Communist party tried to take religion away from them, but this was unsuccessful, and in fact, the Communist party leaders feared that by trying to do so could provoke a revolution<sup>5</sup>. The Church is a very powerful institution in Poland, and many fear that there may be an indication of social dislocation when the Pope passes away<sup>6</sup>.

Eastern Europeans in general are respectful, strict and disciplined in their dealings with others. They tend to be very strict to the point that they can be perceived as inflexible and arrogant. These are characteristics also associated with the Catholic upbringing of the people. The respect and discipline between managers and workers are evident in a visit to the Bombardier plant in Hungary and Magma plant in Czech Republic. The relationship between managers and workers is transactional in which respect is reciprocated at different levels. Managers direct and give orders with a sense of dignified respect, while the workers reciprocate with a subdued respect. Many managers are called by their title<sup>7</sup>.

Family plays a central role in Eastern Europe. Families tend to be large and extended, in which opinions are predetermined by the family and there are obligations to the family: harmony, respect, shame and fear<sup>8</sup>. This has very large implications in business as people have large personal and emotional attachments to their families. It provides a support system, which can help someone become successful or hinder their growth as the family attachment does not allow them move and develop their careers elsewhere. Even when they move, most of them come back.

Eastern Europeans have very deep nationalistic roots. History has shown that they are willing to give up their lives for their nation. This is inherent of the value system, which tends to be collective and unselfish. As a young Polish student said, "I'm

<sup>5</sup> Lysyshyn, R.J. Presentation to WLU students. Ambassador of Canada in Poland and Belarus, Canadian Embassy in Warsaw. April 2004.

<sup>6</sup> Lysyshyn, R.J. Presentation to WLU students. Ambassador of Canada in Poland and Belarus, Canadian Embassy in Warsaw. April 2004.

<sup>7</sup> Laroche, L. and S. Morey. *Succeed for Business in Eastern Europe*,. www.cepmagazine.com, November 2002, p. 85.

<sup>8</sup> Griffin, R.W. and Michael Pustay. *International Business* Fourth Edition. Pearson Prentice Hall. 2005 p. 105.

proud to be Polish and I want my family and my financial success to happen here”<sup>1</sup>. They may relocate for short periods of time to acquire skills or for money, but the majority will come back and have tight links to their roots. Even when living abroad, Eastern Europeans tend to form communities, which are often linked to the community church. Eastern Europeans tend to have a patriarchal society, which is another trait of their Catholic background. The centre of the family is the eldest male of the family, as he has been usually the bread-winner and decision-maker.

The traditional role of women is to tend to domestic household issues and very rarely participate “directly” in the family decisions. This is changing as more women are educated and become involved in business matters. Even though women are moving up the ranks, opportunities for women are still limited, as mentioned through our meetings with various parties.

Due to fear of the unknown, North American doing business in Eastern Europe should emphasize risk minimization instead of profit maximization<sup>2</sup> to provide a level of comfort.

## 2. Hierarchical society

Eastern Europe is significantly more hierarchical than North America. Managers are measured by how many employees they manage and close to the top of their organizations they are<sup>3</sup>. During visits to these countries, it was noted that there are delineated boundaries between management/supervisory personnel and the workers. As confirmed by the Canadian Embassy in Hungary, companies tend to be management-heavy, and managers are expected to direct instead of facilitate. Management is expected to be in know-how of all operations of the company and to resolve any issues with no or little input from the workers.

There is very little feedback and communication between ranks. The power orientation of Eastern Europeans is one of “Power Respect, in which authority is inherent in one’s position within a hierarchy”<sup>4</sup>. The Bombardier plant in Hungary is an example of this, where managers are dignified by their position, whereas workers tend to “bow” at their presence, and speak only when spoken to. The officials at the Canadian Embassy in Hungary con-

firmed that companies in this region are management-heavy.

Similarly, worker unions are strong in this area as a large percentage of the population is considered blue collar. Unions have a history of being strong, reinforced by the collectivist values of the socialist/communist era. Communists expropriated vast rich farmlands<sup>5</sup> in order to equalize the distribution of goods in the interest of the collective. The social orientation<sup>6</sup> in Eastern Europe is still very focuses on the collectivist values instilled by strong family and nationalistic ties and its communist background. Signs of individualism and materialism are starting to emerge in the younger generation as they become exposed to capitalism in their own cities; hence it may start to change the social orientation of the people.

