

**Mergers and Acquisitions in Poland --
A Comparison of General Management Perceptions from
Germany, the United Kingdom and Poland.**

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The candidate confirms that the work submitted is her own and that appropriate credit has been given
where reference has been made to the work of others.

To my father Alojzy (in memoriam) and to my mother Lidia.

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Abstract¹:

Key words: culture, ethnic oppositions, EU enlargement, managerial oppositions, transaction costs.

The study examines managerial perceptions between German and Polish managers, and between British and Polish managers. It is a multidisciplinary study for which the theoretical underpinning comes from the theory of International Business, Cross-cultural Management, European Integration, Social Anthropology, and Anthropology of Ethnicity.

The research is based on empirical data collected during face-to-face semi-structured interviews with the general managers in Germany, the United Kingdom, and Poland. The method of analysis applied is based on the interpretive approach, and uses managerial perceptions as a tool of the analysis.

The current study identifies and explains differences and similarities in perceptions between German and Polish, and between British and Polish managers. The analysis is conducted within a theoretical framework bringing together international business, economics, and social anthropological ideas concerning ethnicity. The results of the current study suggest that national perceptions constructed by the managers in foreign invested companies (i.e., both from the investor and invested side) are mirrored in their corporate perceptions pertaining to working together with a foreign partner.

The implications of differences in perceptions and their origins for the inter-cultural interaction between the representatives of German and Polish culture, and British and Polish culture in cross-border M&As are explored. In this context it is also argued that managerial perceptions can be factors promoting and restricting the effectiveness of economic integration between the EU Member States and Poland. These issues mediated by individuals in business organisations have relevance to the shaping of the competition policy.

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Chapter 1: Introduction.

1.1. Background of the study.

1.1.1. General background.

The fall of the so-called 'iron curtain' created new opportunities for cross-border mergers and acquisitions (M&As), through the opening of the new markets in Eastern and Central European countries. Among these emerging markets, Poland has been widely recognised as a desirable location by foreign investors. The EU states, and Germany in particular, have been the natural sources of investors in these countries, through the Association agreements and their candidacies for accession to the EU. This international business activity brings western European and eastern European people and corporations into direct contact. This is the point at which our research begins, as this study is not primarily concerned with motives for FDI and so on, but rather with the ingrained attitudes that exist in these international business co-operations.

1.1.2. Specific background.

This thesis aims to identify and explain the differences and/or similarities of perceptions between German and Polish managers, and between British and Polish managers in an international business context. It is argued that international business as an academic domain has failed to acknowledge the existence of non-economic factors affecting managerial decisions within firms engaged in international activity. It is further argued that this is a weakness in our understanding, which this thesis tries to address.

This work is a multidisciplinary study, whose theoretical underpinning comes from a variety of different academic domains - European Integration, Foreign Direct Investment, Cross-cultural Management, Social Anthropology and the Anthropology of Ethnicity. These often separate fields of research are closely intertwined in the current study, and play an important role in it in ways we will try to explain below.

Firstly, the international business context of this research arises within the European Union. European regional economic integration involves the dissolution of barriers to trade and

investment within the European economy. With the projected eastern enlargement of the EU international business linkages are created in order to enable firms to exploit the full potential for the integrating market. Much of this international business activity is executed through cross-border M&As. We can argue that it is the integration process that makes possible the creation of a business situation (e.g., cross-border M&As) in which the respondents of this study are brought into close contact. It is also possible to say, however, that the quality of business integration mediated by private enterprise firms, between existing EU and candidate countries influences the effectiveness of EU policy in widening integration, which, next to deepening, is one of its most important aspects. Secondly, firms' response to economic integration has been analysed by economists with a framework of categories for FDI motivations. The reasons why firms engage in foreign production are most likely to determine the nature of relationships between the headquarters and their subsidiaries, and this also influences the relationships between the individuals within these organisations. Thirdly, these individuals, who are central to this study, represent different cultures; how the differences between them are understood and managed is very important for the success of these co-operations, and by extension for the success of European integration. And fourthly, a key issue here will be to understand how feelings of national and managerial identity are fashioned, and how EU policy might be targeted to increase the mutual understanding needed in corporate culture, which is also strongly influenced by mutual national cultural perceptions. The FDI context of this research necessarily implicates issues which go beyond the boundaries of single nation-states; our understanding must therefore necessarily engage with issues of nationality, ethnicity (Chapman 1994), and stereotyping. These are issues where the literature of social anthropology, anthropology of ethnicity, and social psychology are particularly relevant. The current study attempts to employ these different theoretical frameworks, in order to explain the issues of corporate meeting of different national cultures.

The issues of cultural diversity are rich and complex, and require appropriate methods for their study. The current work attempts to achieve this, by adopting a qualitative, interpretive approach, and applying this to managerial perceptions; the analysis of perception, while its

importance has long been recognised, has tended to be nevertheless neglected in business research and economic analysis (e.g., Simon 1983, Cyert and March 1992, March and Simon 1993, Buckley and Chapman 1998). The research is based on empirical data collected during 63 face-to-face semi-structured interviews with general managers in Germany, United Kingdom, and Poland. The study's specific research questions will be discussed in the next section.

1.2. Research questions.

The current study applied a qualitative, explanation-building method of inquiry, and therefore does not begin with the specification of hypotheses. It is however important, even in this type of study, to at least set an initial outline of the research questions, and the research domain, in order that volume and weight of data does not become overwhelming (Eisenhardt 1989). It is recommended that this research problem be formulated as broadly as possible in order not to bias and limit the inquiry (e.g., Creswell 1994, Eisenhardt 1989, Miles and Huberman 1994,). One also needs to be aware that the research question may shift during the research (Eisenhardt 1989). The current study began by seeking to answer a general 'grand tour' question, concerning the important differences or/and similarities between the managers' perceptions of cross-border co-operations, and how these differences or/and similarities affected their perceptions of working together in business organisations. Following Eisenhardt (1989), during the data collection phase and analysis of the pilot interviews the inductive application of the theory took place, and further and more specific research questions were developed. The current study sought to answer the following research questions:

1. What are the differences/similarities in perceptions between Polish and German managers in cross-border business cooperations?
2. What are the differences/similarities in perceptions between Polish and British managers in cross-border business cooperations?
3. What are the differences/similarities in German and British perceptions of the national characteristics of the Poles?

4. What are the differences/similarities in Polish perceptions of the national characteristics of the Germans and the British?
5. To what extent do German and British managers' perceptions of Polish national characteristics influence Polish corporate characteristics constructed by these managers?
6. To what extent do Polish managers' perceptions of German and British national characteristics influence German and British corporate characteristics constructed by these managers?

1.3. Structure of the thesis.

After introducing the current study in Chapter 1, in Chapter 2 we present and critically evaluate the theoretical background for the current research. The study is multidisciplinary and encompasses the theory of European Integration, the theory of Foreign Direct Investment, theories of Cross-cultural Management, and ideas from Social Anthropology and the Anthropology of Ethnicity. The main lacunae in the literature are then identified, and the current study is argued to contribute fill some of these.

Chapter 3 provides a link between the theory and the qualitative data of the study, and provides some insights into the relationship between Poland and Germany, and between Poland and the United Kingdom. It also borrows the concept of ethnic oppositions from social anthropology, and argues the usefulness of this in the context of business research. The chapter also deals with culture and management issues in Poland, Germany, and the United Kingdom

The method of the research and its adequacy and relevance to the analysed topic is discussed in Chapter 4. The methodological background of the study is discussed. So too are issues relating to Poland as a host country to FDI, as well as the research design and its implementation. The weaknesses and strengths of qualitative research are also considered, and problematic issues of interpretation are addressed.

Chapters 5 and 6 provide an ethnographic illustration of perceptions between the executives from the countries under investigation. Chapter 5 considers managers from German companies that invested in Poland, and from Polish companies in which the FDI is held by a German investor; the chapter discusses how these managers see their foreign colleagues, and how these perceptions influence their perceived role in the business co-operations under investigation. Chapter 6 approaches the same issues but from a perspective of Polish and British executives working together in business co-operations. These perceptions are then compared with existing literature, and discussed in both Chapter 5 and Chapter 6 in the context of ethnic oppositions, as introduced in Chapter 3.

In Chapter 7 the main differences and similarities between German and British perceptions of the Poles are outlined. The main issues pertaining to Polish managerial perceptions of their German and British colleagues are summarised. It is argued that the perceptions of national characteristics of the executives are mirrored in the corporate characteristics constructed by the managers, and that this affects the efficiency¹ of the co-operations.

Chapter 8, the final chapter, aims to summarise the main findings. It discusses the limitations of the study, and also addresses managerial and policy implications, as well as suggestions for further research.

¹ Following Worm (1997, p. 19) efficiency is understood here as 'the degree of goal achievement' as expressed by the German and British managers, implying personal satisfaction, and the purpose for the German and British companies establishing themselves in Poland.

Chapter 2: Multidisciplinary theoretical background for the study - critical evaluation.

2.1. Introduction.

The objective of this chapter is to present and critically evaluate the theoretical background for the current research. It is a multidisciplinary study, for which the theoretical underpinings come from theories of European Integration, of Foreign Direct Investment and of Cross-cultural Management, as well as from Social Anthropology and the Anthropology of Ethnicity. The chapter has been divided into four sections, with the first three of them addressing a different body of theory, and the final one summarising the main lacunae in the literature based on the previous sections.

This chapter first deals with theoretical issues pertaining to European Integration, outlining the origins and the further deepening and widening of Europe. It then discusses the gains from European Integration, and how this process relates to Foreign Direct Investment (FDI). Secondly, the relevant literature on cross-border M&As is discussed. In this respect the key conceptual issues of FDI theory are presented, including main definitions, basic types and motives of FDI, as well as internalisation theory, and the eclectic paradigm. Furthermore basic definitions of cross-border M&As and other forms of FDI are discussed, as well as types and motives of cross-border M&As, and their relation to the mainstream FDI theory. Transaction costs issues and their measurement are also presented here and they are followed by a review of cross-cultural management research. This section deals in particular with selected previous studies of culture, as well as with other issues and authors in cross-cultural management. The contribution of Hofstede, and Trompenaars and Hampden-Turner is discussed, and further related to transaction costs and trust issues. The section ends with a discussion of culture in the context of cross-border M&As. The fourth section of this review discusses theoretical issues originating from the disciplines of social anthropology, the anthropology of ethnicity, and social psychology. It sheds some light on the concept of ethnicity, nationalism, and stereotypes. And finally, the section on the lacunae in the literature provides a summary of the main literature gaps identified in these previous sections. The chapter ends with a summary and conclusions.

2.2. Theory of European Integration.

The removal of barriers on the EU internal market and the removal of barriers between Eastern European and Western European countries encouraged numerous cross-border M&As both within EU firms, and also between EU and non-EU firms (Poland included). This is where the relevance of the theory of European integration to this study begins. On the one hand it is the integration process that makes possible the creation of a business situation (e.g., cross-border M&As) in which the respondents of this study are brought into close contact. On the other hand it is the quality of business integration mediated by private enterprise firms, between existing EU and candidate countries, that influences the effectiveness of EU policy in widening integration, which next to deepening, is one of its most important aspects. Therefore one could argue that if the nationals of candidate member states were well integrated on a business level (e.g., in cross-border M&As) this would contribute to the EU enlargement process. Differences in managerial perceptions examined in the current study can indeed be factors restricting this integration process by prohibiting firms from becoming competitive. Although the movement towards closer European co-operation goes back long in the history of the continent, we will concentrate here on the post Second World War period because it is more relevant from the economic and business point of view.

2.2.1. The origins of European economic integration.

The end of the Second World War encouraged an impetus towards international co-operation in Europe. Somers (1994) lists several factors that facilitated the movement towards an integrated Europe. Firstly, the economic considerations, concerning the physical destruction after the war, the impoverishment of the European populations, and the substantial loss of capital goods. In 1948 the United States introduced the Marshall Plan aiming to provide financial assistance for conducting recovery programmes in Europe, and the Organisation for European Economic Co-operation (OEEC) was established to distribute the aid among the member countries. This assistance was granted to Europe, and not to the individual countries in the continent. After the termination of the Marshall Plan in 1950, the OEEC was transformed into the Organisation for

Economic Co-operation and Development (OECD) aiming to promote the liberalisation of international trade and economic co-operation.

A second impetus for closer European co-operation came from the beginning of the cold war. An increasing threat from the side of the Soviet Union encouraged the establishment of the West European Union (WEU), and NATO (North Atlantic Treaty Organisation) in 1948, which were defensive organisations, designed to protect freedom, democracy, and human rights.

A third incentive was the need to link the Federal Republic of Germany more closely to the rest of Europe, to prevent independent Germany from threatening newly established peace. Jean Monnet (the French Minister of Foreign Affairs) designed a plan to place European coal and steel industries, which were crucial for both defence and economic development, under one single supranational authority, and to establish a common market in this field. This resulted in establishment of the European Coal and Steel Community (ECSC) in 1951, which was the foundation for closer European integration. The six founding countries of the ECSC included France, the Federal Republic of Germany, Italy, Belgium, the Netherlands, and Luxembourg. It is important to note that the idea pioneered by Jean Monnet represented the movement towards sectoral economic integration. In his view, the ECSC was just

A part of a process that would culminate in a European federation transcending the nation-state. Such a goal was inherent in the word 'community', which distinguished the new arrangement from traditional forms of intergovernmental collaboration and international organisation. The ECSC was supranational as well as transnational: It engaged in activities that cut across national boundaries and included a High Authority with power to make decisions at a level above that of national governments (Dinan 1999, p. 3).

In turn the opponents of Monnet's idea, including French president Charles de Gaulle, opted for an intergovernmental model of European Integration, the Europe of sovereign states, without common institutions.

In reality, intergovernmentalism and supranationalism are not irreconcilable; rather, they jointly characterise the EU system. Member states are willing to share sovereignty in certain areas because, [...], it is in their national interest to do so (Dinan 1999, p. 3).

The six founding countries of the ECSC also created the European Economic Community (EEC), and the European Atomic Energy Commission (Euratom), and this was achieved by a ratification of the Treaty of Rome (1957). The EEC and the Euratom did not possess supranational powers, with the Council of Ministers being the EEC's main decision-making body, the important decisions being made only by unanimity, and considerable powers being in the hands of national authorities (Somers 1994). In 1965 these three communities, i.e. ECSC, Euratom, and the EEC had merged into one European Community (EC).

The Treaty of Rome, laid down the basis for economic integration. As stated in Article 2 of the Treaty:

The Community shall have as its task, by establishing a common market and progressively approximating the economic policies of the Member States, to promote throughout the Community a harmonious development of economic activities, a continuous and balanced expansion, an increase in stability, an accelerated rise of the standard of living and closer relations between the states belonging to it (cited in Somers 1994, p. 6).

A common market is a form of economic integration, in which the member nations must conduct and pursue free trade among their members, and have a common external tariff. Another important criterion for a common market to be fulfilled is free mobility of factors of production, e.g., capital, labour, goods, and services (Somers 1994, El-Agraa 1998).

It is important to note here that while western Europe was busy outlining the fundamentals of the single market, its eastern counterpart was also pursuing regional economic integration, however of a slightly different kind. In 1949 the Soviet Union together with five other countries from the region, namely Bulgaria, Czechoslovakia, Hungary, Poland and Romania created the Council for Mutual Economic Aid, otherwise known as COMECON. It was then joined by three other countries - Eastern Germany in 1950, Cuba in 1972, and Vietnam in 1978. It was however more of a political rather than an economic form of co-operation. It was a protectionist system of international trade, membership of which implied the necessity of co-operation with other member countries, but made impossible agreements of any kind with countries from outside (Gawlikowska-Huecker 1993). The economic rationale behind COMECON was 'By

means of central planning to develop the member countries economies on a complimentary basis for the purpose of achieving self-sufficiency' (Bannock et al. 1987, p. 94). In reality this idea never worked, and it exerted an exceptionally negative influence on the economies of the member countries. Following the political changes that happened in the region in the beginning of the nineties COMECON was finally dissolved in 1991. The argument made here is also pertinent to the issue of enlargement of the EU, which will be discussed in more detail later on in this chapter. If it had not been for the political events at the end of the Second World War (e.g. Yalta Agreement) Poland (together with several other candidate countries) would arguably have been a member of the European Community a long time ago.

The COMECON failed to deliver significant benefits then, for its part the progress of the European Communities was not entirely as planned. The Member States failed to achieve a common market by 1970 as initially stipulated in the Treaty of Rome, as they only managed to fulfil the removal of all internal tariffs and quota restrictions and to establish a common external tariff by July 1986. According to Somers (1994) this shortcoming in closer economic integration was a result of the Member States not being willing to give up a large portion of their national powers to supranational authorities, which economic union requires. He further argues that due to successive enlargements of the Community (1973 - UK, Ireland, and Denmark, 1981 - Greece, 1986 - Spain and Portugal), the political attention was shifted from the issue of deepening integration and negotiation on common policies to the issues pertinent to enlargement. Somers (1994) also links the economic crises in the 1970s and early 1980s with creating an unfavourable climate for foreign trade. This resulted in national governments leaning towards protectionism and supporting national industries.

It was for many years not appreciated that to ensure a fully-functioning common market it was necessary to remove many 'hidden' barriers or distortions. The European vision of the Treaty of Rome was being interpreted according to these shortcomings which were revealed over time, and as it was becoming clear that the four freedoms were not implemented. Further treaties tried to achieve this.

Another impetus to the economic integration of Europe came in the 1980s when the EC was not able to compete sufficiently with Japan and the USA, and the fragmentation of the EC home market was argued to be responsible for this (Somers 1994). Cecchini et al (1988), in their famous report, outlined the 'costs of non-Europe' (p. 4). The authors identified the physical, technical, and fiscal barriers that had to be removed from the EC market in order for these costs to be eliminated, and for immediate and future savings to be achieved. A single European market was to enhance the efficiency and competitiveness of European industry (Somers 1994).

2.2.2. Further 'deepening' and 'widening' of Europe.

A very important step in the process towards deeper economic integration was the adoption, in 1985, of the Single European Act, which came into force in 1987. It implemented qualified majority voting instead of unanimity in EC decision-making procedures, and set the date for the completion of the internal market for the end of 1992. It 'also amended the original Treaty of Rome by adopting policies in the fields of economic and social cohesion, the environment, monetary and political co-operation [...]' (Somers 1994, p. 7).

The achievement of economically united Europe also involved the establishment of an Economic and Monetary Union (EMU), which means the necessity for monetary and economic policies of the member states to be strongly co-ordinated, and for a significant degree of political integration to be achieved (Somers 1994).

Monetary policy, [...], would be largely transferred from national authorities to an independent European System of Central Banks [...], led by a European Central Bank (ECB), and national currencies would be replaced by a common currency, managed by the ECB. In the field of fiscal policy, national governments would retain much of their autonomy, but their control would be limited considerably by common policies and restrictions (p. 7).

A Treaty on European Union prepared during a summit meeting in Maastricht in December 1991 marked the final decision of the EC on the EMU, and was a significant amendment to the Treaty of Rome (Mercado et al 2001).

The established *European Community* – based on the ECSC, EEC and EAEC Treaties – had become supplemented by a *common foreign and security policy* (CFSP) and a *common justice and home affairs policy* (JHA). Although the member states would continue to be served by a single, united institutional framework, three domains or ‘pillars’ to member state co-operation had been established. These would be managed simultaneously with variance in decision - making procedures and institutional apparatus according to specific Treaty provisions. (Mercado et al 2001, p. 44).

It was decided in the Maastricht Treaty that the European Community became the European Union, and that the Economic and Monetary Union was to be established no later than 1999 (Somers 1998), with the Single European Currency being implemented by the 1st of January 1999 (coming into effect by 2002). In order to achieve this economic convergence (nominal and real) programmes were to be adopted to prepare the individual member states for eligibility. The Treaty also stressed the principle of social and economic cohesion and implemented the *subsidiarity principle* in taking decisions, which assumed that the EU only dealt with the matters that could not be resolved at national levels.

In 1995 a further enlargement took place with Finland, Austria, and Sweden joining the European Union. These countries became members of a new EU, which had to look ahead at a ‘wider’ as well as ‘deeper’ future, especially in the light of the fall of communism in Central and Eastern Europe in 1990 (Mercado et al 2001). In June 1993 the Copenhagen European Council laid down the so-called Copenhagen Criteria which the candidate countries had to meet in order to join the EU.

As stated in Copenhagen, membership requires that the candidate country has achieved:

- stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union;
- the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union.

has created :

- the conditions for its integration through the adjustment of its administrative structures, so that European Community legislation transposed into national legislation is implemented effectively through appropriate administrative and judicial structures (<http://europa.eu.int/comm/enlargement/intro/criteria.htm>).