The majority of workers expect to work in similar conditions for their entire productive lives, with little regard for the future. Eastern Europeans, especially the older generations, are used to structure a consistent routine, and believe that learning is for the young only. This uncertainty avoidance is evident in the Czech Republic where approximately 20% of the June 2004 vote showed interest in a return to the old Communist order<sup>7</sup>. The Czech Communist Party members “are nostalgic for the days when they ruled by force, and suspicious of their country’s ties with the West”<sup>8</sup>.

Motivation among workers is low, and western businessmen are concerned with low work ethic and high absenteeism in Eastern Europe workers. North American organizations interested in doing business in Eastern Europe must understand that hierarchy is important, and in order to be taken seriously, a senior manager must be present during the initial negotiations.

## 3. Homogeneous society and the lack of diversity

As the British Trade and Industry Secretary Patricia Hewitt stated in an interview, “You have to understand that European countries are not immigrant cultures, and they can’t absorb immigrants at the same rate as North American countries”<sup>9</sup>. This is even more reflected in Eastern Europe, as it has not only been economically unattractive, but the immi-

<sup>1</sup> Saunders, D. “EU braces for May Day ‘invasion’ of migrants”. The Globe and Mail. April 30, 2004, p. A16.

<sup>2</sup> Laroche, L. and S. Morey. “Succeed for Business in Eastern Europe”. [www.cepmagazine.com](http://www.cepmagazine.com) November 2002, p. 88.

<sup>3</sup> Laroche, L. and S. Morey. “Succeed for Business in Eastern Europe”. [www.cepmagazine.com](http://www.cepmagazine.com) November 2002, p. 85.

<sup>4</sup> Griffin, R.W. and Michael Pustay. “International Business”, Fourth Edition. Pearson Prentice Hall. 2005, p. 104.

<sup>5</sup> Griffin, R.W. and Michael Pustay. International Business, Fourth Edition. Pearson Prentice Hall. 2005, p. 32.

<sup>6</sup> Griffin, R.W. and Michael Pustay. International Business, Fourth Edition. Pearson Prentice Hall. 2005, p. 104.

<sup>7</sup> The Economist One more defenestration, Economist.com. July 1, 2004.

<sup>8</sup> The Economist One more defenestration, Economist.com. July 1, 2004.

<sup>9</sup> Saunders, D. EU braces for May Day ‘invasion’ of migrants. The Globe and Mail. April 30, 2004, p. A16.

gration doors have remained closed for several decades. The Eastern Bloc has been in a vacuum for the last 50 years. They have had little exposure to external factors and very little diversity exists. To certain extent, due to its traditional background, diversity is looked upon as a risk and a danger to their way of life. They are afraid of external factors, such as people of diverse background with different values. As officials at the Canadian embassy in the Czech Republic observed, Eastern Europe is very ethnocentric. In order to be successful in business, especially if it is newly introduced product or service into the Czech market, it was suggested to use the face of a recognizable and well-known Czech, preferably as to head of the company and to market their product or services.

#### 4. The current legal system and the interpretation of law

Even though the legal frameworks of Eastern European countries have significantly advanced in the last decade, the legal systems in Eastern Europe are young, without much history and little precedence. Many in official authority, such as bureaucrats and officials, tend to be the same who were in power under the old Communist regime, so the attitudes towards the job have not changed at the same rate that their counterparts in the private sector.

According to the World Bank, "the countries of the region need to focus much more effort, not only on ensuring the development of clear and comprehensive legislation, but also on strengthening the capacity, independence, and accountability of the judicial system necessary to interpret and enforce the law"<sup>1</sup>, which is "critical to lay the foundation for investment and growth in these transition countries that have been lagging behind"<sup>2</sup>. In Hungary, "the transparency of the legal system is inadequate, and delays in processing court cases are a major problem...contract disputes are unlikely to be dealt with speedily"<sup>3</sup>.

In practice, the legal environment is incomplete due to the lack of case law, decrees, it is volatile and contradictory, and it is not transparently enforced<sup>4</sup>. The general population does not have the resources,

education or knowledge about their rights and how to access the legal system. In many instances, it is only the elite that have the resources and the knowledge to apply the law to their benefit. This unbalance of the legal framework affects the way that business is carried, as it increases the business risk that companies must account for when developing their business plans. In addition, several Eastern European countries joined the European Union in May 2004 for which business regulations had to be harmonized with those of the EU<sup>5</sup>. These frameworks will provide the foundation for the development of proper frameworks in these countries that have fallen behind legal practices in most of modern world.

There are several gaps identified in the legal systems in the region, which include lack of transparency in counsel appointment mechanisms, lack of procedures to grant legal aid outside mandatory defense criminal cases, lack of guarantees of the presence of counsel in the preliminary investigation, question of post-conviction reimbursement, and lack of legal aid for the victims of crimes<sup>6</sup>. In general, as Wiktor Osiatynski from the Central European University emphasized "the quality is unsatisfactory, there is lack of standards, no statistical data, no satisfactory managing process and systems are decentralized"<sup>7</sup>. He emphasized that "constitutional democracy requires mechanisms for individuals who are helpless without the courts and a proper legal framework to protect their rights in courts. Without these things, democracy is just a fiction and could cause disillusionment and frustration"<sup>8</sup>.

#### 5. Corruption and bureaucracy

Corruption and bureaucracy are two undesirable concerns that have been inherited from the communist era. A large number bureaucrats and people in positions of trust have taken advantage of their positions for personal gain. As mentioned above, the bureaucracy has changed little since the communist years, and the people in power are the same that were appointed to these positions because of their membership and connections to the Communist Party. The legal system has little enforcement at this point, and it lends itself to interpretation and corrup-

<sup>1</sup> The World Bank Group. Reforming Eastern Europe and Central Asia's legal systems., [www.worldbank.hr/wbsite/external/countries/ecaext/croatiaae,...](http://www.worldbank.hr/wbsite/external/countries/ecaext/croatiaae,...) July 11, 2001.

<sup>2</sup> The World Bank Group. Reforming Eastern Europe and Central Asia's legal systems., [www.worldbank.hr/wbsite/external/countries/ecaext/croatiaae,...](http://www.worldbank.hr/wbsite/external/countries/ecaext/croatiaae,...) July 11, 2001.

<sup>3</sup> Economist Intelligence Unit. EIU Executive Briefing: Hungary, [eb.eiu.com//index.asp?layout=gl\\_market\\_glance&country\\_id=17100000171](http://eb.eiu.com//index.asp?layout=gl_market_glance&country_id=17100000171).

<sup>4</sup> Chelly, D. Managing Human Resources in Central and Eastern Europe. EDHEC MBA. June 10-11, 2004.

<sup>5</sup> Economist Intelligence Unit. EIU Executive Briefing: Hungary, [eb.eiu.com/index.asp?layout=gl\\_market\\_glance&country\\_id=1710000171](http://eb.eiu.com/index.asp?layout=gl_market_glance&country_id=1710000171), May 4, 2004.

<sup>6</sup> Osiatynski, W. Access to justice in Central and Eastern Europe, Public Interest Law Initiative. Forum Report., [www.pili.org/publications/ForumReport/Part2.html](http://www.pili.org/publications/ForumReport/Part2.html), August 19, 2004.

<sup>7</sup> Osiatynski, W. Access to justice in Central and Eastern Europe, Public Interest Law Initiative. Forum Report. [www.pili.org/publications/ForumReport/Part2.html](http://www.pili.org/publications/ForumReport/Part2.html), August 19, 2004.

<sup>8</sup> Osiatynski, W. Access to justice in Central and Eastern Europe, Public Interest Law Initiative. Forum Report. [www.pili.org/publications/ForumReport/Part2.html](http://www.pili.org/publications/ForumReport/Part2.html). August 19, 2004.

tion. Compounded with the unfortunate state of national institutions, such as the police force, which have been underfunded for many years now, corruption appears to thrive at most levels of government in both urban and rural areas. In Budapest in early 2004, former high ranking public servants and police officials were charged for bribery and falsifying documents to help foreigners acquire Hungarian citizenship<sup>1</sup>. This included “taking bribes of approx. US \$600-\$800 for special treatment and fast-track processing of citizenship applications for Egyptian, Romanian and Syrian nationals”<sup>2</sup>, who otherwise could have failed the Citizenship test.