Another important Treaty in the history of European integration was signed in Amsterdam in 1996 (came into force in 1999), and it introduced substantial changes to the previous Maastricht Treaty. The provisions of the Treaty were

[...] To begin the process of institutional reform in the run-up to enlargement, to strengthen foreign and security policy co-operation and to deliver a Community area of fundamental rights, security, freedom and justice (Mercado et al 2001, p. 49).

Another important step towards ‘deepening’, and indeed ‘widening’ European integration was a summit in Nice in 2000 as the European leaders reached agreement on the issues necessary to pave the way for enlargement of the EU. The summit agreed to extend qualified majority of voting to 29 policy areas and six personnel appointments that previously required unanimity. It was also agreed to reweight votes of member states in order to include the candidate countries (Source: Euromove weekly e-mail bulletin, 11 December 2000).

Further enlargement of the EU is to encompass thirteen new countries, and it will be the biggest enlargement the united Europe has ever experienced. The candidate countries for accession are ten Central and East European States², and three other European states³. One could ask a question here whether there are any limits to Europe, and if so what these are. They have not been defined in any existing treaties or reports. It is certain however that the planned enlargement is going to be historically the most challenging ever.

2.2.3. *Gains from European integration.*

Before we discuss the potential gains from regional integration let us take a look at the main motives behind countries' pursuing such integration as they are of importance to our study. Opinions on European integration varied at different times of its development. There has been for example a substantial debate on the issue whether motives for a united Europe are political or/and economic. Noe (2001) added another set of reasons, which he classified as historic, and

² Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic, and Slovenia.

³ Cyprus, Malta, and Turkey.

which demonstrated that a trend towards unification has been present in Europe since the time of the Roman Empire. The overriding view has been that regional integration is a politically motivated initiative, with economic issues playing only a supporting role. But can one really write off the economic benefits of regional integration? Especially if one considers that it has long been accepted that free trade between nations (without government interventions or regulation) increases the overall level of welfare in participating countries (Chapman 1994).

The legal basis for regional economic integration were established in 1944 when the General Agreement on Tariffs and Trade (GATT) was established precisely to meet the objective of world free trade; this was transformed, in 1993, into the World Trade Organisation (WTO). The general rule of GATT is 'the most favoured nation principle', which implies that member countries give to all countries the same treatment they give to the one most favoured country. There are however two exemptions to this rule (article XXIV of GATT), the first one in the case of less developed countries, and the second one for countries pursuing regional economic integration, as it is believed that any integration initiative will ultimately promote trade. In the following two sections we will look at the gains from regional economic integration related to trade and FDI as they are particularly relevant from a business point of view.

2.2.3.1. Benefits related to trade.

El-Agraa (1998) identified several possible economic gains from economic integration at the level of customs union (CU) and free trade area (FTA):

1. Enhanced efficiency in production made possible by increased specialisation in accordance with the law of comparative advantage, due to liberalised market of the participating nations;
2. Increased production levels due to better exploitation of economies of scale made possible by the increased size of market;
3. An improved international bargaining position, made possible by the larger size, leading to better terms of trade (cheaper imports from the outside world and higher prices for exports to them);
4. Enforced changes in efficiency brought about by intensified competition between firms;
5. Changes affecting both the amount and quality of the factors of production due to technological advances, themselves encouraged by (4) (p. 14).

The author argues that in case of further integration there can be more sources of economic gain:

6. Factor mobility across the borders of the member nations will materialise only if there is a net economic incentive for them, thus leading to higher national incomes;
7. The co-ordination of monetary and fiscal policies may result in cost reductions since the pooling of efforts may enable the achievement of economies of scale;
8. The unification of efforts to achieve better employment levels, lower inflation rates, balanced trade, higher rates of economic growth and better income distribution may make it cheaper to attain these targets (p. 14).

These possible gains relate to static resource reallocation effects, as well as long term, and dynamic effects. It is important to note that these are possible and not guaranteed economic gains, as they depend on the nature of the particular scheme and the type of competitive behaviour prevailing prior to integration (El-Agraa 1998).

A number of studies have been concluded on the economic effects of the Single European Market (SEM). The most prominent was the Cecchini Report (1988) on the 'Costs of Non-Europe'. Cecchini et al (1988) expected the elimination of barriers to the movements of factors between member countries within the market and the subsequent boost to competition to result in four major consequences:

- Significant reduction in costs, thanks to improved exploitation by companies of economies of scale in production and business organisation;
- Improved efficiency within companies widespread industrial reorganisation, and a situation where prices move downward toward production costs under the pressure of more competitive markets;
- New patterns of competition between entire industries and reallocation of resources as, in home market conditions, real comparative advantages play the determining role in market success;
- Increased innovation, new business processes and products generated by the dynamics of the internal market (p. 73).

Cecchini report, despite a detailed sectoral analysis, has been criticised on its data sources and for concentrating on quantifying the comparative static economic benefits, and for its dependence on economies of scale, in its conclusions on the value of the SEM. It is important to note that this report was commissioned after the decision had been taken to create a single

market, so the report tended to praise the existing policy. Nevertheless these expected gains have generated great enthusiasm for the internal market.

Another study was conducted by Baldwin (1989), who estimated that the potential gains from the internal market may be about five times higher than the ones presented by Cecchini (El-Agraa 1998). Baldwin questioned Cecchini's approach for:

Not making an allowance for an increase in the long-term rate of growth. He contends that the methodological background to the estimates in Cecchini is based on traditional growth theory which assumes that countries become wealthier because of technological change, and that dismantling of barriers to trade and increasing the size of markets will not permanently raise the rate of technological progress. Thus, both Cecchini and the traditional methodology are built on the premise that the liberalisation of markets cannot permanently raise the rates of growth of the participating countries (El-Agraa 1998, p. 162).

Baldwin's conclusion was that the gains from the internal market would amount to 3.5 - 9 per cent, while the ones predicted by Cecchini were on the level of 2.5 - 7 per cent.

The approaches of Cecchini and Baldwin were criticised by several authors. For example Pelkmans and Robson (1987) expressed their reservations towards the categorisation of the three types of barriers as being arbitrary. The main criticism pertained to the fact that all the impediments not included as physical and fiscal barriers were classified as technical barriers.

Another criticism contended that the estimates given in the Cecchini Report should not be taken at face value. According to El-Agraa (1998) this has to do with the fact that the member states do share a common philosophy which underpins the internal market. Furthermore, the estimates fail to consider the costs for the firms, regions, and governments in order for the gains to be achieved. It was also pointed out that the internal market seems to be directed mainly to the production side, while ignoring the question of demand. Moreover, putting strong emphasis on the economies of scale will encourage concentration instead of competition. And finally, the estimates were made for the EU as a whole, and it is likely that each member state would attempt to get maximum gain for themselves, which would bring consequences to the whole

union. Apart from all the above criticisms, Baldwin's estimates were also criticised for his concept of indefinitely rising capital stock.

2.2.3.2. Consequences of regional integration for FDI.

It is important to note here that neither Cecchini's or Baldwin's report had mentioned the benefits of regional economic integration with reference to FDI. Furthermore FDI has not been a community competence, i.e., there is no policy on FDI in the EU. This has to do with the mindset of people conceiving European integration, which has evolved over a period of the last fifty years. Previously the whole basis for European integration was trade, as some of the measures taken under the Single Market Programme have not had a strong effect on FDI (e.g., customs control would restrain trade linkages but not market entry by FDI), and as the concept of FDI was simply not well known (e.g., FDI is first associated with the writings of Hymer in 1960's and later on with Dunning and Kilderberger). The phenomenal growth of FDI by American companies in Europe and East Asia in the 1950s and 1960s caused concern that the world economy would soon be dominated by US multinationals.

The French journalist and politician, Servan-Schreiber, worried by the implications of this for the sovereignty of other countries (and particularly, of course, for France), made an early and famous contribution to the long-running debate about the MNC, in *Le Defi Americain* [...] (*The American Challenge*). He argued, in effect, that national sovereignty was being sold away to US companies, and made the famous prediction that, by the early 1980s, there would be three major industrial powers in the world - the US, Russia, and American Industry in Europe. [...] His point that foreign direct investment has some potentially undesirable effects upon national sovereignty has however, since been much discussed, and is still a burning issue (Chapman 1994, p. 232).

This issue is very pertinent to this study as the process of economic integration in Europe has attracted significant FDI activity over the 1980s and 1990s, and intra-EU FDI has also risen significantly over this period (The Single Market Review 1998). Let us take a look at the precise effects regional economic integration exerts on FDI. They are summarised in Table 2.1 below, and divided into the macroeconomic effects of integration, the strategic response of MNEs, the likely net trade effects, and the likely net FDI effects.

Table 2.1: The effects of regional economic integration on FDI.

Macroeconomic effect of integration	Strategic response of MNEs	Likely net trade effects	Likely net FDI effects
Intra-regional trade more effective than extra-regional trade ⁴	Replace exports with FDI (defensive market-seeking investment)	Decline as sales by regionally based foreign affiliates replace exports to the region	Increased investment in regionally based foreign affiliates
New configuration of location advantages among members of the region	Adjusting existing investments in the region to reflect intra-regional trade (reorganisation investment)	No effect/possible increase intra-regional trade could rise if reorganisation leads to increased plant and country specialisation. Extra-regional exports could rise if region's industries become more competitive in world markets	For the region as a whole: gains in some countries offset by losses in others
Cost reduction and efficiency gains	Increase value-adding activities within region, integrate with other offshore investments (rationalised investment)	Possible decrease if less is imported into the region; possible increase if exports from the region rise	Increased FDI as MNEs increase sourcing in the region
Market expansion, demand growth and technical progress	Gain first-mover advantages via FDI (offensive market seeking investment)	No effect, if demand in regional market grows faster than supply	Replacement exports with FDI

Source: The Single Market Review 1998, Impact on Trade and Investment. Foreign Direct Investment, Subseries IV, vol. 1. Office for Official Publications and the European Communities, Kogan Page Earthschan.

2.2.4. Market integration and Foreign Direct Investment.

Clegg (1996b) points out that the differences in firms' strategy in response to the Single Market are largely related to the ownership of the firm, the length of time it has been established in the EU, its industry and its EU and global competitive position. Mark I integration (from 1957 until the mid-1980) covers a period of the establishment of the Common Market with the subsequent enlargements of the EC from six to twelve member states in 1986. The main characteristic of that period was the removal of tariff barriers and quotas, without focusing on non-tariff distortions. Clegg (1996b) further argues that the business strategy of non-EU firms (especially from the USA) in response to Mark I integration initially involved defensive import-substituting FDI to protect market shares build up through export to EC markets. The author presents two

⁴ Assumes that integration does not result in lower external tariffs than previously existed among individual countries, and that non-tariff barriers do not prevent the growth of intra-regional trade.

reasons why non-EU firms were in a better position to promote EC market integration, and to benefit from it, compared with native EC firms:

Firstly, US firms were not encumbered by entrenched market positions prior to Mark I integration, and so were able to choose the most efficient production locations that became available. Secondly, US MNEs were typically larger than their EC counterparts, rendering the potential gains from corporate integration commensurately greater. In addition, such US firms enjoyed greater organisational flexibility. Consequently, Mark I integration allowed US MNEs to attain scale economies in production at the pan-European level, on account of the absence of intra-EC tariff barriers. However, all firms have tended to treat EC markets as separate on account of non-tariff distortions, particularly in marketing and service activities (p. 191).

The second significant period in the process of European economic integration is called Mark II integration, which is also known as the 1992 programme. It is dated from 1985 onwards, and it is based on the removal of non-tariff distortions. The removal of these barriers enables to treat the EU as a single domestic market, which creates opportunities for both EU and non-EU firms in terms of increasing output, generating economies of scale and providing companies with a more efficient operating position. The characteristics of non-EU firms' response to Mark II integration are based on reorganisation and offensive investment strategies (Clegg 1996b). The response of both EU and non-EU firms to this stage of European integration results in a tendency to produce in the home, national market and to export firms' products across the EU. It also encourages the establishment (or maintenance of existing) production plants across the EU. Finally, it facilitates the establishment of JVs or licenses with other EU organisations to produce in the non-domestic market.

Dunning (1993) lists two main objectives of regional economic integration, which can be broadly described as:

- (1) a more efficient deployment of resources between Member States and sectors, and within Member States and sectors;
- (2) an increase in the competitiveness of EC-owned firms by upgrading indigenous technological, marketing and organisational capabilities, and promoting a more dynamic and aggressive entrepreneurial ethos (p. 489-490).

The author argues that the response of multinationals (MNEs) to regional integration might have both a positive and negative impact on achievement of these economic objectives. Corporate

integration does contribute to the goals of regional integration if it is undertaken by EU firms, and 'Is prompted by a desire to overcome structural market distortions and transactional market failure' (Dunning 1993, p. 492). It may also (but does not have to) make such a contribution if it is undertaken by non-EU multinationals, which 'While operating in a structurally distorted market, use their economic power to out-compete their European rivals' (p. 492).

According to Cross (1998) foreign direct investment (FDI) has a significant importance for the EU and the European integration in general, as the EU is a major participant in the international flow of direct investments of MNEs.

In today's global economy, MNEs and their trade and investment activities are the main instruments by which national economies are linked. [...] Multinational enterprises are contributing greatly to the process of redistribution [of economic activity] as they react to the deepening and widening of the EU by establishing new operations and restructuring existing operations across national borders. Thus, MNEs from member states and other nations are not only responding to the process of European integration, but they are shaping it too (p. 384-385).

2.3. Cross-border Mergers and Acquisitions - A Review of the Literature.

In this section the literature relevant to cross-border M&As will be discussed. We will firstly look at cross-border M&As in the context of foreign direct investment theory. The motives for FDI are factors determining the nature of relationships between the parent company and its affiliate, and therefore the relationships between the individuals within these organisations. Hence FDI theory is useful for the current study. Furthermore, main types and motives of cross-border M&As will be presented, as well as a brief introduction to other forms of FDI relevant to this study. As a matter of convenience, the current study was conducted in a variety of forms of foreign cooperation, cross-border M&As are a useful point of discussion, as it is in these business co-operations that the problems related to cultural differences are believed most likely to appear. This does not mean, however, that these issues are not present also in other forms of FDI. Furthermore, as argued by Caves (1982):

Public opinion often takes offence when a national enterprise is acquired by a MNE domiciled in a foreign land. The public may be stirred simply by the nationalistic urges that motivate so much policy toward MNEs, or there may be a more rational concern for competitive effects: greenfield entry by the MNE adds a new enterprise unit to the national market, whereas entry by acquisition does not (p. 81).

And finally, cross-border M&As will be approached from a perspective of cross-cultural management research. We have already established in this chapter that FDI is encouraged by the developments in the European integration, and that FDI itself is crucial for European integration, as it brings the individuals from different countries together in co-operation. These individuals all represent different cultures and how the differences between them are managed is very important for the success of these co-operations, and by extension to the success of European integration. Furthermore as argued by Hofstede (1994b):

Management is getting things done through (other) people. This is true the world over. In order to achieve this, one has to know the 'things' to be done, and one has to know the people who have to do them. Understanding people means understanding their background, from which present and future behaviour can be predicted. Their background has provided them with a certain culture (p. 1).

Therefore cross-cultural management literature is very relevant to this study.

2.3.1. Cross-border M&As as one of the forms of FDI.

2.3.1.1. The concept of foreign direct investment.

Ownership strategies of MNEs differ by the country of origin of the foreign investing firm and the host country: in general, equity ownership percentages are higher in the more technologically sophisticated industries. The desire for higher equity ownership rises with the extent of the technology gap between the industry in the source country and that in the host country. The aggregate ownership strategies of outward investing countries therefore depend on industry composition and can therefore change over time (e.g. Japanese FDI abroad). Foreign direct investment is therefore a package of transfers, and can include any combination of arrangements, either express or implicit, to transfer products, assets and skills to an affiliated firm. Foreign direct investment positions and FDI flows therefore reflect the competitiveness of firms, the relative attractiveness of international locations, and the factors influencing the financing decision. All these aspects of the determinants of foreign direct investment fall within the theory of the multinational enterprise.

The definition of foreign direct investment is still a subject of dispute among economists (Dunning 1993). First of all, it is important to differentiate between direct and portfolio capital transactions. A fundamental contribution to this distinction was made by Hymer (1960) who stated that they were no substitutes for each other (Clegg 1987). Both FDI and portfolio capital flows are capital transactions, but have different motivations: in the case of foreign direct investment the motive is that of a firm to engage in productive activity abroad through the control assets (Daniels et al 1982) and foreign output as a means of international competition; in portfolio investment foreign capital is a means of wealth holding (Hill 1997).

Daniels et al (1982, p. 175) claims that 'foreign investment is the control of a company in one country by an organisation from another country'. He points out however the difficulty of defining control, supporting it with an argument, that even a 100 per cent share does not guarantee control if for example a government intervention takes place in a company (e.g. employment policy, indicating the prices of products, and how the earnings should be distributed). On the other hand if stock ownership is widely dispersed, then a small percentage of the holdings may be enough to gain weight in managerial decision making.

Clegg (1992) associates the concept of foreign direct investment with a definition of multinational enterprise (MNE). He argues that although both these terms are commonly considered 'two sides of the same coin' (p. 54), the relationship between them is not very clear. Following Buckley and Casson (1985), he defines MNE as a firm adding value in more than one country. In this sense a company can be a multinational enterprise without being a foreign investor (e.g., foreign affiliate can operate mainly through the renting of facilities, or even with the ownership of assets, the value of FDI attributable to the investor could be zero, or negative in an extreme case). Foreign direct investment in turn is 'the financial value of a non-resident's interest in an affiliated enterprise, defined as an enterprise over which effective control is exercised' (Clegg 1992, p. 54). According to Cross (1998) the affiliated enterprise may take various forms, namely '*greenfield*' investment, where a new firm was established from the

scratch by the MNE, *merger or acquisition* where MNE merged with or acquired another firm, or *joint venture* set up by the MNE with a partner firm.

Foreign direct investment is deemed to exist when a foreign resident participates effectively in the management of an enterprise. To do this some minimum level of equity holding will be required, after which any transactions in assets with an affiliated firm are flows of foreign direct investment. The foreign direct investment position therefore consists of holdings of equity and the net creditor position of the parent enterprise with respect to the affiliated firm.

2.3.1.2. Basic types and motives of FDI.

Buckley (1988) identifies three basic types of FDI: market-oriented investment (import-substituting FDI), cost-oriented investment (for example, low wage labour), raw material-oriented investment (aimed at supply security). Dunning (1993, p. 56) lists four types of MNE activity, and explains the main motives behind undertaking them:

(1) Natural resource seekers.

A decision to invest abroad is pursued in order to acquire certain resources at a lower real cost than in the home country. FDI motive is here making the investing company more profitable and competitive on the market it operates. Natural resource seekers are further divided by Dunning into three types:

- seeking physical resources;
- seeking cheap and well motivated unskilled and semi-skilled labour;
- seeking technological capability, management or marketing expertise and organisational skills.

(2) Market seekers.

Market seekers are companies investing in particular country or region in order to supply goods or services to markets in these or in adjacent countries. Dunning (1993) identifies four reasons for the companies to engage in this type of investment:

- Following overseas company's main suppliers or customers, who have set up foreign producing facilities;
- Adapting to local tastes or needs, and to indigenous resources and capabilities;
- Lowering the production and transaction costs in comparison with supplying from a distance;
- Having a physical presence in the leading markets served by the company's competitors.

Dunning (1993, p. 59) also puts forward 'the single most important reason' for market seeking investment, which is the action of host governments to encourage such an investment (e.g. imposing tariffs or other import controls).

(3) Efficiency seekers.

This type of investment is undertaken in order to 'rationalise the structure of established resource based or market-seeking investment in such a way that the investing company can gain from the common governance of geographically dispersed activities' (Dunning 1993, p. 59).

There are two types of efficiency seeking investment:

- Taking advantage of differences in the availability and cost of traditional factor endowments in different countries;
- Taking advantage of the economies of scale and scope, and of differences in consumer tastes and supply capabilities in countries with broadly similar economic structures and income levels.

(4) Strategic asset or capability seekers.

Promoting company's long term strategic objectives (e.g. sustaining or advancing their international competitiveness) by acquiring assets of foreign corporations.

It is important to note that FDI motives are complex and multivariate, and many of them are interrelated. According to Buckley (1988) FDI normally satisfies more than one motive. The author classifies the motives for FDI in the following way (p. 205):

- (1) Host market oriented factors - host market size, market growth, investment is a better way of servicing market than alternatives, to meet local demand more effectively, maintain/increase market share, trade barriers (including import controls), to use host country as an export base, defence of market;
- (2) Cost based factors - cheap labour, availability of labour including skilled labour, lower input costs, lower transport costs, (government) financial inducements, lower inflation, access to technology, low taxation;
- (3) Vertical integration - availability of raw material inputs, lower cost material inputs, need to ensure supplies of inputs;
- (4) Investment climate - political stability, cultural closeness to home country, infrastructure provision, tax structure, 'environment' generally;
- (5) Response to an external approach - from government (usually host government), from local agent/distributor/licensee, from customer, from supplier, from competitor.
- (6) 'Push' factors (parent-country related) - underemployment resources, difficulties at home, diversification of risk, difficulties in supplying foreign market by other means, need to exploit advantages abroad, 'exchange of threat', insurance against problems at home - multiple sourcing.