The police force is underfunded and officers are low-paid, and are known to be abusive and corrupt when performing their duties. “Policemen everywhere rely on small bribes to survive, undermining the credibility of law enforcement for decades to come”<sup>3</sup>. In Hungary in 2003, the government pursued 67 cases of suspected abuse by police involving 55 police officers<sup>4</sup>. A total of 47 incidents resulted in court cases, with 28 guilty verdicts<sup>5</sup>. It is believed that official statistics underreported the number of incidents of police abuse<sup>6</sup>.

Unfortunately, corruption is a malice that plagues this area significantly. Even though bribery is condoned by governments, in “many Eastern European countries, bribery is considered the same as tipping is in the West – a reward for a service rendered”<sup>7</sup>. In the Corruption Perception Index 2003 by Transparency International, the transparency rankings for Poland, Czech Republic and Hungary were lower. For example, Poland was ranked 45<sup>th</sup> in 2002, lowered to 64<sup>th</sup> in 2003, Hungary went from 33<sup>rd</sup> in 2002 to 40<sup>th</sup> in 2003, and the Czech Republic moved from 52<sup>nd</sup> to 54<sup>th</sup> between 2002 and 2003, respectively<sup>8</sup>.

<sup>1</sup> The Budapest Sun. Citizenship bribes and falsifying documents, [www.budapestsun.com](http://www.budapestsun.com), April 15, 2004.

<sup>2</sup> The Budapest Sun. Citizenship bribes and falsifying documents, [www.budapestsun.com](http://www.budapestsun.com), April 15, 2004.

<sup>3</sup> The Economist. “The land that that time forgot”. [www.economist.com/PrinterFriendly.cfm](http://www.economist.com/PrinterFriendly.cfm). ?Story\_ID=374130. September 21, 2000.

<sup>4</sup> U.S. Department of State. Country Reports on Human Rights Practices – 2003: Hungary, [www.state.gov/g/drl/rls/hrrpt/2003/27841pf.htm](http://www.state.gov/g/drl/rls/hrrpt/2003/27841pf.htm), February 25, 2004.

<sup>5</sup> U.S. Department of State. Country Reports on Human Rights Practices – 2003: Hungary, [www.state.gov/g/drl/rls/hrrpt/2003/27841pf.htm](http://www.state.gov/g/drl/rls/hrrpt/2003/27841pf.htm), February 25, 2004.

<sup>6</sup> U.S. Department of State. Country Reports on Human Rights Practices -2003: Hungary, [www.state.gov/g/drl/rls/hrrpt/2003/27841pf.htm](http://www.state.gov/g/drl/rls/hrrpt/2003/27841pf.htm), February 25, 2004.

<sup>7</sup> Laroche, L. and S. Morey. Succeed for Business in Eastern Europe, [www.cepmagazine.com](http://www.cepmagazine.com), November 2002, p. 85.

<sup>8</sup> Transparency International. Corruption Perception Index 2003 – Nine out of ten developing countries urgently need practical support to fight corruption, highlights new index, [http://www.transparency.org/pressreleases\\_archive/2003/2003.10.07.cpi.en.html](http://www.transparency.org/pressreleases_archive/2003/2003.10.07.cpi.en.html), August 19, 2004.

The Canadian Embassy in Poland mentioned that the current government still governs and performs its duties almost as if it was following the Communist Party lines, which has led to petty corruption. This was reinforced by officials at Canadian Embassy in Prague, who indicated that the region has some obstacles to overcome when it comes to bureaucracy, corruption, and lack of procedures and controls for procurement. In Hungary, “the business environment continues to suffer from some deficiencies, such as cronyism and excessive bureaucracy”<sup>9</sup>.

Canadian businessmen must act ethically and are best to work through local partners that have connections and know how to do business in the area.

## 6. Language issues

Language is a primary delineator of cultural groups because it is an important means by which a society’s members communicate with each other<sup>10</sup>. It filters perceptions of the rest of world. Some of the main issues that the Eastern Bloc faces are the uniqueness of their languages and regionalisms. In order to be competitive in a global world, they will have to overcome the barriers placed by language in order to communicate effectively with the rest of the world. These countries are unique as they speak their own languages, which are not spoken anywhere else in the world.

Linguistic ties create important competitive advantages because of the ability to communicate. In Eastern Europe, all languages are different. There may be similarities, but even among themselves there are some marked cultural differences. English has emerged as the predominant common language or lingua franca<sup>11</sup>. Many amongst the younger generation have been taught English in school and are already westernized in their way of thinking and communicating, but the older generations have had little exposure to English especially during the Soviet years. Officials at the Canadian Embassy in Budapest mentioned that language is an issue of concern in the global world, where Hungarian is a local language that is not spoken anywhere else in the world, and is not a strong language in the international arena.

The presence of more than one language group in a country is an important signal about the diversity of a country’s population and suggests that there are

<sup>9</sup> Economist Intelligence Unit. EIU Executive Briefing: Hungary, EIU, [eb.eiu.com/index.asp?layout=gl\\_market\\_glance&country\\_id=1710000171](http://eb.eiu.com/index.asp?layout=gl_market_glance&country_id=1710000171)

<sup>10</sup> Griffin, R.W. and Michael Pustay. International Business, Fourth Edition. Pearson Prentice Hall. 2005, p. 88.

<sup>11</sup> Griffin, R.W. and Michael Pustay. International Business, Fourth Edition. Pearson Prentice Hall. 2005, p. 90.

differences in income, work ethic, and educational achievement<sup>1</sup>. As the world globalizes, there is danger that regional and local languages may disappear. Many local people may fear that a foreign language is being forced on to them and that this may put them at a disadvantage. Businessmen must be open to learn the local language or to work through interpreters (cautiously), and to show respect for the costumes and traditions in order to create a relationship with their local counterparts.

### 7. Eastern Europe's entrepreneurial spirit

Until this point, many businessmen have been able to prosper on the basis of small businesses that supply products to the local population and low cost production because of the low wage workers available. As Eastern Europeans become part of the European Union and integrate to the rest of the world, low cost production will not suffice as a competitive advantage as there are other more competitive nations, where resources both human and material are readily available at a lower cost, e.g., China. As their borders open, their citizens will demand better wages and conditions, as they will have to choose to move in the new open Europe; which will erode their current competitive advantage. There have been indications that low cost manufacturing is eroding in these parts of the world. "The new EU entrants have been attracting foreign investment for years, spurred by low labor costs, generous incentives and the prospect of joining the common market. But now, rising wage costs associated with membership in the bloc and EU limits on tax benefits are pushing companies to begin rethinking their plans"<sup>2</sup>. Many factories have moved to more remote areas of Eastern Europe, such as Romania, Bulgaria and Ukraine<sup>3</sup>, which are not part of EU or Asia. Eastern European will have to learn to adapt one more time in order to be competitive. Innovation, hard work and openness to diversity will become essential for them to become successful in an already saturated market. Therefore, Eastern Europeans must learn the rules and formulate business plans and strategies that will be sustainable throughout the stages of integration and balance.

The new generation has began to acquire the formal education and experience that they need to be in business, but they still lack the financial resources to make it happen. Therefore, it will take time to ensure that the proper resources are put into place. Another phenomenon occurring is that the children

of nationals who immigrated to other parts of the world, e.g., Canada, are returning to their land of their ancestors with the proper resources and education that may put them at an advantage as they are familiar with the culture, the language and a better sense of global competitiveness. They are attracted by a nationalistic sentiment ingrained by their parents. There are opportunities for foreign businessmen and entrepreneurs, if they are willing to work with a high level of risk that the environment provides. Magma, Bombardier and Nortel are some of the companies that we had the opportunity to visit and that have been very successful in the region, but these are large conglomerates that have connections and resources to input into their operations. The small business entrepreneur would have to be much more innovative with a more defined focus in a niche market in order to be successful in this area.

### 8. Work ethic & absenteeism

Work ethic and absenteeism were issues that arose as main concerns for North Americans trying to set up operations in this part of the world. These issues were confirmed by our discussions with officials at the Canadian Embassies in Budapest, Warsaw, and Prague. Work ethic and absenteeism are concerns that affect the bottom line of companies as well as productivity.