To the above motives one can also add the behavioural motives behind an investment decision. The Behavioural approach has been proposed by Aharoni (1966), who conducted a study of the investment strategy of US MNEs undertaking a potential investment in Israel. He focused on the interaction between the motives of management and the external environment. In his view the motives of a corporate organisation are directly related with the motives of management. An important role is played here by the interaction of management needs, goals fears and commitments. He also identified external factors of importance including: encouragement to invest by foreign governments, the fear of losing a market, strong competition from foreigners in the domestic market, and the bandwagon effect of success by overseas competitor (Cooke 1988).

2.3.1.3. Internalisation and the Multinational Enterprise.

The application of internalisation theory to international business and the multinational enterprise was first made by Buckley and Casson (1976). It applied transaction cost theory 'to understanding where MNEs would internalise transactions within the firm and where they would rely upon market exchange' (Barney and Hesterly 1999, p. 116). Their conceptual framework of international business sees the MNE as just one, although widespread, vertically integrated form of international business. Buckley and Casson (1976) address the question of why stages in production process are controlled by the firm (Clegg 1987). The answer is that markets for different assets, particularly some types of knowledge, are subject to market imperfections on external markets (Barney and Hesterly 1999). Buckley and Casson (1976) argue that barriers to free trade are the reasons for relatively high transaction costs. They depend on influences at the level of the industry, country and the firm itself.

(1) *Industry-specific factors* explain why we find international business in the form of multinational enterprises. The theoretical literature (e.g., Clegg 1987) suggests that contractual arrangements between non-affiliated firms face types of industry-specific barrier to the maximisation of profits via contracts between independent firms. These barriers increase the propensity to internalise operations (both domestically and internationally). These barriers tend to be high, as identified by Buckley and Casson (1976) and Clegg (1987) below:

1. where research and development is involved, this requires the co-ordination of resources over time.
2. the need for discriminatory pricing to maximise profit on quasi-monopolistic information.
3. the existence of bilateral monopoly.
4. buyer uncertainty over the value of knowledge to be traded.
5. perishability of products and uncertainty over security of supply
6. investment in durable transaction-specific goods requiring planning.
7. *ex ante* monopoly of a unique resource requiring discriminatory pricing (Clegg 1987, pp. 19-20).

If one looks at some of the barriers from the above list one can also use them to explain the choice between greenfield investments and M&As. In case of buyer uncertainty over the value of knowledge to be traded for example, when the value of knowledge being transferred from parent to affiliate firm is not specified, the higher level of control is needed, and therefore firms

would choose a greenfield investment over an acquisition. Similarly in case of durable transaction-specific goods requiring planning, firms would choose greenfield investment as this form of foreign production implies more control exercised. The same happens when a good embodies a unique technology (e.g., personnel is more likely to be loyal in a company established in a country from the scratch than in an acquired company). In general MNEs tend to choose M&As over greenfield investment when the requirement of higher control is traded against a desire of speedy entry, or achieving a market power position (e.g., acquiring a potential rival or acquiring a company before it is acquired by a rival).

Firm survey results confirm that a large part of the costs of using external markets are indeed determined at the industry or product level (e.g., Buckley and Davies 1981) and data on the world's largest firms (Dunning and Pearce 1975, 1981, 1984) have shown that multinationality varies significantly between industries (Buckley and Casson 1976, Buckley and Pearce 1981). In the circumstances where the barriers are sufficiently high international business is most likely to be organised within a multinational firm.

(2) *Region-specific factors* refer to naturally occurring features, which affect the degree of internalisation internationally (e.g., contractual transfer between two very similar countries may be easier because the same language is spoken). They can be described as 'the higher the general level of development and the cultural similarity between two countries the lower the cost of contracting internationally compared to DFI' (Clegg 1987, p. 20).

(3) *Nation-specific factors* are artificially-imposed features which alter the degree of internalisation internationally. They relate in particular to political, legal and fiscal attempts by governments to influence economic activity. Government policy may either encourage inward FDI (via import substitution policies, such as by raising tariffs) or discourage inward FDI in favour of inward licensing, through regulation.

(4) *Firm-specific factors* mean that the degree of internalisation will depend on factors specific to any particular firm. If a firm has extensive experience or managerial manpower capable of organising international operations, then this may favour internalisation. In principle it is possible that managerial expertise could be transferred abroad through a management contract. However, when the value that can be generated through the sale of management expertise through the external market is less than its value when used within the firm that owns it, then the market for the management resource will be internalised. Because the internalisation of any market is management - intensive, the internal availability of management will facilitate the internalisation of other markets. Therefore the firm with strong management resources will be better able to become a multinational and to construct an FDI package of management, technology, and technical and marketing skills.

Firm-specific factors are experiential factors at the firm level that affect its disposition towards any one particular form of international business, e.g. accumulated management skill in organising and running foreign affiliates. Therefore the internalisation theory of the MNE can be applied quite readily to explain the tendency of certain industries to favour multinational business, and of certain countries to have relatively higher international business linkages of one type or another between them.

Dunning (2000) cites several criticisms that internalisation theory received over the past two decades. First criticism pertains to the fact that it is considered to be incomplete, as 'it ignores other functions which a firm may perform, other than those which are transaction related' (p. 180). In this regard it is suggested that internalisation theory 'should be widened to incorporate all costs and benefits associated with corporate activities; and not only those which are transaction related' (p. 180). Secondly, the internalisation theory has been criticised for being a static theory, as it is considered to give 'little guidance as to how best a firm may organise its activities to create future assets, rather than optimise the use of existing assets' (p. 180). And finally, internalisation theory can only partially explain new inter-firm organisational modalities

in firms coalitions without equity ownership, which are becoming more and more popular (e.g. a short term collaborative agreement for a specific R&D project).

2.3.1.4. The Eclectic Theory.

Dunning (1981) has proposed an eclectic theory of international production, also known as the OLI paradigm ('O' - ownership, 'L' - location, 'I' - internalisation advantages), which attempts to bring together location theory, the theory of the firm, industrial organisation theory and international economics into a unified approach. It employs the concept of internalisation similarly having at the centre of attention the cost of transactions conducted in external markets. However it provides an easy way to predict the location strategy of the MNE in contrast to the internalisation approach of Buckley and Casson (1976) who make very little mention of location, merely stating that it follows comparative advantage (Clegg 1987).

Dunning (1981) argues that the extent of a country's multinational operations vis a vis other countries will be the result of:

1. The net ownership advantages of home firms over foreign firms. The ownership advantages refer to firm-specific advantages such as: (i) exclusive access to markets, inputs or intangible assets, (ii) economies of scale not marketed to other firms;
2. The relative efficiency of the firm over the market (internalisation), which determines export, and also FDI, licensing and other contractual forms of international business;
3. The relative location cost advantages of home versus host production will determine the location of production. This is determined by tariffs, transport costs, government regulations, and it determines exports, FDI, and licensing.

Although Dunning's approach is argued at the level of the country, it is relevant to the firm in that a firm's competitive position is the result of its ownership advantages, with internalisation theory determining the form of international business, and locational advantages determining the location of operations.

The OLI paradigm provides good guidelines for explaining and predicting those industries in which a country will have multinational operations (e.g. the US in high technology industries, and the UK in service sector industries such as banking and finance). Moreover, the role of policy is more clear in Dunning's approach because today's ownership advantages enjoyed by firms reflect yesterday's location advantages (e.g., government science policy will generate firms with technology advantages). The caveat here is that this was only completely true in the early stages of the internationalisation of business, and is less so now when multinationals from all countries are free to locate in those countries with the most favourable scientific environments.

There are a number of criticisms of Dunning's approach, one by Buckley and Casson (1991) is that scale economies are not an exclusive ownership advantage because it is possible to have them shared between firms, for example via JV. Also Casson (1987) has criticised Dunning's concept of an ownership advantage, basically arguing that transaction costs alone determine the form of international business, and the country to which a multinational firm is assigned, therefore there is no role for ownership advantages as a general cause of multinational operations. Another criticism comes from Dunning (1998 and 2000) himself and relates to the fact that the traditional OLI paradigm does not take into account non-economic explanations, such as personal motivations of managers or corporate responses under strategic interdependence.

2.3.1.5. Cross-border M&As and other forms of FDI - basic concepts.

Cross-border M&As are one of the forms in which firms can undertake FDI in a host country. The other two major forms are: greenfield investment in a new facility, and equity joint venture with another company. Greenfield investment means that a new firm is established from scratch by the investor in a host country. Equity joint venture (JV) involves foreign direct investment

jointly with another (or more) firm(s) in a host country. The result is a third firm (affiliated to the parents) which may operate indefinitely⁵.

Cross-border M&As take place when a foreign investor company merges with or acquires another firm in a host country. This firm may be private or state owned (in this case it can be acquired through privatisation which also counts as cross-border M&As) (UNCTAD 2000). *Cross-border merger* means that 'the assets and operations of two firms belonging to two different countries are combined to establish a new legal entity' (UNCTAD 2000, p 99). *Cross-border acquisition* takes place when 'the control of assets and operations is transferred from a local to a foreign company, the former becoming an affiliate of the latter' (UNCTAD 2000, p 99).

According to UNCTAD (2000), acquisitions dominate in the world, with less than 3 per cent of cross-border M&As being mergers. Hogan and Overmyer-Day (1994) argue that although the terms 'merger' and 'acquisition' are often used interchangeably, the sense of 'marriage of equals' suggested by 'merger' is in fact very rare. The authors further state that many acquisitions are often described as such in order 'to avoid the appearance of dominance by one firm, perhaps to create an impression of the union as being a co-operative partnership to make a deal attractive' (p. 248). Moreover, following UNCTAD (2000) 'in reality, even when mergers are supposedly between relatively equal partners, most are in fact acquisitions with one company controlling the other' (p. 99). Therefore for the purpose of this study when the term cross-border M&As is used it will actually mean acquisition, unless otherwise specified.

⁵ Equity JV is one of the types of JV, another one is contractual JV, which in contrast to equity JV is time limited. It is based on a contract between two (or more) firms which places them in a contractual partnership to share the cost of an investment. The contractual parties may be firms or a firm and a government agency. The contractual JV may be used for a particular project or may be longer term in nature. Equity JVs are in majority, and generally this is what the term 'joint venture' will refer to in this study. Nevertheless, even equity JVs typically are supported by one or a number of contracts between the parent firms and the JV.

A very useful classification of the structure of cross-border M&As has been provided by UNCTAD (2000, p. 100). It has been summarised below.

(1) **Cross-border mergers**, which involve 'the establishment of a new entity or an amalgamation into an existing firm after assets and operations of local and foreign firm are combined' (p. 100). Cross-border mergers divide into:

- Consolidations, which are equal mergers (e.g. BP-Amoco in 1989, Daimler-Chrysler in 1998);
- Statutory mergers, which mean that only one company survives, and becomes a newly established company. It assumes all of the debt and equity of the other firm that ceased to be a legal entity (e.g., Japan Tobacco - RJ Reynolds International in 1999, Wal Mart - ASDA Group in 1999).

(2) **Cross-border acquisitions**, which involve 'acquiring and controlling stake, e.i. more than 10 per cent equity, in an existing local or foreign affiliate' (p. 100). According to this classification there can be: *a full (outright) acquisition*⁶ (100 per cent), *majority acquisition* (50-99 per cent), and *minority acquisition* (10-49 per cent). Cross-border acquisitions divide into:

- acquisition of foreign affiliates - 'capital increases in a foreign affiliate already owned by the acquirer. Full or partial acquisition of share in foreign affiliates' (p. 100) (e.g., Toyota - Toyota Motor Thailand in 1997, Honda - Honda Car Manufacturing Thailand in 1997);
- acquisition of a local firm, which can take three forms: *acquisition of private local firm* (e.g., Vodafone - AirTouch Communications in 1999, Mannesmann - Orange in 1999), *privatisation* (acquisition of a public enterprise, e.g. Investor group from Spain - Telebras in 1998, Investor group from Italy - Bank Polska Kasa Opieki in 1999), and *acquisition of nationalised firms* (buyouts of temporary nationalised firms, e.g. Ripplewood - Long Term Credit Bank of Japan in 2000, Cycle & Carriage - PT Astra International in 2000).

⁶ The difference between a full acquisition and a statutory merger is that a statutory merger involves an establishment of a new legal entity, and it is not the case in a full acquisition. Otherwise these two forms can be treated as the same (UNCTD 2000).

2.3.2. *Main types and motives for cross-border M&As.*

Following UNCTAD (2000, p. 101) cross-border M&As can be classified as *horizontal*, *vertical*, and *conglomerate*, however according to the same source the distinction between those three types of co-operations is not always clear-cut (e.g. Internet developments). *Horizontal M&As* take place between competing firms in the same industry. They are a result of the global restructuring of many industries as a response to technological change and liberalisation. Horizontal mergers are undertaken in order to achieve synergies and greater market power. Industries where these mergers occur most frequently are pharmaceuticals, automobiles, petroleum, and services industries. *Vertical M&As* take place between firms in client-supplier or buyer-supplier relationships. Merging vertically firms expect to reduce uncertainty and transaction costs of forward and backward linkages in the production chain, and to benefit from economies of scope. Typical industries for this type of M&As are final electronics or automobile manufacturers (they are usually mergers between parts and components makers and their clients). *Conglomerate M&As* take place between companies in unrelated activities. They are undertaken in order to diversify risk, and to deepen economies of scope.

UNCTAD (2000) also provides another classification of cross-border M&As, according to which they can be divided into *driven by short term financial gains* (rather than strategic or economic motivations, e.g. efficiency), *hostile* (against the will of the target firm) and *friendly* (with the agreement of the target firm board).

Cross-border M&As have been motivated by various considerations, which are often different from the motivations behind domestic M&As, and therefore they cannot be analysed simply as their extension. This is due to the fact that there are significant differences in political and economic environment, corporate organisation, culture, tradition, tax rules, law and accounting rules between the acquirer's, and the target's country of origin (Sudarsanam 1995). Therefore one can consider changes in the global environment as one of the main driving forces behind cross-border M&As (UNCTAD 2000). They are represented by technology, regulatory frameworks, and capital market changes. These changes are responsible for creating new

business opportunities and risks for the companies to engage in cross-border activity in order to defend and enhance their competitive positions in such a changing environment (UNCTAD 2000).

Let us take a look at the motivations for cross-border M&As as specified in UNCTAD (2000). It is important to note that the motives discussed below do not influence the behaviour of merging parties individually. It is often the case that cross-border M&As occur as a result of several of these motivations taken into account simultaneously. Following UNCTAD (2000) there are two factors that encourage firms to grow via M&As, they are as follows:

(1) Speed;

M&As often represent the fastest means of reaching the desired goals when expanding domestically or internationally. For example, when time to market is vital, the takeover of an existing firm in a new market with an established distribution system is far more preferable to developing a new local distribution and marketing organisation. For a latecomer to a market or a new field of technology, M&As can provide a way to catch up rapidly. Enhanced competition and shorter product life cycles accentuate the necessity for firms to respond quickly to opportunities in the economic environment, preferably before competitors move (p. 140).

This relates back to internalisation theory whereby the motive to maintain or increase market power is prominent. The existence of first mover advantages and the ability to close off the options of a rival through acquiring a firm in a target market are strong reasons to chose M&As over greenfield entry.

(2) Quest for strategic assets, such as R&D or technical know-how, patents, brand names, the possession of local permits and licenses, and supplier or distribution networks.

Ready made access to proprietary assets can be important because, by definition, they are not available elsewhere in the market and they take time to develop [...] such assets may be crucial to advance a firm's *static advantages*, i.e. its income-generating resources and capabilities at a given moment in time, or to strengthen its *dynamic advantages*, i.e. its stability to sustain and increase the income-generating assets over time (Dunning 2000, cited in UNCTAD 2000, p. 140, 143).

These two main factors interact with several other driving forces behind cross-border M&As, namely:

(3) The search for new markets, market power and dominance.

Through M&As firms can quickly access new market opportunities and develop critical mass without adding additional capacity to an industry. By taking over an existing company, immediate access to a local network of suppliers, clients and skills can be obtained. This motivation is of particular importance for cross-border M&As as the need for knowledge about local conditions increases when leaving the home market (p. 143).

Market dominance is of particular relevance to horizontal M&As, which can search for oligopolistic positions;

(4) Efficiency gains through synergies:

- *Static synergies* - cost reduction or revenue enhancement at a given point in time (e.g. pooling of management resources, revenue enhancement by using each others' marketing and distribution networks, purchasing synergies, economies of scale in production leading to cost reductions, and the avoidance of duplication of production, R&D activities, etc). Static synergies are particularly important in the automotive and defence industry;

- *Dynamic synergies* which could mean for example 'matching of complementary resources and skills to enhance a firm's innovatory capabilities with long-term positive effects on sales, market shares and profits' (p. 143). Dynamic synergies are crucial for information and technology and pharmaceuticals;

(5) Greater size, this motive is of particular relevance in operations requiring economies of scale, large expenditures for R&D and the expansion of distribution networks. Large size can also be a protective measure against being taken over, and can 'create financial, managerial and operational synergies that reduce the operational vulnerability of firms' (p. 144). Other advantages of larger size include lower-cost access to investible funds (e.g., internal capital from cash rich divisions can be used in cash poor divisions with better growth opportunities), advantages in collection and adoption of new information and innovation from multiple operations across geographical locations and segments;

(6) Product or geographical market diversification in order to reduce risk. By entering cross-border M&As firms aim to avoid tariff and non-tariff barriers, and therefore lower the level of uncertainty. However, with the intensified global competition and rapid development of

technology product diversification motive lost on his importance, as companies tend to concentrate on their core activities;

- (7) Financial motivations are linked with the fact that stock prices do not always reflect the real value of a firm (e.g., they might represent a different value for a potential acquirer than they do for present shareholders). They are common in portfolio type M&As, in economies where capital markets are underdeveloped or in financial crisis;
- (8) Personal or behavioural motivations, which have to do with pursuing managers' own self-interest, especially in cases of weak corporate governance. These motives might be not exactly in accordance with efficiency or shareholders' interest, but in order to fulfil the ambitions of 'empire building', prestige, job-security or remuneration. Entering M&As might also be a way for managers to show high growth and profit rates when required by the pressure of financial markets. Finally, the managers might want to engage in cross-border M&As simply because they believe themselves to possess the capacity to make a merger-deal work.

This summary of motives from UNCTAD (2000) finishes with personal motivations of managers, and in general the motives discussed here are presented from the perspective of the managers rather than shareholders. It is interesting to note here, however, that it is not always the case that the interests of managers coincide with the ones of shareholders, however there is no room for discussion of these issues in this thesis.

2.3.3. *Cross-border M&As and OLI paradigm.*

Although the OLI paradigm does not specifically distinguish between different modes of FDI, it was mainly constructed in reference to greenfield, rather than M&As investment (e.g., Hymer's industrial organisation analysis of barriers to entry in setting up new facilities, Cave's setting up new multi-plant operations) (UNCTAD 2000). It is useful however to apply OLI factors to cross-border M&As, and precisely to mergers and acquisitions separately. This distinction is necessary because 'mergers are taken to involve firms of roughly similar size and capacity that jointly internalise their ownership advantages to gain economies of synergy, size, and scope' (p.

141), whereas 'acquisitions are taken to involve larger, more powerful or better capitalised firms taking over smaller or weaker ones, and using this to gain speedy access to the latter's ownership and locational assets' (p. 141). The application of OLI paradigm to three main types of cross-border M&A (horizontal, vertical and conglomerate) has been summarised in Table 2.2.

Table 2.2: The OLI paradigm and cross-border M&As.