The Canadian Embassy in Budapest stated that work ethic is a problem as workers work fewer hours in comparison to their counterparts in North America. Motivation is low among workers as currently there are little incentives. It appears that most North American companies have not found the proper motivators and may be trying to create incentives that work in the North American context but not here. Lifestyle is very important to Europeans in general. Work is not as important as it is to North Americans. Eastern Europeans, similarly to the rest of Europeans, tend to put priority on developing a quality of life. They tend to be aware of relevant social issues and the welfare of others. This passive goal behavior is typical of the region as there is tendency to live for the present if possible. This aspect of Eastern Europeans is also at risk as western marketing and has started to affect the goal orientation of the younger generations. Some of these younger people have also changed their time orientation becoming more aware and active in developing a long-term outlook, which values dedication, hard work and thrift, instead of a short term outlook which values traditions and social obligations that the Communist generations developed.

Motivation among workers is low. Workers do not expect to improve themselves and to take the initiative to improve their living and working conditions.

<sup>1</sup> Griffin, R.W. and Michael Pustay. International Business, Fourth Edition. Pearson Prentice Hall. 2005, p. 90.

<sup>2</sup> Bilefsky, D. New entrants feel wage pinch. The Globe and Mail, April 28, 2004, p. B14.

<sup>3</sup> Bilefsky, D. New entrants feel wage pinch. The Globe and Mail, April 28, 2004, p. B14.

Management does not expect to promote workers beyond a level of seniority accepted by the workers/unions. A manager during our visit to the Magma plant indicated that in general, workers are satisfied doing the same routine daily, and that they have no motivation to educate or train themselves. (I question if managers understand their workers and know what motivates them). The company will provide the minimum training required for workers to do their job properly and safely. Many workers once they learn the job, they learn to trick the system by making shortcuts and allowing for more personal time between tasks. The lack of motivation also creates an environment of high absenteeism. "Turn-over and absenteeism among shop-floor staff are sometimes still a problem, largely because of workers holding second jobs, the high ratio of female employees with families (who must attend to family responsibilities) and frequent sick days"<sup>1</sup>. In Poland the newspaper Wprost estimated that 25% of doctors regularly issue fake medical-leave documents to their patients<sup>2</sup>.

Unemployment is high in some areas of this region. For example, North of the Budapest unemployment is higher than the average rate. In Poland, unemployment has reached the 20% rate, which has a significant effect on the morale of the general population. There are few initiatives for people to continue their job search or to become entrepreneurial. In fact, Poland faces a much different demographic issue than the rest of Europe. Their baby-boom generation is 22 years younger than its counterparts in most of the world. This generation is their formative years with very little perspective in finding jobs in their country. Poland will face a large brain-drain issue due to high unemployment. Western Europe may benefit of this issue as "all Western European countries are currently suffering from crises of aging and shrinking populations caused by low birth rates. Migrant workers can help remedy this"<sup>3</sup>. But in the long term, Poland will benefit from these young workers coming back with international business experience and innovative ideas, which benefit the economical situation of the nation, but in the short term, this is not only causing significant stress in the educational and welfare institutions, but at the community level as well. Eastern Europeans are fatigued and have become cynical of change, regime, ideologies and governments. The majority of the population has lost interest in politics and government, and the younger generations have shown little interest in pursuing a life of public service. The best way to de-

scribe the current work ethic in Eastern Europe is by a quote that a Polish student told me – "We want to earn like Americans, but we do not want to work like Americans". This has a significant meaning, which represents the mentality of the people, especially coming from an educated and open-minded student. Most of them want to be successful and in a way live like westerners, but they are not willing to "work like Americans". This means that Eastern Europeans are ready to forego the high earnings of the western-type lifestyle for the quality of life that they are used to. The implication of this is that businessmen must understand what motivates Eastern Europeans. At this point, quality of life, and not quantity of life, is important; hence limited hours and long vacations may be required to attract good workers and professional, even if this means average pay. The mentality of the people is not going to change overnight, but slowly as the market society becomes more socially accepted, work ethic of Eastern Europeans will adapt in order to become global players.