Type	Horizontal	Vertical	Conglomerate
Mergers	<p>O: Both firms have O advantages complementing each other in scale, synergy, finance or market power.</p> <p>L: Standard location factors are not relevant where two TNCs merger their global production systems.</p> <p>I: Both firms seek to gain economies of scale by internalising joint advantages. Joint internalisation differs from 'internalisation' in usual OLI terms, but determinants (transaction costs in some sense) are similar. Mergers provide a much faster way of exploiting each other's advantages.</p>	<p>O: Both firms have O advantages that complement each other in different processes of the production chain.</p> <p>L: As with greenfield FDI, but also see horizontal mergers.</p> <p>I: Merging firms both seek to gain security, information, finance or market power, and to reduce transaction costs.</p>	<p>O: Both firms have O advantages in unrelated activities that may have economies of scope, but not technological complementarity. A merger is thus not based on O advantages in the usual sense; it may just involve access to finance.</p> <p>L: Mainly market size / growth or prospects of capital appreciation, not location advantages in the OLI sense.</p> <p>I: Merging firms seek a larger capital base or economies of scope, but are not internalising their O assets to save on transaction costs.</p>
Acquisitions	<p>O: Acquiring firms tend to have greater O advantages than acquired firms, or seek specific new O advantages (technology, contracts, etc.)</p> <p>L: As with greenfield FDI, except that many L advantages are 'embodied' in the acquired firm.</p> <p>I: As with greenfield FDI, acquiring firms strengthen their competitive positions by internalisation.</p>	<p>O: Acquiring firms have a stronger financial or managerial base that allows them to acquire vertically linked firms abroad.</p> <p>L: As with horizontal acquisitions.</p> <p>I: As with greenfield FDI, acquiring firm strengthen their competitive positions by internalisation.</p>	<p>O: Acquiring firms have greater financial and / or managerial resources, but no O advantages in the usual sense.</p> <p>L: Mainly market size and growth and prospects of capital appreciation, not location advantages.</p> <p>I: Acquiring firms seek diversification or economies of scope, but are not internalising in an OLI sense.</p>

Source: UNCTAD 2000, Cross-border Mergers and Acquisitions and Development, World Investment Report, New York and Geneva, p. 142.

2.3.4. *Transaction costs in the rationale and strategy of the international firm.*

Transaction cost economics derived from work of Coase in 1937 and was first used 'to explain the existence of firms, and to explain the boundary between firm and market' (Buckley and Chapman 1998, p. 1138).

[...] Sometimes the cost of managing economic exchanges across markets is greater than the cost of managing economic exchanges within the boundaries of an organisation. The costs of using the price system involves such activities as discovering what prices are, negotiating contracts, renegotiating contracts, inspections, and settling disputes. The most lasting contribution of Coase's (1937) article was to place transaction costs at the centre of analysis of the questions of why firms exist and to suggest that markets and organisations are alternatives for managing the same transactions (Barney and Hesterly 1999, p. 110).

Transaction costs may be higher or indeed lower in external markets. The economic exchanges can be conducted both ways; one of them being internalisation which means reducing transaction costs by choosing a firm instead of a market, and the other one being externalisation, meaning transaction costs reduction by choosing a market instead of a firm.

Applying transaction costs theory to international production one can argue that once the location of international production is determined on grounds of location cost, then firms will choose the most cost effective method of controlling and organising that production. For example, foreign production may be organised through wholly owned subsidiaries, joint ventures or contracts (as in licensing and franchising). In practice firms may not know what the optimal international strategy is because of uncertainty, perhaps coupled with poor management. Therefore a firm, which chooses the wrong form of international competition will be at a competitive disadvantage. The internationally oriented firm will attempt to reduce total costs, which consist of location cost (including production) and transaction cost. Location cost is determined by the comparative advantage of the countries. The issue of transaction costs alone therefore concerns the choice of form of international business.

Knowledge (information, scientific information) is by its nature internationally oriented. Because, broadly speaking, it can be applied anywhere in the world, there is therefore a world-wide demand for it. The multinational enterprise often emerges as the international business

form, which develops in response to this demand. The MNE is the institutional form that often enables the application of technology wherever in the world its services (i.e. in production) are required. The reasons why a multinational firm is favoured for the exploitation of technology is best understood using the theory of the firm.

Coase (1937) presented a theoretical statement of why economic activity was so often organised into firms, and the circumstances in which independent firms used external markets⁷ to trade with each other. Through horizontal and vertical integration firms replace markets to attain lower transaction costs, and so become more competitive.

Transaction costs may be higher in external markets owing to barriers to trade. Transaction costs refer to any factors, which inhibit the efficiency of markets, for example lack of security of supply of components. Coase identified uncertainty as the source of barriers to trade in external markets, and managerial efficiency loss as the barrier to trade in internal markets within firms.

One way of reducing the loss of efficiency within firms is the adoption of more efficient organisational structures. This approach has been advocated by Oliver Williamson whose work is now considered central to transaction cost economics (Barney and Hesterly 1999). The simple message of Williamson's transaction cost theory is that:

⁷ It is important to distinguish between an external and internal market.

An external market is any market through which two independent firms trade with each other. To be independent the firms must be unrelated by ownership, i.e. non-affiliates. The price of goods or services in such a market is often known as the external market price or the arm's length price.

An internal market is any market for a good or service that exists within a firm or between two trading firms, which are related by ownership, i.e. affiliates. An internal market may be set up by a firm to avoid having to use an external market.

[...] Markets and hierarchies are alternative instruments for completing a set of transactions. As instruments for completing a set of transactions, markets and hierarchies are often also called 'governance mechanisms'. In general, market forms of governance rely on prices, competition, and contracts to keep all parties to an exchange informed of their rights and responsibilities. Hierarchical forms of governance, on the other hand, bring parties to an exchange under the direct control of a third party (typically called 'the boss'). This authoritative third party then attempts to keep all parties to an exchange informed of their rights and responsibilities. Moreover, this third party has the right to directly resolve any conflicts that might emerge in an exchange. Williamson calls the exercise of this right 'managerial fiat' (Barney and Hesterly 1999, p. 111).

In external markets Williamson has identified opportunism as the factor which exploits uncertainty and makes contracts between independent firms particularly costly to construct. The integration of two firms therefore reduces the incentives to opportunism because decision making is now directed at maximising the goals of the new firm as a whole (Clegg 1987).

Another factor and essential assumption about firms identified by Williamson was bounded rationality. Bounded rationality means that those who engage in economic transactions are rational by intention but their rationality is limited. This statement is considered to be an important departure from the traditional unlimited rationality of *homo economicus* (Barney and Hesterly 1999). Williamson's (1975, 1985) argument was that if there were no limits to cognition, all economic exchanges could be conducted either through planning or market, and people writing contracts would be able to specify all possible contingencies in an economic exchange. However, one simply 'cannot foresee all possible outcomes in an exchange relationship or formulate contractual or other responses to those (unforeseeable) eventualities' (Barney and Hesterly 1999, p. 112).

According to Buckley and Chapman (1996a) transaction costs economics was broadly applied by Williamson (1975), however there were also scholars who claimed that its contribution was only marginal (e.g., Kogut and Zander 1992). Williamson (1992) presented a statement that transaction cost economics could be applied to any 'contract or contract-like phenomena'. Based on this statement Buckley and Chapman (1996a) propose a supposition that if the adjective

'contract-like' may encompass 'tacit informal understandings of every kind, then the approach is thereby extended to virtually all social phenomena' (p. 1139). In this respect the authors further state:

If the specific domain of transaction costs is expanded in this way, however, than those involved in it will be obliged to talk not only to economists, but to linguists, psychologists, anthropologists, theologians, engineers, social workers, and so on. Only small steps have been made in this direction (p. 1139).

The current study aims to fill this gap, by drawing on the literature of various backgrounds, e.g., theory of European integration, theory of foreign investment, cross-cultural management, and social anthropology.

2.3.5. Cross-border M&As and cross-cultural management.

2.3.5.1. Previous studies of culture.

Before discussing the relevant literature in cross-cultural management it is worth remembering that this literature is not self-generated, but draws upon generations of sociological and anthropological work. Therefore in this discussion one can go right back through the history of anthropology. Let us depart from the idea of cultures as 'adaptive' systems (from Darwin and social Darwinism – a theory to which, in one way or another, most late 19th and early 20th century scholars subscribed). This line of thought then lead on to 'functionalism' represented by Malinowski (*Scientific Theory of Culture* from 1944) and 'structural-functionalism' advocated by Radcliffe-Brown (*A Natural Science of Society* from 1957), with their tacit or explicit assumption of 'adaptedness to purpose' in the social fabric (Chapman 1996-97). This whole fabric of ideas permeated by scientific ambition, positivism, and materialism. Franz Boas and Margaret Mead provided a North American interpretation of these ideas.

'Structuralism' (pioneered by Franz Boas and Margaret Mead), in a sense a theory of ideation or cognition, came to the fore as a replacement for, or supplement, to these. This line of thought produced further 'idea'-based, or even idealist, tendencies like for example interpretivism, hermeneutics, and so on. In this respect Evans-Pritchard and Douglas were important scholars in the U.K., and Levi-Strauss in France. The most cited author, in the business studies context,

is Clifford Geertz, with his 'webs of meaning'. 'Structuralism' and 'functionalism' were seen, by the generation that fought the issues out, as 'opposed' to one another, and so came to partake of some flavour of mutual exclusivity, and as we will see, Child and Tayeb (1988) echo this by contrasting them as two 'theories of culture', but there is no really sharp theoretical antinomy here.

2.3.5.2. The works of Hofstede, Hampden-Turner and Trompenaars.

In general, work in cross-cultural management has been strongly derivative of work in cross-cultural studies more generally – anthropology, sociology, social psychology, and others. One area of novelty, however, has been provided by the work of Hofstede (e.g., 1980, 1994a/b), and also of Hampden-Turner and Trompenaars (e.g., 1993, 1998, 2000). These three are among the most widely cited scholars in cross-cultural management, and it is of some interest that their work is primarily derived from, and applied to, business studies. Their fame and application outside these spheres is much more limited (Chapman 1996/97). The work of Hofstede and Hampden-Turner and Trompenaars provides a useful bridge between transaction cost considerations, and issues of cultural difference. We can briefly summarise some of the key points of their work, in order to see why this is so.

According to Hofstede (1994b, p. 1) culture can be understood as 'the collective programming of the mind which distinguishes the members of one category of people from another'. In Hofstede's understanding a 'category of people' means a nation, region, or ethnic group, women versus men, old versus young, a social class, a profession or occupation, a type of business, a work organisation or its part, or a family. Hofstede conducted his study in a multinational corporation IBM in 64 countries, and also two other studies among students in 10 and 23 countries, and based on this data he identified five dimensions of national culture differences. we will describe them below using Hofstede's own words (1994b):

(1) Power Distance.

This is the extent to which the less powerful members of organisations and institutions (like the family) accept and expect that power is distributed unequally. This represents inequality (more versus less), but defined from below, not from above. It suggests that a society's level of inequality is endorsed by the followers, as much as by the leaders (p. 2).

(2) Individualism versus Collectivism.

Individualism on the one side versus its opposite, collectivism, 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 (p. 2-3).

(3) Masculinity versus Femininity.

Masculinity versus its opposite, femininity, refers to the distribution of roles between the sexes which is another fundamental issue for any society to which a range of solutions are found. [...] (a) Women's values differ less among societies than men's values; (b) men's values from one country to another contain a dimension from very assertive and competitive and maximally different from women's values on the one side, to modest and caring and similar to women's values on the other. The assertive pole has been called 'masculine' and the modest, caring pole 'feminine'. The women in feminine countries have the same modest, caring values as men; in the masculine countries they are somewhat assertive and competitive, but not as much as the men, so that these countries show a gap between men's values and women's values (p. 3-4).

(4) Uncertainty Avoidance.

[...] It deals with a society's tolerance for uncertainty and ambiguity: it ultimately refers to man's search for truth. It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising and different from usual. Uncertainty avoiding cultures try to minimise the possibility of such situations by strict laws and rules, safety and security measures, and on the philosophical and religious level by a belief in absolute truth; 'there can only be one truth and we have it'. People in uncertainty avoiding countries are also more emotional, and motivated by inner nervous energy. The opposite type, uncertainty accepting cultures, are more tolerant of opinions different from what they are used to; they try to have as few rules as possible, and on the philosophical and religious level they are relativist and allow many currents to flow side by side. People within these cultures are more phlegmatic and contemplative, and not expected by their environment to express emotions (p. 4-5).

(5) Long Term versus Short Term Orientation.

[...] It can be said to deal with Virtue regardless of Truth. Values associated with long term orientation are thrift and perseverance; values associated with short term orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face' (p. 5-6).

The precise application of these dimensions to particular countries will be discussed in more detail in the following chapter of this study (Chapter 3) with reference to Poland, Germany, and United Kingdom.

Trompenaars and Hampden-Turner (2000) had conducted a large study based on a questionnaire distributed among 30000 senior managers in the US, Britain, France, Germany, Sweden, the Netherlands and Japan. The study offers an explanation of how different business cultures and value systems influence doing business and managing. The authors suggest a useful way of thinking about culture as 'the way in which a group of people solves problems and reconciles dilemmas' (p. 6). In this respect they identify the basis of cultural differences under three headings pertaining to problems which arise from peoples':

(1) *relationships with other people*, which divide into five orientations of ways in which human beings deal with one another:

- Universalism versus particularism - the universalist approach means 'what is good and right can be defined and always applies' (p. 8), and in particularist cultures more attention is given to the obligations coming from relationships and unique circumstances;
- Individualism versus communitarianism - the extent to which people regard themselves as individuals or primarily as part of a group;
- Neutral versus emotional - to what extent the nature of interactions between people should be objective and detached or emotional;
- Specific versus diffuse - 'when the whole person is involved in a business relationship there is a real and personal contact, instead of the specific relationship prescribed by a contract' (p. 9);
- Achievement versus ascription - achievement means that people are judged on what they have recently achieved and on their record, ascription in turn means that status is attributed

to people based on their birth, kinship, gender or age, but also on their connections and educational record;

- (2) *attitudes to time*, which differ across the societies. For example, in some cultures past achievements are much less important than their plans for the future (e.g., US), and in others what was accomplished in the past is of utmost importance (e.g., France). There are also sequential cultures which perceive time as 'passing in a straight line, a sequence of disparate events' (p. 10), as opposed to synchronised cultures which think of time 'as moving in a circle, the past and present together with future possibilities' (p. 10);
- (3) *attitudes to the environment* - represented by inner-directed vs. outer-directed orientation (Hampden-Turner and Trompenaars 1994). This dimension can be understood by considering whether you are who you think you are, or you are what other people think you are. In inner-directed societies your sense of who you are is dependent on your opinion of yourself, and other people see you the way you construct yourself. This orientation is based on a sense of conscience and guilt (e.g., USA). In outer-directed societies what matters is what other people think of you. This orientation is based on shame, what counts is your reputation (e.g., Japan).

The above model for understanding differing international management practices was called by the authors the Seven Dilemmas of Management.

After presenting the key issues of the work of Hofstede, and Hampden-Turner and Trompenaars, in the subsequent section we will discuss whether the transaction costs are culturally variable.

2.3.5.3. Transaction costs, trust and culture.

One could ask a question whether the issues discussed in the works of Hofstede, and Trompenaars and Hampden-Turner are transaction costs issues. And if they are, why it is so. Although transaction costs economics does not claim to be a theory of cross-cultural management, it does have however cross-cultural implications. That transaction costs differ

from one culture to another can be seen for example in Hofstede's work. The dimensions of culture proposed by that author are related to transaction costs issues, and this is not the least because of trust issues (e.g., power distance, collectivism), but also uncertainty avoidance (e.g., uncertainty about things, people, future, organisation, punctuality, cleanliness, etc). Please note that the specific relevance of those issues to the particular countries under investigation in this study will be presented in the subsequent chapter (Chapter 3).

Let us depart from the issue of trust which is culturally variable and enormously important. Although the importance of trust was advocated by Williamson (e.g., 1975) and Fukuyama (1995), it is interesting that neither of these authors has joined their own arguments together with those of Hofstede or indeed Trompenaars and Hampden-Turner, this is surely a development whose time is upon us. Williamson (1975) notes for example that:

Businessmen operating in competitive industries in a high trust culture who insist on contractual completeness and exacting execution will find that such transactional attitudes result in excessive costs and render their business nonviable. [...] Trust is important and businessmen rely on it much more than is commonly realised (p 106-108).

Also Fukuyama (1995) argues:

[...] If people who have to work together in an enterprise trust one another because they are all operating according to a common set of ethical norms, doing business costs less. [...] By contrast people who do not trust one another will end up cooperating only under a system of formal rules and regulations, which have to be negotiated, agreed to, litigated, and enforced, sometimes by coercive means. This legal apparatus, serving as a substitute for trust, entails what economists call 'transaction costs'. Widespread distrust in a society, in other words, imposes a kind of tax on all forms of economic activity, a tax that high-trust societies do not have to pay (p. 27).

It is important to note that the ideas presented above link closely with Hofstede's dimensions of collectivism and power distance. Collectivism (in Hofstede's terms) can be associated with low levels of generalised trust, as in this type of society one only trusts people from their own collective. Verner Worm (1997) in his work 'Vikings and Mandarins' directly relates the issue of trust to Hofstede's dimensions of culture. As suggested by the title the author compares two cultures, namely Chinese and Scandinavian, and examines how the differences between these cultures affect selected aspects of managerial functions in firms fully or partially owned by

Scandinavians. He presents the dichotomies of Chinese collectivism and Scandinavian individualism, and argues that the former displays very low degree of interpersonal trust in comparison with the latter.

Following Hofstede (1994) highly collective societies are usually associated with high power distance indexes. In high power distance societies, free flow of information is discouraged (e.g., information is power), and in low power distance the exchange of information is not limited. In the collectivist societies, people trust people within their own collective, and mistrust those outside of it. Therefore in a low power distance, individualist society, trust is relatively evenly distributed across the social and business fabric (e.g., one trusts strangers, and shares information with them), as opposed to a high power distance, collectivist society, where the distribution of trust is not even (e.g., one cannot trust strangers, and does not share information with them). Tayeb (1988) linked low level of personal trust with centralised structures of organisations. Worm (1997) took this argument a bit further by relating it to high power distance. According to this author firms in countries characterised by relatively high power distance tend to be more centralised (e.g. China), and this would indicate a low level of trust in such societies.

As we already established in high power distance and collectivist societies, the trust is low and this means that it can be bought for money and/or favours. This also means that low trust usually comes together with high corruption. In a system which is not transparent and where laws either do not exist or are not enforced, then 'corruption' (or at least the giving and taking of favours) provides an alternative means of generating trust and reliability within elements of the system. It is, in a sense, a means of reducing transaction costs, in a very local sense. The price that you pay for reducing transaction costs in one part of the system, however, is that transaction costs everywhere else remain very high. This is related to the trust and collectivism issues already discussed here.

Let us take a look at the masculinity and femininity dimensions. Worm (1997) discusses these dimensions on the example of Chinese masculinity and Scandinavian femininity. The author's description of masculine values is presented below:

[...] In China, masculinity is expressed through competition between households or extended families, and [...], in anti-social attitudes to strangers. The Chinese find it difficult to collaborate with others outside their in-group. Another manifestation of their masculine attitude is the importance of status, reflected in status symbols such as access to a car or the like (p. 95).

In masculine countries, people do not trust individuals outside their group, and what is more 'nobody [from] outside of the owning group can generate for himself truly legitimate authority' (Redding 1997, p. 336), which increases the real and perceived costs of transactions conducted in these countries. Let us take a look now at the example of a feminine society:

[...] The femininity of Scandinavians implies care for the weak and rejection of the individualist. On the other hand, collaboration between employees is widespread both horizontally and vertically. Femininity combined with low uncertainty avoidance and small power distance generates the basis for mediocrity. Also, as a result of the above combination, little emphasis is placed on status and status symbols. Wealth is almost concealed in Scandinavian societies (Worm 1997, p. 95).

This would imply that the level of trust in these countries is higher, and the real and perceived transaction costs can be expected to be lower. It needs to be stressed here that high power distance does not always correlate with high masculinity, and also cultures with low power distance are not always feminine. It was true in case of the above examples, but it is not always the case. For example how one can characterise a high power distance and feminine society (e.g., high power distance implies dominating style of management and femininity suggests tendency to ridicule assertiveness)?

According to Hofstede's framework (1994b), societies with strong uncertainty avoidance scores, display an emotional need for written or unwritten rules, and require high formalisation and standardisation. By contrast societies with weak uncertainty avoidance have less affinity for rules of any kind, and stress the need for less formalisation and standardisation. If we come back to Fukuyama's (1995) statement cited in the beginning of this section, people who do not trust one another will tend to co-operate under a system of formal rules and regulations, as it is

the case in strong uncertainty societies. This 'legal apparatus' serves as a substitute for trust, but it is costly in transaction cost terms. By contrast, in low uncertainty avoidance societies, high levels of trust can be expected, and the transaction costs of operations in such societies are lower.

Hofstede's long term orientation versus short term orientation can also be related to transaction costs issues. Let us look at the example of negotiating in these two different cultures. In long term oriented societies the costs of negotiating with new and strange partner are regarded too high to incur, or perceived to be so. By contrast in short term oriented cultures, the perceived costs of such negotiations are low. The whole configuration of transaction costs in such societies differs.

The model proposed by Hampden-Turner and Trompenaars presented in the previous section bears some resemblance to that of Hofstede. For example the dichotomies of individualism versus communitarism have a clear relationship to Hofstede's individualism versus collectivism, and also their equality versus hierarchy (and also achieved status v. ascribed status) links directly with Hofstede's power distance. Moreover the opposition of universalism versus particularism is also related to some aspects of individualism versus collectivism, with individualist societies often aspiring to universalism (e.g., the same rules for all - democracy, transparency, the rule of law), and collective ones to particularism (e.g. different rules apply to members of your group, and different ones to the 'outside' people). In the respect of these similarities the same links between trust and transaction costs issues apply here.

Another dimension proposed by Trompenaars and Hampden-Turner is a dichotomy between diffuse (e.g., placing emphasis on personal contact) versus specific (e.g., defined by contract) cultures. Worm (1997) presents the Chinese society as an example of the former, and the Scandinavian society as an example of the latter. The author also links these characteristics to trust issues:

[...] The diffuse orientation in China also affects how one gets to know other people. Basically, the Chinese have little trust in strangers whom they will associate with only at a superficial level in the beginning, gradually developing trust. The approach is very indirect. They give high priority to time spent on getting to know business partners, and they are reluctant to enter into business relationships with people with whom they do not know. Scandinavians, on the other hand, are straight forward and their reasons for contacting a stranger are transparent. If the stranger is interested, one gets to know him by gradually expanding one's knowledge about him (Worm 1997, p. 97-98).

In linking the transaction costs with diffuse and specific cultures it is useful to think of these costs as processes and events. For example in a diffuse society one invested years in building a relationship with a client, and therefore the transaction costs of terminating such a relationship are perceived in such society as very high. In specific cultures by comparison, the costs of remaining with the same client are perceived to be high.

2.3.5.4. Other issues and authors in cross-cultural management research.

There has been much debate concerning the cultural malleability of management and management theory, and this has crystallised around the question of convergence versus divergence. Tayeb (1994) argues that those supporting 'convergence': 'maintained that manager's behaviour worldwide was becoming more similar' (p. 429), and those supporting 'divergence': 'concluded that it was maintaining its dissimilarity' (p. 429). The question of divergence can be phrased in many different ways, but tends to centre round the following – is there one optimal way to organise and manage, independent of culture, or are there numerous optimal ways, culturally specified and dependent?

Harzing (1998) argues that the myth of the universality of management or organisational science has been discarded by many authors (e.g., Adler 1983 b/c, Hofstede 1980 a/b, 1991, Laurent 1983, Osigweh 1989, Ronen 1986). She also notes that the proportion of research in management that focuses on cross-cultural or international issues is relatively small. We have looked at the work of three major authors in this area, because of the bridge that they provide between transaction cost theory, and cultural variety.

Harzing (1998) in her study on control mechanisms in multinational firms presents a classification of factors influencing cross-cultural research. The author distinguishes three major factors, namely: contingencies, choice and culture. This classification provides some useful insights to the origins of cross-cultural research, and therefore will be applied here.

Harzing (1998) states that '*contingency theories* of organisation postulate that the circumstances in the environment dictate organisation members pattern of perceptions and preferences' (p. 157). Classical contingency theories (e.g., Burns and Stalker 1961, Lawrence and Lorsh 1967) assumed that these patterns of perceptions and preferences would be universal across the nations. An explicitly 'culture-free hypothesis' was put forward by Harbison and Myers (1959) assuming that the logic of industrialisation prevails irrespective of cultural setting, however culture might slow it down. A 'Culture-free hypothesis' was also advocated by the so called 'Aston School' represented by Hickson et al. (1974) assuming a cumulative effect of contingency and culture (Harzing 1998).

Child (1972) stressed the importance of *strategic choice* in organisations. The author criticised the contingency theory for treating the environment as an exclusive factor influencing patterns of perceptions and preferences. In his view managers did have some freedom of choice although with some constraints, however relatively unimportant. The concept of strategic choice encouraged the development of the neo-contingency theory: 'although organisations are still thought to be influenced by their contextual contingencies, the relationship is less deterministic and the outcome less predictable than in the traditional contingency theory' (Harzing 1998, p. 158).

Culture, according to Harzing (1998), is a third factor influencing cross-cultural research. According to the author national culture received some attention in the management literature as early as in the 1960s, with works represented by Farmer and Richman (1965), Oberg (1963), Weber (1969). However it was only in the 1970s and 1980s that culture was considered an important factor in organisations (Adler et al. 1989, Brossard and Maurice 1976, Cooper and

Cox 1989, Hofstede 1980a,b, Kelley, Whatley and Worthley 1987, Kelley and Worthley 1981, Laurent 1983, Osihweh 1989, Sorge 1977, 1983, Steers 1989, Tayeb 1988). Harzing (1998) further mentions the work of Child and Tayeb (1983) who 'distinguish between theories that treat cultures as 'ideational systems' and those that treat them as 'adaptive systems" (p. 158). Ideational theories treat culture as 'sets of ideas, values, shared symbols, and meanings' (Harzing 1998, p. 158). The adaptive systems look upon cultures as 'total ways of life by which communities have survived and adapted in their ecological settings' (p. 158). According to this last tradition culture is expressed in artefacts and institutions.

2.3.5.5. The 'human side' of cross-border M&As.

There has been a substantial debate on 'human' aspects of M&As in the management literature. The objective of this section, however, is not to provide an exhaustive review of such a literature, but to signal how the main issues related to culture in cross-border M&As have been conceptualised.

The issue of culture is particularly pertinent to cross-border business co-operations the very example of which are cross-border M&As. Cartwright and Cooper (1992) point out for example that one needs to realise that M&As are mediated by people in organisations as well as at the formal organisational level. It is people within organisations who create and experience the formal processes, and whose lives are most likely to be changed 'with the stroke of a pen' (p. 2).

The relevance of both national and corporate culture to cross-border M&As can be explained by the fact that culture can have a negative or positive effect on their success. According to Barkema et al (1996) for example, due to the cultural distance the failure rate of acquisitions is greater than the failure rate of greenfield investments. Moreover according to The Economist (1999):

Study after study of past merger waves has shown that two of every three deals have not worked; the only winners are the shareholders of the acquired firm, who sell their company for more than it is really worth (p. 21).

One of the factors to blame for the failure of these deals is culture - 'a soft trap' as the authors of the article call it.

People never fit together as easily as flow charts. [...] Culture permeates a company, and differences can poison any collaboration. [...] (The Economist 1999, p. 22-23).

Difficulties in achieving cultural fit in the corporate world of M&As are not far to seek. Take for example a famous acquisition of an Italian appliance company, Zanussi by a Swedish company Electrolux in 1984. The difficulties encountered in the integration process of the two companies were described by Lorenz (1989) in the following words:

[...] For many Zanussi managers, there is still a considerable and awkward gulf, between the hierarchical attitudes and behaviour to which they were used before the takeover - and which are traditional in Italian industry - and the extreme informality which pervades the way Electrolux executives have always gone about their business (Lorenz 1989).

If one applies Hofstede's dimensions here one can observe that what happened was a corporate meeting of low power distance, low uncertainty avoidance, 'feminine' Swedes, with high power distance, high uncertainty avoidance, 'masculine' Italians. A more recent example of difficulties in achieving cultural fit in cross-border M&A was the merger of an American company Chrysler with a German Daimler-Benz company in 1998. According to The Economist (2000) this task was particularly difficult as it involved:

[...] Melding two distinct ways of doing business. Old Daimler was bureaucratic and formal. A standard meeting of senior managers would generate thick wads of papers and lengthy minutes. After months of influence by the American's more spontaneous behaviour, most presentations are now oral, and a one page memo then summarises the proceedings (p. 82).

Using Hofstede's dimensions of culture again, one can see dissimilarity between a German way of doing things characterised by the need for formality and structure resulting from a strong uncertainty avoidance, with the informal way of doing things in the US resulting from American weak uncertainty avoidance. The internal problems of the new company, now called DaimlerChrysler, were directly reflected in the value of its share prices, which after their short-term increase immediately after the deal then dropped significantly (The Economist 2000). From these two examples alone, one can see that cultural distance between combining companies cannot safely be ignored.

Several scholars have found out that the greater cultural distance between combining companies the greater the probability of the failure of M&As (e.g., Barret 1973, Buono et al. 1985, Cartwright and Cooper 1992, 1993, Chatterjee, Lubatkin, Schweiger & Weber 1992, Datta 1991, Haspeslagh and Jemison 1991, Hogan and Overmeyer-Day 1994, Jemison & Sitkin 1986, Olie 1994,). This failure is claimed to be even more likely when the M&As take place between the companies from different national cultures (Barkema and Vemeulen 1998, Calori, Lubatkin, Very 1994, Hofstede 1983, Schneider and DeMeyer 1991, Weber, Shenkar & Raveh 1996). According to Barkema and Vemeulen (1998) differences in culture between the acquirer and the acquired firm may cause tensions and hostility due to which the acquired firm may be reluctant to implement the required changes.

Several authors applied Hofstede's dimensions of culture to measure cultural distance as a variable in cross-border M&As. In a study based on data from 228 entries into the United States market by foreign direct investment Kogut and Singh (1988) found out that the greater the level of uncertainty avoidance in the home country of investors, the smaller their preference for acquisitions. They authors also found an empirical support for the effect of national culture on entry choice, which is that the greater the cultural distance between the country of the investing firm and the country of entry, the lower is the likelihood of investing company choosing M&As. These findings were later confirmed by the studies of Cho and Padmanabhan (1995), and Barkema and Vermeulen (1998). Barkema and Vermeulen (1997) examined the impact of culture on the survival of International Joint Ventures (IJVs), and found it to be negative. They also looked at the likelihood that firms would enter a foreign country through IJVs. The authors uncertainty avoidance index and long term orientation index as significant in this relationship.

Eramilli (1996) linked Hofstede's dimensions of culture to subsidiary ownership preferences in 337 subsidiaries, out of which 217 belonged to nineteen American advertising agencies and 120 belonged to nineteen European multinationals. According to his study the greater the power distance and uncertainty avoidance characterising the firm's home country culture, the greater the propensity of firms to seek majority ownership in foreign subsidiaries. The author

concluded that there are differences in these preferences among different nationalities of the multinationals. He argued however that these differences may become weaker in larger multinationals. Hennart & Larimo (1998) found a contrary to Erramilli's (1996) result. In their study of Japanese and Finish investment in the USA the authors found that investor's average power distance and uncertainty avoidance do not influence their ownership of the subsidiaries. The authors conclude that what does influence the ownership is a cultural distance between the home base of the investor and the target country.

Barkema, Bell & Penning (1996) examined the longevity of foreign entries by using data on 225 entries that 13 Dutch firms carried out from 1996 onwards. The results showed that cultural distance is a prominent factor in a foreign entry. The longevity of acquisitions is positively related to prior entries of the firm in the same country. The authors also found a positive relation between the longevity of foreign entries, in which the firm has a majority stake, and its previous experience in the same country and in other countries in the same cultural block.

One needs to bear in mind, however, that the relationship between culture and cross-border M&As does not only go in one direction (i.e., cultural differences are not only a negative factor in cross-border M&As). Morosini et al (1998) for example conducted a study of 52 cross-border acquisitions that took place between 1987 and 1992. The authors found that the greater the national cultural distance between the acquirer and the acquired company, the better performance of a combined company due to 'access to the target's and/or acquirer's diverse set of routines and repertoires embedded in national culture' (p. 137).

According to Irrmann (2000) these contradicting results in the studies of culture in the context of cross-border M&As show the need for further research. The author argues that M&As represent bringing together of two social communities that become a single social community over a certain period of time. The issues involved in a business meeting of such a cultural diversity are rich and complex and therefore require adopting qualitative and contextually sensitive methodologies (Irrmann 2000). The current study aims to fulfil this need by its

interpretative, qualitative approach, one that is often linked with social anthropology. Its appropriateness relates to the fact that anthropological research focuses exactly on the importance of the diverse contexts. This is in contrast with an approach dominant in cross-cultural management, which psychology-based, and which in search of equivalence has been trying to use culturally neutral and 'objective' questions, and so thereby to ignore or iron out problematic differences in context (Chapman 1997).

2.4. Theoretical Issues of Ethnicity, Nationalism, and Stereotyping.

The material presented in this section is directly intertwined with the issues related to European integration, foreign direct investment, and cross-cultural management. The planned enlargement of the European Union is going to bring considerable challenges for effective business integration, which will be mediated by individuals from existing EU and candidate countries. The key issue here will be to understand how feelings of national and managerial identity are fashioned, and how EU policy might be targeted to increase the mutual understanding needed in corporate culture, which is also strongly influenced by mutual national cultural perceptions. Moreover, the study of international business involves issues that go beyond the structure on nation-states, and this necessarily involves the issues of nationality, ethnicity (Chapman 1994), and stereotyping. Literature from social anthropology, from the anthropology of ethnicity, and from social psychology provides useful insights into a better understanding of these issues.

2.4.1. Ethnicity.

The issue of ethnicity is particularly important for the current study as it directly pertains to the issues of classification and cognition, which among the others link with oppositions and perceptions (e.g., Chapman et al. 1989).

A discipline that is particularly at home with this area of thought is social anthropology. According to Chapman et al (1989) the term ethnicity is not easily defined.

It comes from the Greek term *ethnos*, and survives as a fairly common intellectual's word in modern French, *ethnie*, with the associated adjective *ethnique*. The possible noun expressing what it is you have to have to be *ethnique*, *ethnicité*, is still not common in modern French. The adjective exists in modern English as 'ethnic' (cf. ethnic group, ethnic clothing), with a suffix added to give *ethnicity*. Neither the adjective nor the suffixation are particularly self-evident in vernacular English, and the result is an arguable and murky intellectual term (p. 11).

The authors further argue:

'Ethnicity', as an abstract noun meaning what it is you have if you are an 'ethnic group', followed on behind the adjective 'ethnic'. [...] What is immediately interesting is that the terms seem to have rediscovered, even without intention, the 'us and them' duality that related terms have had through most of recorded history. 'Race' as a term did not, so to speak, discriminate. Within the discourse of race, everybody had one, everybody belonged to one. In actual use, however, not everybody belongs to an 'ethnic group', or has an 'ethnicity'. In their common employment the words have bias towards 'difference' and 'otherness' (ibid., p. 15).

In their discussion of ethnicity in the context of majority and minority groups in a society Chapman et al. (1989) stress that this term is something that 'inheres in every group that is self-identifying - or at least that it ought to be considered as such' (p. 15). A discipline of social anthropology recognises that 'ethnicity' or 'race' relations require a kind of 'dyadic situation'. As it is further argued by the authors,

In some situation in which two distinct groups meet, where it is generally accepted that 'ethnic group' might be suitable description of one and not of the other, it is clear that the definition of populations involves them both, in some kind of conceptual and practical collusion - the 'opposition' involves them both. New and acute problems of understanding and self-understanding are posed to both parties, in a manner that is in many respects reciprocal. It would seem appropriate, therefore, that the term we use for the kind of grouping created by such a situation should be readily applicable to all groups involved (ibid., pp. 15-16).

Barth (1969) in order to achieve better understanding of ethnicity proposed a concept of ethnic group boundary (e.g., social boundaries which may have territorial counterparts) formation and maintenance in reference to social interactions between or among members of different groups. Ardener (1989) in his essay about language, ethnicity and population lists several points pertinent to ethnicity in the context of the position of minorities in a zone of 'large populations':

1. The ethnic classification is a reflex of self-identification.
2. Onomastic (or naming) propensities are closely involved in this, and thus have more than a purely linguistic interest.
3. Identification by others is an important feature in the establishment of self-identification.
4. The taxonomic space in which self-identification occurs is of overriding importance.
5. The effect of foreign classification, 'scientific' and lay, is far from neutral in the establishment of such a space (p. 68).

The author adds that this process of self-classification never ends, as ethnicities are not 'permanent crystalline structures', and they do not belong to one stage of historical or social development. 'There is a true sense in which the human populations ascribed to some of these entities do not therefore represent demographic units with purely demographic pasts or futures' (p. 68). After this brief review of social anthropological approach to ethnicity, one can conclude that ethnicity is 'a notion only existing in a context of oppositions and relativities' (Chapman et al. 1989, p. 17).

A slightly different approach to ethnicity has been offered by social psychology. For example Fishman (1977) points out that ethnicity is a historical and dynamic phenomenon which 'accommodates different weightings or emphases in connection with the large number of interrelated factors that it subsumes' (p. 16). The author further argues:

Ethnicity is rightly understood as an aspect of collectivity's self-recognition as well as an aspect of its recognition in the eyes of outsiders. Ethnic recognition differs from other kinds of group-embedded recognition in that it operates basically in terms of paternity rather than in terms of patrimony and exegesis thereupon. However, like other types of group-embedded recognition, it is an avenue whereby individuals are linked to society, i.e. to social norms and to social values. Like them, ethnicity represent an avenue whereby understandings of 'the world at large' are arrived at, that is to say, through ethnicity ordinary individuals are not only linked to collectivities - and social integration is attained thereby - but to notions of 'live', 'society' and 'the world' as well (p. 16).

Tajfel (1978, 1981) argues that sociologists distinguish between a 'social group' and a 'social category'.

For example, Morris (1968) defined ethnic groups as 'a distinct category of the population in a larger society whose culture is usually different from its own' he added that members of ethnic groups '... are, or feel themselves, or are thought to be, bound together by common ties of race or nationality or culture' (p. 167). This he distinguished from 'a mere category of the population, such as red-haired people, selected by a criterion that in the context is socially neutral and that does not prescribe uniform behaviour' (p. 168) (Tajfel 1981, p. 310-311).

In this context the psychological criteria for being a member of an ethnic group are that people must either 'feel themselves' or are 'thought to be' similar to one another and at the same time distinct from the others. Moreover internal characteristics of an ethnic group membership are also important, and they refer to members' identification with a group and with their giving the group a name (Tajfel 1981).

2.4.2. *State, Nation and Nationalism.*

Before defining what nationalism is, it is important to shed some light on how state and nation tend to be conceptualised in literature. Max Weber proposed a definition of a state as an 'agency within society which possesses the monopoly of legitimate violence' (Gellner 1994, p. 3). It was based on the idea that in modern societies 'private or sectional violence is illegitimate' (p. 3), and it can only be applied by the central political authority. Gellner (1994) found Weber's definition not entirely satisfactory as in his view

[...] there are states which lack either the will or the means to enforce their monopoly of legitimate violence, and which nonetheless remain, in many respects, recognisable 'states' (pp. 3-4).

The author further argues that

[...] the state is the specialisation and concentration of order maintenance. The 'state' is that institution or set of institutions specifically concerned with the enforcement of order [...]. The state exists where specialised order-enforcing agencies, such as police forces and courts, have separated out from the rest of social life. They are the state (p. 4).

Nations are very problematic concept to define, as they are contingency rather than a universal necessity (Gellner 1994). The author therefore provides two provisional definitions the cultural and voluntaristic:

1. Two men are of the same nation if and only if they share the same culture, where culture in turn means a system of ideas and signs and associations and ways of behaving and communicating.
2. Two men are of the same nation if and only if they recognise each other as belonging to the same nation (p. 7).

Smith (1986) also provides two distinctive forms and concepts of the nation, territorial and ethnic. Territorial type assumed that 'the state is a territorial entity with a jurisdiction that, although sovereign, is also strictly bounded; and the sense of boundness, of inclusion and exclusion, is vital for the definition of the community citizens' (p. 135). The other components of this definition were legal aspects - 'the nation as a community of laws and legal institutions' (p. 135), citizenship, and common culture. The ethnic 'nation-to-state' concept assumed that:

[...] nations were gradually or discontinuously formed on the basis of pre-existing *ethnie* and ethnic ties, so that it became a question of 'transforming' ethnic into national ties and sentiments through processes of mobilisation, territorialisation and politicisation. In general, this produced a rather different conception of the nation, one that emphasised elements like genealogy, populism, customs and dialects, and nativism (p. 137).

Let us move on now to nationalism. Gellner (1994) defined it as 'a political principle, which holds that the political and the national unit should be congruent' (p. 1). It can also be approached as a sentiment, or as a movement, and then its definition relates to its principle:

Nationalist sentiment is the feeling of anger aroused by the violation of the principle, or the feeling of satisfaction aroused by fulfilment. A nationalist movement is one actuated by a sentiment of this kind (p. 1).

The author also linked nationalism with the issue of ethnic boundaries by saying:

[...] Nationalism is a theory of political legitimacy, which requires that ethnic boundaries should not cut across political ones, and in particular, that ethnic boundaries within a given state - a contingency already formally excluded by the principle in its general formulation - should not separate the power-holders from the rest (p. 1).