### Conclusions. The future and its implications to North American business

As Eastern Europeans adapt to new market conditions and democracy, they must reorient their values and behaviors, as "democracy is a very difficult system under which to live because it requires making decisions, accepting responsibility for them, recognizing these may lead to conflicts, and finding peaceful and respectful methods of resolving them when it does"<sup>4</sup>. Dr. Josef Mestenhauer of the University of Minnesota has identified the following changes that tend to "affect individuals and institutions and require major reorientation of values and behavior"<sup>5</sup>:

- ◆ change from dependency on authority to individual responsibility for making decisions;
- ◆ change from passive to active involvement that may mean public commitment to issues and may result in conflicts;
- ◆ change from adversarial to cooperative perspectives, often demanding acceptance of differences;
- ◆ change from an atmosphere of futility to one of self-confidence and fate-control;
- ◆ change from dualistic "right and wrong" reasoning to democratic perspective reasoning in which compromise solutions may need to be accepted;

<sup>1</sup> Economist Intelligence Unit. EIU Executive Briefing: Hungary EIU, eb.eiu.com/index.asp?layout=oneclick &country\_id=17100000171.

<sup>2</sup> Economist Intelligence Unit. EIU Executive Briefing: Poland, EIU, eb.eiu.com/index.asp?layout=oneclick&country\_id=17100000173

<sup>3</sup> Saunders, D. EU braces for May Day 'invasion' of migrants, The Globe and Mail, April 30, 2004, p. A16.

<sup>4</sup> Mestenhauer, J.A. Traveling The Unpaved Road To Democracy From Communism – A Cross-Cultural Perspective On Change, University of Minnesota, College of Education and Human Development, Department of Educational Policy and Administration., <http://education.umn.edu/EdPA/cide/TRAV.html>, September 1996.

<sup>5</sup> Mestenhauer, J.A. "Traveling The Unpaved Road To Democracy From Communism – A Cross-Cultural Perspective On Change, University of Minnesota, College of Education and Human Development, Department of Educational Policy and Administration., <http://education.umn.edu/EdPA/cide/TRAV.html>, September 1996.

- ◆ change from superficial to active support for the new system, or at least to the development of a loyal opposition;
- ◆ change from fatalism and cynicism dominated by the past, to future orientation;
- ◆ change from distrust to functional confidence;
- ◆ change from irresponsible inefficiency to effective market economy and entrepreneurship, not just in business and trade, but in education, government, and other sectors of public life;
- ◆ change from secrecy to openness;
- ◆ change from forced conformity to personal commitment and self-regulation; and
- ◆ change from cultural isolation to membership in the world community.

These changes will not be easy to achieve in the short term, but will continue to progress. The low morale of the people will be a major issue that both governments and the private sector will have to face. In the short term, the situation will not get easier for the majority of the population, but in the long term, the general population will benefit of a more balanced and democratic environment, giving them a chance to take responsibility of their future and develop new opportunities. There are many reasons to be optimistic. Eastern Europeans have taken a large risk by moving to a democratic society, which the majority welcomes. It is a vigorous democracy with active media, educated public and exceptional record to adapt to any crisis.

If there is one thing that we can learn from history is that regimes of repression do not last. Sooner or later, they will collapse because no ideology can withhold the freedom of the human spirit forever. The future for Eastern Europe is bright, but there will be growing pains that Eastern Europeans will have to endure as they fully integrate into the European Union. Each country will have to adapt on their own, keeping in mind that they are not singular nations anymore. Each country will have to address their domestic issues with

trans jurisdictional mentality in order to be successful. They must remember that they belong to a larger, more competitive region that must demonstrate its to be integral part of the new Europe.

There are many opportunities for North American businessmen in this region. Opportunities in the field of management consulting, human resources, customer service training, cross-cultural training, English language training, telecommunications, and some services and products that are available in most Western countries.

On the other hand, North American businessmen doing business in Eastern Europe must learn to recognize that the culture is very different, and hence, values and behaviors differ from area to area. Companies must be aware of these differences when sending personnel to this region. The following are some suggestions that companies may implement when choosing to enter Eastern Europe:

- ◆ to pick managers with diverse backgrounds or experience in international settings;
- ◆ to provide cross-cultural sensitivity training;
- ◆ before relocating personnel, send them to perform various tasks or projects in order for them to familiarize with the culture, values and behaviors;
- ◆ staff must be open to change and adapt to their new environment;
- ◆ to train and hire locals to represent the company in the region, especially young employees that have some business education and more aware of western values;
- ◆ to make the face of the company seem national, such as having a local CEO;
- ◆ due to hierarchical nature of Eastern Europeans, to ensure that senior managers with the proper credentials are available for discussions with local businessmen and officials;
- ◆ to emphasize risk minimization instead of profit maximization.

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