Further following Gellner's argument, the number of potential nations in the world is large, and there is only limited room for such independent political units on Earth. Therefore not all potential nationalisms can be satisfied in a given time. This is strengthened by the fact that:

[...] very many of the potential nations of this world live, or until recently have lived, not in compact territorial units but intermixed with each other in complex patterns, it follows that a territorial political unit can only become ethnically homogenous, in such cases, if it either kills, or expels, or assimilates all non-nationals. Their unwillingness to suffer such fates may make the peaceful implementation of the nationalist principle difficult (p. 2).

2.4.3. *Stereotyping - a social anthropological approach.*

The building of the European integration has also put on the agenda European stereotypes (McDonald 1993).

In recent decades, debates in self-consciously 'European' institutions have frequently urged the banishment of stereotypes. Stereotypes are deemed to be deeply implicated in the 'xenophobia' and 'racism' from which so many evils, past and present, have stemmed and which the whole construction of the Community is often said to have been designed to transcend (p. 219).

As we can see from this quote, stereotypes are seen as negative phenomena, being a result of hate, racism, and being statements of fiction. We can also look at stereotypes from another perspective, as statements of fact, created by people, who believe them to be true, and as a consequence of which they can be considered as such. It is a partial attempt of one culture to describe and understand another culture. In this sense we can argue that they not only are not a fiction, but that they were verified by experience. We will see this in this thesis on the example of German and Polish contrast.

According to Collins Cobuild English Language Dictionary:

A stereotype is a fixed general image, characteristics, etc that a lot of people believe to represent a particular type of person or thing (1993, p. 1430)

Although the term stereotypes has its origins in the printing industry⁸, its usage within social sciences is attributed to Walter Lippman (1922), an American journalist. He noted that decision makers often decided matters connected to people they do not know or on topics they do not

⁸ 'It designated a metal plate which could be used again and again for thousands of impressions, without needing to be replaced' (McDonald 1993, p. 220).

understand. He called this stereotypes or 'inaccurate representations'. These were acquired by ways other than through direct experience of the reality in focus (McDonald 1993).

The new impetus to the subject was given by the Second World War, when

[...] analyses of prejudice encouraged stereotypes to be seen as perceptions linked to pre-existing cognitive categories, but ultimately to be the unfortunate by-products, or the maladaptive end, of an information-processing continuum (ibid., p. 221).

There was also a trend in psychology to treat stereotypes as statements that contained certain amounts of truth, and to attempt to measure their accuracy against the reality (c.g., Klineberg 1950, Peabody 1985, both cited in McDonald 1993). Since 1930s the main focus of sociologists and anthropologists were ethnic stereotypes. These were often based on majority/minority categories, with the majority saying negative things about the minority.

McDonald (1993) further argues that some of the imagery appearing in stereotypes is similar regardless of a group of people they claim to represent. This is related to the experience of categorical mismatch (first pointed out by Ardener (1982)), which means that

[...] The cultural worlds in which we all live are all in some sense category-based and that when different category systems meet, they do not match up; the resultant experience is one of indeterminacy, or unpredictability perhaps, of wavering uncertainty, and of riot or splendour, at the boundaries of our categories which do not match those we encounter (McDonald 1993, p. 222)

Whenever these categories do not match a misunderstanding occurs. During this process each of its parties can place themselves on the side of order, and at the same time can find disorder in the other. It is important to note that over the centuries the 'more powerful centres of self-definition' (ibid., p. 225) have generated the images of themselves as orderly and the others as disorderly, as we will see on the example of the Anglo-Saxon and Celtic contrast in the following chapter of this study (Chapter 3).

Moreover, the classical writers of the barbarian often observed 'a ruleless unpredictability, anarchy or reversal, disorder and inversion, at their borders' (ibid., p. 225-226). For example whenever a mismatch between gender constructs and kinship systems would occur, then

immediately 'wild promiscuity, matriarchy and incest regularly filled both the record of the classical authors writings about the barbarian - and the records of others who looked back to these writers' (ibid., p. 226).

Further following McDonald's (1993) work, let us focus on how cultural difference tends to be understood, which is particularly pertinent to this study. The author argues:

'Cultural difference', in both popular and academic understandings of it, still tends to be located, in priority, at national and at majority/minority (or 'ethnic') boundaries. Language (along with 'race') has been an especially important market of difference, and linguistic difference itself actively pursued, since nineteenth-century nations found part of their repertoire of self-definition in comparative philology and in national education systems. Moreover, difference is often understood still in terms evocative of the dualities of what we might term Enlightenment rationality and its moral alterities, summarised in the dichotomy of positivist rationality and romanticism. [...] Experience of mismatch, and the observations of earlier observers and scholars, could easily be made sense of within, and give substance to, the metaphors of opposition which positivism and romanticism supplied, and these conceptual oppositions have rolled on to ellide with more recent political moralities in which minority identities have become morally and politically compelling (pp 226-227).

And finally, let us take a look at how the above mentioned differences are being constructed. McDonald (1993) presents three ways in which the difference is constructed. Firstly, she relates identity directly to the social and political settings at a given time, as well as 'the categories available for the making of self/other or us/them boundaries, and on the particular salience of any one set of these categories' (p. 228). Secondly, she argues that 'difference does not exist simply and solely between supposedly homogenous wholes called 'cultures' coincident with these categories' (p. 228). One needs to bear in mind that 'it is also at the boundaries available to us, [...], that we are more likely to notice difference' (p. 228). It is likely that the mismatch between the categories will be picked up in particular at the boundary of self/other or us/them. And thirdly,

[...] the apprehension of mismatch, or lack of fit, will usually have a dominant discourse (or genre, or systematised way of talking about it) in which to find ready expression. These points are not meant to describe stages, conscious or otherwise, of thought, but a simultaneity of definition, image and experience, a unity of theory and observation (p. 228).

2.5. Lacunae in the literature.

The first and most striking conclusion of the evaluation of the FDI theory is that it implies that managers take their decisions based exclusively on economic fundamentals. This is one of its basic limitations as it fails to acknowledge the existence of non-economic factors that affect managerial decisions related to firms' engaging in foreign production. Personal motivations of managers are important as it is the people who make up the companies, and therefore they affect companies they work in. It is striking that in a world of business in which strict economic and financial criteria are continually emphasised that so much FDI follows cultural ties, e.g. Portuguese FDI in Brazil, Hong Kong FDI in China, or French FDI in (French speaking) Canada, as so on. International business theory explains the economic basis of FDI, however it fails to tackle the non-economic basis of engaging in foreign production. Transaction costs framework proposed by Buckley and Chapman (1996) addresses this problem by suggesting that transaction costs theory can be used both to explain economic and non-economic factors affecting investors' decisions.

Secondly, if following Buckley and Chapman (1996), one considers that transaction cost economics can be applied to virtually all social phenomena, the multidisciplinary approach is needed in order to deal with this theory. As argued by these authors there were only few studies that approached that problem (e.g., Buckley and Casson 1991, Casson 1991). The current study aims to fill this gap, by drawing on the literature from the theories of European integration, of foreign investment, of cross-cultural management, and of social anthropology.

Thirdly, staying in the area of transaction costs, the contribution of this study is to show that transaction costs are culturally variable. Culture in itself is a configuration of transaction costs, as they are experienced differently across different cultures. There have been some attempts to reconcile the issues of trust and transaction costs but they did not specifically mention that significance of culture for the transaction costs issues.

Fourthly, as the issues of cultural diversity in cross-border M&As are rich and complex they require adopting appropriate methods for their measurement. The current study attempts to achieve this, by providing an ethnographic illustration of what happens when the individuals from different national and corporate cultures, namely Polish and German, and Polish and British, meet together in a business co-operation.

Finally, it can be concluded that the current study contributes to the existing literature by drawing on the richness of social anthropology, in order to achieve better understanding of the issues under investigation. As argued by Chapman (1994) 'the study of international business necessarily involves study of events beyond and outside the structure of nation-states, and raises the issues of nationality and ethnicity' (p. 227-228). The application of social anthropology to business studies is very unusual (although see the work of Buckley and Chapman 1996, 1998, D'Iribarne 1996/97, Chapman and Antoniou 1998), and the current study aims to add to the possibilities here.

2.6. Summary and conclusions.

The objective of this chapter was to present and critically evaluate the theoretical background for the study. This was done through presenting the four bodies of literature that influenced current research, namely the theory of European Integration, theory of FDI, Cross-cultural Management, and Social Anthropology. The first three sections of this chapter dealt with these disciplines, and in the final section the main lacunae in the discussed literature were identified.

We have looked at the main issues pertaining to the process of European Integration, outlining the origins and further deepening and widening of Europe as well as how this process relates to trade and FDI. We have then discussed the key issues pertaining to cross-border M&As. In this respect we looked at relevant FDI theory. We have established that one of the basic limitations of this theory was the fact that it failed to acknowledge the existence of non-economic factors that affect managerial decisions related to firms' engaging in foreign production. Following Buckley and Chapman (1996) we also noted the need for the multidisciplinary approach to

transaction costs as they can be applied to virtually all social phenomena. This area of study is under-researched, and the current study aims to fill this gap. Furthermore, we looked at cross-border M&As from the perspective of cross-cultural management. We summarised previous studies of culture, and in particular those by Hofstede and Trompenaars and Hampden-Turner which were further related to transaction costs and trust issues. We tried to show that transaction costs issues are culturally variable. This issue has also received less attention than it merits, in previous research. Furthermore, we looked at the issue of culture in cross-border M&As, and concluded that cultural diversity in such business co-operations is a rich and complex issue and requires the appropriate methods for its study. In the current study we proposed achieving this by applying an ethnographic illustration of what happens when individuals from different national and corporate cultures meet in a business environment.

Lastly we tried to shed some light on the concepts of ethnicity, nationalism, and stereotypes. This was achieved by drawing on the literature of social anthropology, and social psychology. Following Chapman (1994) we argued that international business, and in particular FDI, by definition involve events beyond the structure of nation-states and raise the issues of ethnicity and nationality. It was argued that although social psychology has been applied to international business studies, the application of social anthropology in that context was unusual. The current study aims to fill this gap in the literature. In the next chapter we will look at ethnic oppositions in a business context.

Chapter 3: Poland, Germany and the United Kingdom - Historical Background, Ethnic Oppositions, and Cultural Context.

3.1. Introduction.

The theoretical underpin for this chapter comes from cross-cultural management, organisation studies, and social anthropology. It starts from a historical background of Poland, Germany, and the United Kingdom respectively. It then discusses a historical background of relations between Poland and Germany, and Poland and the United Kingdom. It is argued that the nature of a Polish-German relationship, has been very different from the one between Poland and the United Kingdom. Furthermore ethnic relations between ‘core’ and ‘periphery’ are discussed. These relations have often been characterised by the presence of ethnic oppositions, with Germany and Poland being a very interesting example of it. It is important to note that the chapter is symmetrical, in the sense that it deals with two differences – the Polish/German difference, and the Polish/U.K. difference. The chapter is assymetric, however, in that there is a great deal more within it about the first of these differences, the Polish/German difference, than there is about the second. This is because there is so much more to say. Lastly, culture and management in Poland is presented together with a discussion on the role of communism in that country, as well a culture and management in Germany, and United Kingdom. This is argued to serve as a useful background for further analysis in the study. The chapter ends with summary and conclusions.

3.2. A Historical Background.

3.2.1. Poland as a ‘heart’ of Europe.

Poland, with its 38.7m inhabitants⁹, is the third (after Russia and Ukraine) most populous nation in the area of Central and Eastern Europe¹⁰. Presently surrounded by Germany, the Czech Republic, Slovakia, the Ukraine, Belarus and Lithuania, it also ‘indirectly’ neighbours with Russia, through Kaliningrad which is a part of Russian territory (Hickson and Pugh 1995).

⁹ Source: Business Central Europe. The Annual 1998/99.

The location of Poland in that unstable part of Europe was the reason of its ‘appearance, disappearance and reappearance’ over the centuries (Hickson and Pugh 1995, p. 144). In the fifteenth and sixteenth centuries, for example, the area of Poland reached from the Baltic to the Black Sea. That period is also known as a ‘golden age’ in the Polish history, as Poland was a dominating country in the region at that time. The ‘roles’ were reversed in the later centuries though, when Poland ‘fell more and more under foreign control itself’ (Hickson and Pugh 1995, p. 144). Poland was particularly strong during the elective monarchy period, when it was the nobles who decided about the royal incumbent. It very often led to the pursuit of the narrow interests of the various European dynasties rather than those of the Poles. As far as the economic situation was concerned, in the fifteen to nineteenth centuries Poland shared the economic and political weakness of the cities of other countries of Eastern Europe. Moreover it experienced relatively longer period of feudalism, including serfdom, as well as the influence of autocratic nobility on blocking political liberalisation, and the spread of education to the peasantry, as well as the development of capitalistic property relations (Sachs 1993).

The year of 1797 marks the period of partitions in Poland, during which the country was practically ‘deleted’ (in terms of sovereignty) from the map of Europe. The country was divided between the Hapsburg Empire, Prussia, and Russia, and did not regain independence until the end of the First World War.

The separate development under the three ruling empires meant that after Poland became a nation once again in 1918, its first few years of independence were taken up almost wholly with the task of state building, and of knitting together a unified monetary, fiscal, and legal system from the disparate elements inherited from the 125 years of partition (Sachs 1993, p. 12).

Soon after, Poland lost its freedom again as the Second World War began in 1939 with the invasion by Nazi Germany. As Sachs put it this meant that:

[...] the new state never had a chance to get off the ground economically. The devastation of World War II (the worst in all of Europe) was followed by Soviet domination and the communist period. Once again, Poland was denied the chance to become a normal part of Europe [...] (p. 12)

¹⁰ Source: Business Central Europe. The Annual 1997/98.

The Russian-style communist political and economic system was implemented (Hickson and Pugh 1995). The Soviet Union transferred the power to the hands of their 'proteges', and made every effort to maintain them in their posts (Davies 1998). This system however resembled 'a plant cultivated on a foreign ground, and transplanted into a post-war Polish garden by the Soviet political gardeners' (Davies 1998, p. 583). In other words it did not really have its 'national roots' in Poland.

Moreover, the 'Moscow's People in Warsaw' (Davies 1998) did not really have much to offer, except a developing economic crisis in the country. The commonly known components of everyday life comprised bankruptcy of official ideology, corruption of administration, and deepening gap between the Party and the nation (Davies 1998). The constant feature of the system became a low level of productivity in industry, as well as deepening stagnation of living conditions (e.g., the failure of the programme for development of private farms that resulted in food shortages). In this scenery of growing chaos and disappointment, only a spark was needed to consolidate the mood of the people and to transform a little flame of disgruntlement into an open fire of demands for the reform of the system (Davies 1998). There were indeed several waves of strikes and protests against the government (e.g., 1956, 1970, etc), but they proved to be unsuccessful.

The event which strengthened Poles' national identity and dignity was undoubtedly the election (in October 1978) of Karol Wojtyla to become the first Polish Pope (Pronobis 1992). His visit to Poland in June the following year was another milestone in building up 'the spirit' of the year 1980. This date marks an official appearance of the labour union 'Solidarity' on the political arena, however its existence as an 'underground movement', dates from much earlier.

Although in 1981 martial law was imposed to try to shore up the regime, and the leaders of Solidarity were imprisoned, when 1989 arrived Poland was first with a non-communist prime minister and a government not controlled by Communists (Hickson and Pugh 1995, p. 146).

And this is what marked the beginning of political and economic reforms in the country, which have been continued by consecutive governments in Poland.

3.2.2. *The historical background of Germany.*

In population Germany is the largest country of Western, Central and Northern Europe, with over 80 million people. It has had one of the most checkered political histories of Europe in the last two centuries, although economically it has always found the capacity to perform strongly.

After the dissolution of the Holy Roman Empire, a German confederation and later a customs union were established in the early nineteenth century. During the course of that century, the Kingdom of Prussia to the north rose in importance, finally throwing of Austrian influence, defeating France and encompassing the remaining German States to create, in 1871, a German empire. So was formed a comparatively new nation - state, occupying the central land - mass of Europe but almost landlocked. The empire left many German - speaking peoples in the surrounding countries outside its domains, thus giving continual pressure for nationalistic expansion. In the twentieth century, these pressures led to the First World War, in which Germany and its allies were defeated. Then followed the rise of Hitler and the Nazis and defeat in the Second World War. After that war the country was divided for over forty years into a capitalist West Germany and a communist East Germany [...]. With the collapse of the communist system in the last decade, the country was reunified into a Western capitalist democracy (Hickson and Pugh 1995, p. 96).

3.2.3. *The historical background of the United Kingdom.*

[...] Britain is a 'United Kingdom' of three societies, English, Scottish and Welsh (and also Northern Irish) which had various degrees of separate nationhood before they came together under one monarch. All speak English, all are Anglo-influenced, but it is the English people who are most thoroughly Anglo. [...] England is not synonymous with Britain. This has to be said, since the rest of the world often confuses the two, even though the English do predominate, being 46 million out of a total population of 54 million. Theirs is one of the most densely populated lands on earth, and by far the most densely populated Anglo country.

Although England was itself within the Roman empire for four centuries, and though the Romans pushed many of the earlier Iberian and Celtic population into Wales and the westernmost extremities of England, the imprint of Roman occupation was comparatively light. The English, and the Anglos generally, take these labels by which they are known now from the Angles and the Saxons who came in the fifth and sixth centuries from what is now western and northern Germany and Denmark. They were followed by Vikings from Scandinavia and then, in 1066, by England's last invaders, who believed that they had a rightful title to the country, the Normans from what is now northern France. The feudal system they imposed is the origin of the pronounced social class structure today. In the twentieth century people emigrated from central Europe and, most recently, from the countries of the one - time overseas empire. But long before that, the earlier peoples had blended together to form the English who, as islanders, are oddities among the otherwise predominantly continental Europeans. The British, not just the English, are (with the Irish) the only Europeans to drive on the left, to have a non-proportional voting system and uncodified piecemeal national constitution, with police unarmed for daily duties, and

to speak of 'going to Europe' on their travels! It was all the British, and by no means just the English, who, being maritime, created that vast empire based on small sailing ships. And from its exploitation, together with coal and iron at home, sprang the extraordinary industrial revolution in which the British were prime movers in the eighteenth and nineteenth centuries. Britain produced more coal and iron, and had more shipping, than the rest of the world put together, and the pound sterling was the world's international currency. But during the twentieth century the empire dissolved, and Britain declined towards the bottom of the western European economic league table. Its manufacturers came to be seen as of uncertain quality and delivery. There was something of a revival on the 1980s when more business and more jobs were created (parallel with higher unemployment in a growing work population), and productivity improved as strikes receded (Hickson and Pugh 1995, p. 52-53).

3.2.4. *'Polnische Wirtschaft' - a historical background to Polish-German relations.*

The relationship between Poland and Germany is very close and intense. It is highly charged historically, as Polish-German interaction goes right back to the founding mythologies of Polish statehood. Consider for instance, the battle of Cedynia (972)¹¹, the Gniezno Alliance (1000)¹², or the thirteen years war between the Poles and the German Order of Teutonic Knights (1454-1466) (Kowalski et al. 1998). In more recent times, the structure of modern Polish-German relations is remembered through two particular eventful periods. The first of these was the invasion of Polish territory by Prussia (as well as by the Hapsburg Empire and by Russia) in 1772, and the subsequent partitioning of Poland into Prussian, Russian and Austrian spheres. As a result of these partitions Poland, as an independent political entity, disappeared completely from the map, and did not reappear until independence was regained after the First World War (1918). During this time a large part of Poland was under the Prussian rule, to the extent that it constituted 46,4 per cent of a total area of Prussia and 30 per cent of a total German territory (Luczak 1988). This Polish territory under Prussian partitions played quite an important role for German industrial regions as it was a natural supply of labour and agricultural and forestry products (Luczak 1988).

¹¹ The battle of Prince of Mieszko I and his brother Czcibor with German Margrave Hodon.

¹² Boleslaw Chrobry was officially recognised by Otton III (German Emperor) to be a sovereign ruler of Poland.

The second period began when Poland once again lost its independence, after German occupation, in the events that led to the Second World War, a period when Poland suffered particularly severely. The rapid breakup of the Nazi Empire also led to Poland's subjection to Soviet domination for most of the rest of the century.

The role of history and tradition in social relations has been pointed out by Chalasinski (1935) in his sociological study of Polish-German antagonism in a small industrial settlement in Upper Silesia. The author suggests that if one day the inhabitants of the investigated settlement could forget their traditions, then Poles and Germans would no longer be enemies. By extension one could argue that without certain events from the past, without the different traditions of both nations, the differences in perceptions simply would not exist. To wish away the past and tradition, however, is to try to wish away the world as we know it.

Although in the politics of the present day there have been several efforts to improve Polish-German relations (e.g., Treaty on Good Neighbour Relations and Co-operation in 1991), these historical events have left the two nations with a very specific attitude to one another. For example, during the partitions in Poland a stereotype of a 'German enemy' was created, which assumed antagonism as an unarguable fact. It was reflected in a popular saying: *'Jak swiat swiatem, tak Niemiec Polakowi nie bedzie bratem'* [*'As long as the world exists a German will never be a brother to a Pole'*] (Chalasinski 1935, p. 61). The German view was reciprocal, and is well-expressed in the referendum leaflet from 1921 (see Figure 3.1). This leaflet had the aim of persuading the population of a small part of Upper Silesia to vote for the accession of their region to Germany (Chalasinski 1935). Stereotypical images of Poles and Germans were used to present an unconditional dichotomy of these two nations. In this manner Germans were pictured as wealthy, proud, diligent and well-looked-after by the state (orderly, one might say, or rule-governed); this contrasted with the Poles, who were poor, inferior, violent and feckless (in other words disorderly).

It is, of course, arguable whether these ideas from long ago can be found relevant to the present day. As noted above, the issue, in Germany in particular, is sensitive and controversial. One can at least observe that echoes of these characterisations, from 80 years ago, can be readily found in popular humour in present-day Germany. In a typical German joke a Pole often appears as an ill-mannered idiot, a dirty fellow, a drunk, and a car thief (Cywinski 1997). The last image was even published in the form of a car sticker in the youth magazine *'Pop Rocky'*, whose text went as follows: *'Wie nennt ein Pole seinen Sohn: Klau's'* [*'What name does a Pole give to his son? Klau's'*] (source: Cywinski 1997). This is a play on words; in colloquial German *'klauen'* means 'to pinch/steal' something, and *'Klau's'* is an imperative form of this verb ('pinch/steal!') (Clark and Thyen 1995).

Apart from the jokes about Poles, the term *'Polnische Wirtschaft'* is commonly used in Germany. It is used to express the disorganisation and waste of the Polish (command) economy (Wilczynski 1998, Cywinski 2001). Attitudes like this presumably lie behind the results of the survey conducted by the European Commission among the citizens of the member states of the European Union regarding Polish accession. Germans were the second strongest opponents of accession, with the Austrians first (Cywinski 1999). Interestingly enough 'while opinions about Poles are deteriorating in Germany, in Poland the liking for Germans is increasing' (Cywinski 1997, p. 67). According to CBOS¹³ 'a stereotype of a German as the eternal enemy is being overcome'. In 1993 a liking for the Germans was declared by barely 23 percent of Poles, however by 1996 this number had increased to 43 percent. During the same period the aversion towards the 'Western neighbour' declined from 53 percent to 31 percent, according to the same source (Cywinski 1997).

¹³ Centrum Badania Opinii Społecznej (Centre for Research of Public Opinion) in Poland.

Figure 3.1: Unconditional Dichotomy of German and Polish Character.

Porównaj i głosuj! Vergleiche u.wähle!

Here Germany! Hie Deutschland!

 Chory robotnik niemiecki Der kranke Deutsche Arbeiter- robotnik	 Der kranke polnische Arbeiter- Chory robotnik polski
 Der deutsche Arbeiter im Alter Chory pracownik niemiecki	 Polnische Arbeiter im Alter Chory robotnik polski
 Der kranke deutsche Abgesandte Chory pracownik niemiecki	 Polnische Arbeiter Chory robotnik polski
 Niemiecki włościan rolny Deutscher Landwirtsbauer	 Polnische zapałtanie na starość Polnische Arbeiter Polski rolnik polny

Tu Niemcy!

The sick German worker

The German worker at old age

The sick German employee

Pension plan

German farmer

"Freedom"

Hie Deutschland!

 Pracownik niemiecki Der deutsche Beamte	 Pracownik polski, Podziemny robotnik Ein Hoch dem Kriege
 Ein Hoch der Arbeit! Zapomnieli dla bezrobotnych Ausbeutung	 Niesch żyć wojna! Geld oder das Leben
 Ein Hoch dem Kriege! Zapomnieli dla bezrobotnych Ausbeutung	 Zycie albo pieniądze Tu Polska!

Tu Niemcy!

The German civil servant

Long live work!

The Polish worker at old age

Unemployment benefits in Germany

The sick Polish employee

The Polish providing for old age

Polish farmer

**Wiec prawdziwa karika
głosowania jest następująca:
Also ist für jeden der folgende
Stimmzettel der richtige:**



Therefore your right vote is the following:
Germany

Adapted from Chalasinski J. (1935), Antagonizm Polsko-Niemiecki w Osadzie Fabrycznej 'Kopalnia' na Gornym Slasku. Studium Socjologiczne, Sklad Główny. Sp. Akc. Dom Książki Polskiej w Warszawie, pp. 61-62.

3.2.5. 'Brothers in Arms' - a historical background to Polish-British relations.

The relationship between Poland and the United Kingdom is much less close and intense than the one between Poland and Germany. Poland and Great Britain are often considered to be quite distant from one another as far as the cultural affinity is concerned. For example in Hickson and Pugh (1995) Poles are classified as East-Central Europeans, and British as Anglos, have been placed quite apart from one another in the culture diagram (p. 44). The same is true in case of their geographical location. Therefore in order to achieve a better understanding of the material presented in this study, a section on where Poles and British could take their ideas about each other from is needed.

As it will be presented in the subsequent chapters, the executives from both countries had admitted a certain degree of unfamiliarity between Poland and Great Britain. This view corresponds with several secondary sources. As pointed out in an article of a popular Polish weekly '*Wprost*':

Although London is two hours away from Poland by plane, in the awareness of average British people we are a country situated somewhere in the area of the Polar Circle, Westwards of the Ural Mountains. It maybe due to a relatively poor knowledge of geography by the 'islanders', or maybe due to linguistic associations. In English a *Pole* (Polak) also means *biegun* (a geographical term¹⁴). The workers associate our country with 'the war with Hitler' in which the British participated 'because of the Poles'. Apart from that, Poles are treated in 'an English manner', meaning without any passion, and as any other nation (translated from Cywinski 1999, pp. 27-28).

A mutual lack of knowledge of Britain has also been observed in Poland. For example Sword (1989) mentioned this phenomenon in relation to the period after the First and before the Second World War in Poland:

Knowledge of Britain amongst the population of inter-war Poland was scanty, and was generally restricted to a reading of English literature classics at school. Few people learned to speak English. In the multi-ethnic and largely multilingual republic, French was the natural choice for those wishing to study a further language – followed by German, Russian or Italian. With all these nations, the Poles had greater political, trade or cultural ties than with Britain. Of the political exile settlement of the 1940s, the few Poles to have had any contact with Britain before the war were diplomats, those engaged in trade or academic life (p. 390).

¹⁴ The northern- or southernmost point on the earth axis.

However, despite this degree of unfamiliarity, one needs to be aware that Poles and British do share common history. Starting for example from the Second World War, through The Polish Government-in-Exile in London, and a large influx of Polish immigrants to Britain over the centuries. As for the Second World War, Poland was one of the major allies of British fighting Nazi Germany.

Apart from their outstanding participation in the Battle of Britain, Polish airmen based in Britain played a prominent role in the bombing offensive against Germany, in the campaigns against the V1 and V2 rockets, and in the Normandy landings. Polish navy ships, which had fought at Narvik, took part in the long Battle of the Atlantic (1941-3) and later in the Atlantic convoys (Sword et al. 1989, pp.52-54).

Moreover, Great Britain in 1940 had welcomed the Polish Government-in-Exile, after it had to flee Poland, and then its provisional location in France. One should also not forget the Yalta and Potsdam Agreements (both in 1945), as well as the Teheran Conference (1943), when the Allied Powers (Great Britain, Russia, and USA) had determined the post war fate of Poland¹⁵, and 'contributed' to a division of Europe into American and Soviet sphere of interest.

The exiled Government denounced the Yalta agreement on Poland on 13 February 1945, describing it as a fifth partition of Poland¹⁶, now accomplished by her Allies (Sword et al. 1989, p. 179).

Another important link between Poland and Great Britain is a large stream of Polish visitors and migrants over the centuries.

It is simply not known who was the first Pole to migrate to Great Britain. But the search may well begin as far as the early eleventh century [...] However it was not until the middle of the nineteenth century that one can really talk of an establishment of Polish community in Great Britain (Sword et al. 1989, p. 17).

This community was strengthened by other waves of immigrants from the times of the First and Second War, and all the post war period up to the present. Sword et al. (1989) in the study of the Polish community in Great Britain, cited two statements, which reflect a Polish attitude (the first one), and a British one towards one another:

¹⁵ The agreement regarding Poland favoured its Eastern border to be moved westwards in accordance with Russian demands, and without the consent of the Poles.

¹⁶ The fourth one being Russian-German invasion of Poland in September 1939.

Are they to strike their roots among these strange, unwilling people, who have everything the other way round, starting from the language in which you cannot differentiate the words, and finishing with the houses – barricaded fortresses in which some peculiar existence is concealed (translated from Kowalska 1980, p. 13, in Sword et al. 1989, p. 390).

Poles are very awkward customers. They are apt to treat as questions of political principle points which would seem to you or me little more than matters of administrative detail (Foreign Office official, P. Hancock, February 1947, in Sword et al. 1989, p. 342).

According to several sources (e.g., Sword et al. 1989, Gajdzinski 1999, Bawolec 2000) the British attitudes towards Poles had appeared in waves of great liking (e.g. War ally with Britain), antipathy (e.g., Polish disagreement with Yalta agreement) and indifference (e.g., Labour Government of the present).

As long as the sentiment of elder generation of the British to Poland and Poles existed, which originated from the years of the Second World War, it was reflected in the politics of the United Kingdom. Big liking of our country was displayed by Margaret Thatcher, and many members of her cabinet had Polish Friends - ex-servicemen from the Battle of England [...]. For the government of Tony Blair Poland is simply one of the partners on the East of Europe, which in several years time may become a member state of the European Union (translated from Gajdzinski 1999, p. 100).

One can also observe certain signs of a positive transformation of Polish image in Great Britain in an article of 'Financial Times' entitled 'Not a Victim Anymore', which discussed the increase of self-esteem and confidence among the Poles (Cywinski 1999). According to Davies (1998) for a British person who visited Poland, this country can bring certain familiar associations:

For a newcomer from an Anglo-Saxon country there is an unmistakable scent of Ireland in a Polish atmosphere (and this is not because of a remark by certain great professor that Poland and Ireland are the only catholic countries in the world, where the inhabitants feed on potatoes and vodka). Both [these countries] are full of erratic anomalies. Most of the Poles are 'against' already by nature (translated from Vol. 2, p. 672).

The Polish opinion of the British nation, had also varied in history, from the solidarity with the War Ally, through admiration for the economic success of Great Britain (e.g., Polish adoption of so called 'the British model' of privatisation, see also 'A Miracle Over Thames' by Bawolec

1999) to anger and disappointment. The latter one caused by the reporting of appalling treatment of Poles on the British border¹⁷ (Gajdzinski 1999, Bawolec 2000).

3.3. A framework of Ethnic Oppositions.

3.3.1. *Teutons and Slavs.*

After discussing the nature and historical background of relations between Poland and Germany, and Poland and the United Kingdom, let us now focus, in this and subsequent sections, on the anthropological explanation of these interactions. In order to achieve this we will apply the framework of ethnic oppositions proposed by Chapman (1992a).

Chapman (1992a) discussed the meeting of a centralising and colonising people with its own periphery. It concerned the way in which the many differences between centre and periphery were expressed in terms of ethnic oppositions – oppositions expressed in imagery, metaphor, writing and action. The particular ethnic group on which this earlier study focussed was the people popularly known as the Celts. The Celts, and the picture we have of them, were shown to have grown out of the activities and perceptions first of the ancient world (the Greeks in contact with their northern barbarian neighbours, the Romans in contact with the Gauls and the Britons), and then of mediæval and modern Europe (as the centralising polities of England and France came into contact with the Celtic-speaking peoples of the modern period – the Scots, Irish, Welsh, Cornish and Bretons).

Chapman commented, in his introduction to this work, that the relationship between the English and the Celts, as popularly expressed, bore a strong resemblance to other core/periphery ethnic relationships. In particular, he drew attention to the opposition between Northern European and Southern European (or Germanic and Latin), and the opposition between Germanic and

¹⁷ On average, three out of ten Polish citizens (source: Gajdzinski 1999) with valid entry documents are refused entry to Great Britain in the port of Dover.

Slavonic. The latter can be expressed in particular in one of the most vital and local of such contrasts, that between Germany and Poland. As Chapman wrote in 1994:

The confrontation of German and Slav has had a long sometimes bitter history (see Czubinski and Pajewski 1987, Burleigh 1988, Sugar and Lederer 1969); it is a confrontation which has been strongly economically marked for most of the last two hundred years – by relative prosperity, through differential political rights, by occupational differences, by the Capitalist–Communist divide, and now by the frontier of the European Community, with its tacit line between the ‘haves’ and the ‘have-nots’ (p. 244).

The ideas of ‘opposition’, and ‘symbolic opposition’, are much drawn upon below, as ways of explaining how ethnic groups define and understand one another. Such ideas are drawn from the literature of structural, semantic and symbolic anthropology, (see: Evans-Pritchard 1956; Leach 1961; Levi-Strauss 1962; Douglas 1966; Ardener 1971; Crick 1976; Parkin 1982). The application of these ideas to ethnic definition and self-definition was discussed by several authors (see, for example, Ardener 1972; Le Page and Tabouret-Keller 1985; Tonkin *et al* 1989, Chapman 1992b). A particularly telling example, is provided by Forsythe (1989), in a discussion of German identity.

3.3.2. *Core/periphery ethnic relationships.*

In order to pursue the idea of core/periphery ethnic relationships the relevant argument from Chapman’s (1992a) work needs to be briefly summarised. The Celts are typically recorded in history from the perspective of other people. *All* peoples have a strong tendency to characterise themselves as orderly, civilised and properly human, and to regard other surrounding peoples as failing to achieve these virtues, often spectacularly. The ethnographic record from all over the world is rich in examples. Any cultural differences can be used as material for the construction of differences in this domain – notable, however, are issues to do with food preparation and diet, dress, sexuality and kinship, conventions of non-verbal communication, and so on. Oppositions constructed from material of this kind have an inherent moral equality: Group A thinks harsh things of Group B, and Group B thinks equally harsh things of Group A (both, for example, in all likelihood think of the other as ‘unruly’, to suggest only one of the more central metaphors). In many cases, however, the historiographical record is strongly biased towards one series of

accounts rather than the other. This is certainly the case with the Roman/Celtic and English/Celtic oppositions. When we inspect the record, we find a picture of the Celts constructed as the ‘other’ of those doing the recording. Thus, a picture is created from a series of oppositions something like this (Figure 3.2):

Figure 3.2: Self / Other – the basic oppositions

Self	:	Other
Rule	:	Disrule (absence of rule)
Order	:	Disorder
Culture	:	Nature
Human	:	Animal
Controlled	:	Uncontrolled
Lawful	:	Lawless
Clean	:	Dirty
Reason	:	Unreason
Intellect	:	Emotion
Constant	:	Inconstant
Modern	:	Backward
Progressive	:	Regressive

(from Chapman, 1992a, p.210-11).

One could extend this list of oppositions to include some other analogies, which are also very relevant to the current study (e.g., individual : group, conscientious : irresponsible, honest : dishonest, diligent : lazy, wealthy : poor). The adapted figure from Chapman (1992a, p. 210-11) has been presented below (Figure 3.3):

Figure 3.3: Self / Other - extended basic oppositions.

Self	:	Other
Rule	:	Disrule (absence of rule)
Order	:	Disorder
Culture	:	Nature
Human	:	Animal
Controlled	:	Uncontrolled
Lawful	:	Lawless
Clean	:	Dirty
Reason	:	Unreason
Intellect	:	Emotion
Constant	:	Inconstant
Modern	:	Backward
Progressive	:	Regressive
Individual	:	Group
Conscientious	:	Irresponsible
Honest	:	Dishonest
Diligent	:	Lazy
Wealthy	:	Poor

The ‘self’ which is doing the writing is the one whose picture is recorded. The picture of the ‘other’ constructed through this series of oppositions is almost entirely negative. Another turn in the argument is required for completeness. We can cite Chapman’s earlier work verbatim:

With the intellectual revolution that we call romanticism, the entire system of oppositions listed above undergoes a subtle metamorphosis. What I have called the ‘centre’ continued to characterise itself by the left-hand column, and the ‘periphery’ by the right-hand column; but the balance of virtue shifted. Where previously goodness had resided on the left margin, romanticism shifted it to the right. As it did so, new adjectives appear which, while expressing the same series of oppositions, also express the new moral valuation. The list above, therefore, acquires a new series of glosses from the romantic reappraisal (the original list is in parenthesis, Figure 3.4):

Figure 3.4: Self / Other – the Romantic Reappraisal

<i>Self</i>	:	<i>Other</i>
Constraint (rule)	:	Freedom (disrule, absence of rule)
Predictable (order)	:	Unpredictable (disorder)
Artificial (human)	:	Natural (animal)
Urban (culture)	:	Rural (nature)
Reserved (controlled)	:	Impulsive (uncontrolled)
Formal (controlled)	:	Informal (uncontrolled)
Conventional (lawful)	:	Unconventional (lawless)
Sterile (clean)	:	Fertile (dirty)
Calculation (reason)	:	Imagination (unreason)
Measurement (intellect)	:	Passion (emotion)
Dull (constant)	:	Exciting (inconstant)

(Chapman, 1992a, p.212)

Similarly to Figure 3.2 one could supplement this list of oppositions with the same characteristics of ‘self’ and ‘other’, and give them the romantic reappraisal (Figure 3.5).

Figure 3.5: Self / Other - extended Romantic Reappraisal.

<i>Self</i>	:	<i>Other</i>
Constraint (rule)	:	Freedom (disrule, absence of rule)
Predictable (order)	:	Unpredictable (disorder)
Artificial (human)	:	Natural (animal)
Urban (culture)	:	Rural (nature)
Reserved (controlled)	:	Impulsive (uncontrolled)
Formal (controlled)	:	Informal (uncontrolled)
Conventional (lawful)	:	Unconventional (lawless)
Sterile (clean)	:	Fertile (dirty)
Calculation (reason)	:	Imagination (unreason)
Measurement (intellect)	:	Passion (emotion)
Dull (constant)	:	Exciting (inconstant)
Alienation (individual)	:	Belonging (group)
Pedantic (conscientious)	:	Maverick (irresponsible)
Credulous (honest)	:	Smart (dishonest)
Fussy (diligent)	:	Care-free (lazy)
Overindulged (wealthy)	:	Humble (poor)

(Adapted from Chapman, 1992a, p.212)

The first list, above, is, as already noted, one in which the ‘other’ is constructed out of almost uniformly undesirable characteristics. We can see easily enough that this is an argument made from one side only, and that no people is ever likely voluntarily to characterise itself using terms from the ‘other’ side of the oppositions. The second list, however, with glosses derived from the romantic reappraisal of primitive naturalness, allows an entirely desirable picture to be drawn from the images of ‘otherness’, and casts an undesirable and dreary pall over the ‘self’. It is from these ideas that most modern British people construct their idea of the modern Celts. It is important to note, however, that the ‘other’, while desirable, is still somebody else’s construction; the ‘self’, dull or not, is still in the metaphorical driving seat.

3.3.3. *Germans and Poles.*

The metaphors invoked above, drawn from the Anglo-Saxon/Celtic contrast have at least some applicability in the German/Polish context. Just as the English speakers have dominated the telling of history in the British Isles, so too have the Germans dominated the philology and historiography of central Europe. According to Krasuski (1987) for example modern historiography reconstructed the course of Polish-German relations during the very beginning of Polish statehood almost exclusively based on German sources. The first written remark about existence of a Polish state was made by a Saxon chronicler Thietmar (deceased in 1018), and it regarded subjecting Prince Mieszko I to the power of the German Emperor. Later on the same chronicler called the official recognition of Boleslaw Chrobry by Otton III (German Emperor) as a sovereign ruler of Poland, ‘making a tributary [trybutariusz] to be a lord’ (Krasuski 1987).

Moreover, the Germans took Christianity to the Slavs; this was, indeed, the source of the founding events of Polish nationhood. Christianity, a formal system of rectitude, written and recorded, has always been a force giving powers of definition to those that wielded it, and from the first the Germans were, in a sense, a step ahead of the Slavs. Popular thought in central Europe often produces images of civilisation in the West (where Germany is the West), which progressively dissipates towards the east. This is a popular idea within Poland as well, where,

for example, Poznan in the west looks down upon Bialystok in the east, and Bialystok in the east is glad, at least, that it is not in Belarus. The passage of many elements of what now look like ‘modern’ ideas and technologies, from west to east, has tended to confirm this picture over the centuries.

The metaphorical oppositions already listed have, therefore, been a fertile ground for the construction of ethnic characterisations of Germans and Poles, particularly from a Germanic perspective. This idea seems to be supported by Cywinski (2001, p. 90) who wrote: ‘Nothing can be associated worse in Germany than words starting from the prefix *Ost-* (East)’ as it symbolises ‘backwardness, despotism, barbarity and dullness’.

Some of the structures of opposition expressed by the list of oppositions can be built into the very different post-war experiences of (West) Germany and Poland. (West) Germany experienced the post-war miracle, a period of spectacular economic growth, and restoration of prosperity and civil society. Poland, by contrast, experienced forty-five years of central planning, with the gradual revelation of the inherent weaknesses of this vast experiment. The economy of Poland, the entire consumer and industrial fabric, grew in many obvious respects increasingly ramshackle over this period.

3.3.4. *Ethnic oppositions and ‘German-ness’*

Forsythe (1989) discusses the concept of ‘German-ness’, what a German is, and how Germans define themselves in relation to others. She argues that German perception of Germanness is built up out of metaphors of opposition, where foreigners of various kinds are accorded qualities different to those of the Germans. German-ness, in her account, is associated with order, and with qualities regarded as positive - cleanliness, stability, whiteness, Christianity, familiarity, and reliability. Foreign-ness, by contrast, is associated with disorder, and with negative qualities such as dirtiness, instability, darkness, and non-Christianity. However the distinction between *Deutsche* and *Auslander* is not clear-cut, and there are many shades of grey:

[...] between these two categories lies a kind of no-man's-land along the continuum in which are placed foreigners who are neither *Auslander* in the usual restricted sense, nor *Deutsche*. These anomalous foreigners are seen as having characteristics somewhere between Germaness and foreignness, being quite similar to Germans at the Dutch end and quite similar to *Auslander* at the French end (Forsythe 1989, p. 151).

The problem is a sensitive one, of course, because the ethnic characterisations of popular discourse were grown, in the 20th century and in Germany, into racial and would-be scientific characterisations whose basis and intent now seems unequivocally evil. Nazi Germany put into operation the idea that the Slavonic peoples (as well as others) were less-than-human, and could be treated accordingly. The first list of oppositions presented in Figure 3.3 of this chapter, forms an instant tool-kit for the creation of such ideas. In some respects the simple perceptual issues which lie behind such ideas, can be argued to be still in existence.

According to Chapman and Gajewska-De Mattos (2000) peoples in positions of dominance (dominance variously and at once structural, moral, symbolic, political, and so on) construct others as inherently 'disorderly'. We have seen some pre-1939 evidence for this from Germany, and we have noted the way in which such ideas were put to use within the racial ideologies and practices of Nazi Germany. Germany since 1945 has made a sustained and profound attempt to renounce the Nazi past, and to recreate itself as a model member of the community of nations. It is potentially controversial, therefore, even perhaps wounding, to seem to argue that there is, in terms of inter-ethnic perception, any continuity between the Germany of the 1930s, and the Germany of the early 21st century. The matter is complex, and not susceptible to full discussion here. We can surely argue a case for great changes in public opinion in this domain; ideas that were fashionable in Germany in the 1930s, are unfashionable and publicly disdained today. We can surely also, however, argue a case for some degree of continuity, covert and disguised though this continuity might be. The work of Forsythe, for example, clearly expresses popular metaphors of definition and self-definition, which readily mesh with those from an earlier period; and Forsythe's work was based upon fieldwork carried out in the early 1980s. One has to remember however that characterisations of 'self' and 'other', using oppositions of the kind

discussed here, are found in inter-ethnic characterisations everywhere where such characterisations are created and discussed; they are not a German property.

Forsythe (1989) argues that although twentieth century Germany is well defined as a geographical and political entity, the category of being German has not been clearly identified.

The author gives the following reasons behind that phenomenon:

Over the past century, Germans have been exposed to a series of explicit but conflicting national ideologies. Under Bismarck, Wilhelm II, and Hitler, the State attempted to promote German nationalism. After the Second World War, the Allies instituted the programme of 're-education' and 'denazification' designed to destroy German nationalism, substituting an image of 'the good German' as a non-nationalist. As people attempt to clarify their feelings about being German, they confront layer after layer of contradictory images of what they have been told they are and ought to be. In recent years public interest in coming to terms with this issue has sparked a good deal of discussion in the Federal Republic on various aspects of the so-called German question (Gaus, 1983; Haussling et al., 1985; Weigelt, 1984) (p. 138-9).

3.4. Culture and management in the countries under investigation.

We have already looked at the literature on culture and management from a general perspective in the previous chapter (Chapter 2), and we have argued that transaction costs, and trust are culturally variable. In this section we will look these issues from a specific perspective of the countries of interest in this study.

3.4.1. Polish culture and management.

Polish managers are often described as 'looking for an authoritative lead whilst being individualistically suspicious of it' (Hickson and Pugh 1995, p. 146). According to Podgorecki (1993) 'Polish Psyche' consists of two souls: one belonging to Polish nobility, 'displaying an attitude of spectacular principledness'¹⁸ and another to the largest social stratum, the peasantry with its 'fiddling attitude of survival' (pp. 25-26). It is also characterised by a 'mysterious inability to achieve a desired goal' (p. 27), generated by several factors:

¹⁸ '[...] The attitude which not only approves of given norms and values for their own sake, irrespective of circumstances, but which also celebrates certain norms and values because they are considered sacred and symbolically significant' (Podgorecki 1993, p. 24).

These include the lack of enthusiasm to work in a disciplined way (traits of the intelligentsia as the successor of nobility), disinclination toward co-operation (again, the nobility's individualism), pressure to accomplish the preconceived plan (pragmatic traits of the peasantry), tendency toward accumulation of material goods (coming from the Polish underdeveloped middle class), sectorial ideological demands (postulates of the Polish underdeveloped working class) and the 'bifurcation' of contradictory currents of teachings of the Catholic Church and teachings of Marxism which materialised in the form of 'real socialism' (p. 27).

Another basic attitude of the Poles discussed by Podgorecki (1993) is 'instrumental attitude', which 'on the basis of subjective evaluation of profits and losses, [...] accepts those norms which appear to be convenient for the attainment of changeable aims' (p. 29). This particular life orientation in a form of 'claim-oriented' attitude is considered by the author to be one of the products of the socialist system.

A very useful tool for defining cultures was designed by Hofstede (e.g. 1994b), which I referred to earlier on in this thesis, however his initial IBM study did not include countries from the former communist countries (including Poland). Nasierowski and Mikula (1998) conducted the estimates of the Hofstede's (2001) study, Poland is an individualist (index = 60) and masculine (index = 64) country with a large power distance (index = 68), strong uncertainty avoidance (index = 93), and a weak long term orientation (index = 32). Based on these estimated dimensions, and following Hofstede (1994b), one can identify the family, school and work values attributed to the Polish culture. They have been summarised in Table 3.1 below.

Table 3.1: Family, school and work place in Polish culture.

	large power distance	individualistic	masculine	strong uncertainty avoidance	weak long term orientation
In the family	Children educated towards obedience to parents Parents treated as superiors.	Education towards 'I' consciousness Private opinion expected Obligations to self: - self-interest - self-actualisation - guilt	Stress on achievement Competition Resolution of conflicts by fighting them out	What is different is dangerous Higher anxiety and stress Showing of aggression and emotions accepted	Immediate gratification of needs expected Traditions are sacrosanct Family life guided by imperatives
At school	Teacher-centred education (order) Learning represents personal 'wisdom' from teacher (guru)	Permanent education Learn how to learn	Best students are norm System rewards students' academic performance Student's failure at school is a disaster - may lead to suicide	Students comfortable with: - Structured learning situations - Precise objectives - Detailed assignments - Strict time tables Teachers should have all the answers	Short term virtues thought: social consumption
At the work place	Hierarchy means existential inequality Subordinates expect to be told what to do Ideal boss is benevolent autocrat (good father)	Same value standards apply to all: universalism Other people seen as potential resources Task prevails over relationship Calculative model of employer-employee relationship	Assertiveness appreciated Oversell yourself Stress on careers Decisiveness	Emotional need for rules - written or unwritten More formalisation and standardisation	Spending The bottom line Analytic thinking Fuzzy problem solving

Source: Adapted from Hofstede (1994b) and Hofstede (2001).

As we can see from the table above, relatively high power distance in Poland among the others implies the need for hierarchy, and obedience towards superiors. It also means that in such a society free exchange of information is discouraged. As already discussed in Chapter 2, in such a society one cannot trust strangers, and does not share information with them. The transaction costs of doing business in such a culture can be perceived as high. Similar implications can be drawn from strong uncertainty avoidance score in Poland. Strong uncertainty avoidance means an emotional need for written or unwritten rules, and require high formalisation and standardisation, and this increases the perceived transaction costs on doing business in such a country.

Polish need for authority and clearly specified rules have been extensively discussed in the management literature (e.g., Kiezun 1991, Podgorecki 1993, Jankowicz 1994, Hickson and Pugh 1995, etc). It was presented as a result of several factors. Firstly, one could argue that it originates from the phenomenon of socialist bureaucracy, which determined 'a clerk mentality' of Poles, who would accept hierarchy, and perform strictly defined activities in a formalised system (Kiezun 1991). Secondly, as suggested by Jankowicz (1994) it could go back in history as far as to the fourteenth century Poland, where the ethos of noblemen (*szlachta*) achieved incredible popularity. Consider the following quote from the work of this author:

The Polish manager takes his or her definition of authority from this Polish tradition, then, rather than as an immediate consequence of a political regime. [This definition] can be summarised as follows:

- There is a tendency for authority to fragment.
- The greater the power of more centralised authority, the greater the likelihood that fragmentation will be prevented [...].
- Legitimate authority may or may not lie at the centre; indeed, it may arise either as a result of foreign influences, or in resistance to those influences. In any event, it is the local representative who must make it work.
- Equally, it is the local representative who can stop things happening if he has reason to do so and the wit to avoid retribution.
- Nobility is the birthright of everyone, but noblesse does not necessarily oblige.
- Since Poland continues to survive, despite the history of misrule or indeed, no-rule, it seems that authority can be effective even in confined to the level of behavioural conformity, regardless of such issues as the winning of hearts and minds ...

... or, indeed , such western concepts of socialisation as the mechanisms of identification and internalisation as used in organisational and management development (Jankowicz 1994, p. 27).

Jankowicz further explains:

To a Pole, the management style, which we call 'autocratic' represents the responsible, paternal and hence ultimately protective stance without which the enterprise might easily fragment. It makes sense, therefore, to ask about the situational contingencies under which an appeal to authority might be more or less effective, and in what circumstances participation, seen not as some benevolent delegation of authority, but as an outcome of a competition for power and responsibility between the manager as *primus inter pares* and his or her subordinates, is likely to be effective (p. 27).

It might also have to do with the fact that Poles consider themselves incurable romantics, who saw Poles as a nation 'destined to succeed'. Poles need the authority and coaching because they believe themselves to be 'the chosen nation'. This tendency to live in the world of illusions is seen by Podgorecki (1993) as a result of traumatic national events, especially the loss of

independence in the eighteenth century. In his view taking refuge in illusion is a Polish way of explaining harsh realities through legends of undeserved suffering (especially in the light of the country's glory in previous centuries). These attitudes encourage a conviction that 'each grief should be compensated', and that one can expect an intervention 'from above/outside' (p. 20). This can also be related to the strong Catholic tradition in Poland.

Poles also display a tendency of working in a networking system (Podgorecki 1993). The same author argues that although this phenomenon was very strong under the communism it was not 'a product' of that era. Its 'prototype' was the ethos of the Polish 'noblemen-brothers' back in the fifteenth century, when each official institution served as a semi-formal network for a number of mutual private interests and reciprocal arrangements among the noblemen. However, just to show how what 'size and shape' this phenomenon might achieve, here is an example from a more recent past:

In 'socialist' Poland this phenomenon may appear in diverse forms: for example, the acceptance into a medical school of someone's daughter in exchange for the opportunity to buy usually unobtainable cement for building a house; the privilege of immediately buying a car in exchange for the admission of someone's elderly aunt into a well equipped, specialised hospital; the possibility of spending vacations in a coastal resort as a reimbursement for a favourable review of a Ph.D. thesis, and so on. In this situation the formal legal network, irrespective of its own questionable efficiency, becomes a very precious cover scheme. Therefore after a while, individuals operating inside this system may even start to support this legal matrix to secure their vested interests. This actually happened in the case of 'real socialism' (Podgorecki 1993, p. 18).

And finally, Kostera (1995) argues that the social role of the manager in Poland is changing and becoming much more attractive. The author describes the alternative ways in which managers and enterprises respond to changes in Poland. In this respect she identifies three types of managers and enterprises 'lined up along two axes, on a continuum from a focus on political activity to a focus on economic activity, and varying degrees of competitiveness with the environment (p. 648). These three types are namely: the strongly politically preoccupied manager - the Political Gamesman; the strongly economically minded Marketeer; and the other - the Janus. The enterprises in which these roles are represented were called by the author: the Empire, the Market Tiger and the Chameleon.

3.4.2. *The Role of Communism in Poland.*

In the previous section, pertaining to the main characteristics of Polish culture and management, we have presented several key characteristics of the Polish character as specified in the management literature. The issue that emerged quite strongly from this short review was the fact that several characteristics attributed to the Poles seemed to be interpreted as a direct consequence of the communist system in Poland. Furthermore, as it will emerge later on in the chapters directly related to the analysis of the data, the interviewed Polish and British executives themselves often gave similar to this one explanation of the main features of the Poles. This was in contrast with the German interviewees' statements who did not see Poland as affected by the communist system at all. Based on the above, one could ask oneself a question to what extent Polish society absorbed the values of over forty years of communist ideology.

The issue of communist influence on the Polish psyche has been widely discussed in the literature (e.g., Hickson and Pugh 1995, 1997, Jankowicz 1994, Kiezun 1991, Kostera 1995, Kostera and Wicha 1996, etc.). Several authors (e.g., Jankowicz 1994, Hickson and Pugh 1995) claim that Poland was one of the least receptive countries to the communist ideology. Also Stalin had once remarked to Churchill that: 'Communism for Poles is like a saddle for a cow' (Hickson and Pugh 1995, p. 146). Kiezun (1991, p. 145) states three reasons of this unsuccessful implementation of communist system in Poland. The first one, referring to a low level of country's industrialisation (against the Marx assumption that 'the socialist revolutions would occur in countries with a great industrial potential and a strong class of workers'). The second, arising from cultural characteristics of the country with the tradition of individualism, democracy and personal freedom. And finally, strong Catholic traditions in Poland (against the atheistic values of communist system).

Kostera and Wicha (1996) present slightly different view on the subject. They discuss the influence of communist system on the example of the culture of organising in the State Owned Enterprises (SOEs). According to these authors the old cultural patterns from communist times

survived in organisations of the present, and that they hinder the process of change in these organisations. Using a psychological metaphor Kostera and Wicha (1996) showed that the communist system favoured the emergence of a culture which was split into two,

Responding to two different logics in the political and in the economic spheres, respectively. The SOE was, actually, 'two organisations in one': one 'introvert' and one 'extrovert' (p. 96).

An introvert organisation pertained to economic activity of business organisations, and an extrovert one was related to political dimension of its activity. The main norms and values of this divided culture have been presented in a Table 3.2 below.

Table 3.2: Introvert/Economic and Extrovert/Political Dimension.

Norms and Values of Divided Culture	
Economic Dimension (introvertism)	Political Dimension (extrovertism)
<ul style="list-style-type: none"> - aversion to risk taking - aversion to active participation in environment - 'inner life' oriented - isolation (in terms of communication with the economic environment) 	vs. <ul style="list-style-type: none"> - willingness to take political risk - willingness to participate in political environment - openness to political communication

Source: Kostera and Wicha 1996, p. 96.

The authors argue that such a contradicting cultures within single organisations caused a lot of distress among the managers who had to cope with them on a daily basis. From an economic perspective they were evading to take risk and responsibility, and to actively participate in the environment, therefore displaying introvert features. On the other hand, the political reality was forcing them to display totally opposite, extrovert characteristics which meant undertaking political risks, and full participation in the political environment. Moreover:

[...] The efforts of the regime to implant the 'right consciousness' into peoples' minds, together with concrete living conditions, inevitably had an effect on personality structures - 'even if not the one intended' (Rottenburg 1994, p. 80 cited in Kostera and Wicha 1996, p. 97).

[...] Over the years, people learn to act in certain ways by repeating reactions and interpretations (Kostera and Wicha 1996, p. 102)

In this respect people still display several characteristics already discussed in Table 3.2. Also in this respect, the economy is still to a great extent dominated by the politics, as it was in the past¹⁹, and the current pre-election situation in Poland serves as an illustration of this:

Voters aren't too worried about party policy, it seems. If they like God and families, and hate the ex-communists, then they vote for right - wing parties (Business Central Europe, June 2001, p. 54).

Quite a useful tool in our attempt to evaluate the influence of communism on the Polish psyche could be a power distance dimension from Hofstede's framework (1994b). According to Hofstede (2001), the estimated power distance index in Poland was relatively high, namely 68. Following a definition of power distance this would mean that there is a high extent to which less powerful members of organisations and institutions in Poland accept and expect the power to be distributed unequally. This would mean that Poles would always expect to have a dominant ruling elite in power, and in the period just after the Second World War this ruling elite happened to be communist officials. Nowadays the old ruling elite has been replaced by consecutive governments, which were however elected democratically.

3.4.3. *German culture and management.*

Let us take look at German culture using Hofstede's framework (1980, 1994a, 1994b). The scores for his five dimensions of culture for Germany were the following: power distance 35, uncertainty avoidance 65, individualism 67, masculinity 66, long term orientation 31. Based on the above scores, one can conclude that Germany is an individualistic, masculine, country with a small power distance, relatively strong uncertainty avoidance (however not as high as in Poland for example), and weak long term orientation. Typical characteristics attributed to this type of culture have been summarised in Table 3.3 below on the example of values pertaining to family, school and work place.

¹⁹ 'In the socialist society, where the basic means of production are the property of the society, the principles of management are determined by highest authorities; the principles of democratic centralism formulated by Lenin, one - person leadership and the participation of the working classes in management are assumed to be fundamental' (Polish Encyclopedia of Organisation and Management 1981, cited in Kostera and Wicha 1996, p. 84).

Table 3.3: Family, school and work place in German culture.

	small power distance	individualistic	masculine	strong uncertainty avoidance	weak long term orientation
In the family	Children encouraged to have a will of their own Parents treated as equals	Education towards 'I' consciousness Private opinion expected Obligations to self: - self-interest - self-actualisation - guilt	Stress on achievement Competition Resolution of conflicts by fighting them out	What is different is dangerous Higher anxiety and stress Showing of aggression and emotions accepted	Immediate gratification of needs expected Traditions are sacrosanct Family life guided by imperatives
At school	Student-centred education (initiative) Learning represents impersonal 'truth'	Permanent education Learn how to learn	Best students are norm System rewards students' academic performance Student's failure at school is a disaster - may lead to suicide	Students comfortable with: - Structured learning situations - Precise objectives - Detailed assignments - Strict time tables Teachers should have all the answers	Short term virtues thought: social consumption
At the work place	Hierarchy means an inequality of roles, established for convenience Subordinates expect to be consulted Ideal boss is resourceful democrat	Same value standards apply to all: universalism Other people seen as potential resources Task prevails over relationship Calculative model of employer-employee relationship	Assertiveness appreciated Oversell yourself Stress on careers Decisiveness	Emotional need for rules - written or unwritten More formalisation and standardisation.	Spending The bottom line Analytic thinking Fuzzy problem solving

Source: Adapted from Hofstede (1994b), and Hofstede (2001).

Trompenaars and Hampden-Turner (1993, 2000) use their seven dimensions to characterise German managers. They are classified as universalist, integral, communitarian, inner-directed, achievement oriented, egalitarian, and sequential. Furthermore the authors discuss several features of German culture which we will briefly summarise below (the titles of the headings were mostly borrowed from the authors).

(1) Using common sense to achieve a goal.

This feature originates from the fact that Germany displays typical features of a late industrialised country. Their development strategy was based on the development in technological sectors considered to be most valuable. Germans are very much aware of their goals, and use common sense to achieve them. This is in contrast to Anglo-American empiricism, in other words 'sequential, means-ends rationality' (p. 208).

(2) A Rule for everything.

Germans are very enthusiastic about living according to universal rules and laws. The most important implication of it is 'the creation of ever-higher standards which then become universal practice' (p. 210).

(3) The Labyrinthine mind.

Germans are also characterised by deep and even dense thinking. According to Nietzsche:

The German soul has corridors and interconnecting corridors in it, there are caves, hiding places, dungeons in it; its disorder possesses much of the fascinating and mysterious; the German is acquainted with hidden paths to chaos (cited in Hampden-Turner and Trompenaars 1993, p. 211)

One could argue that the rule for everything phenomenon, described earlier, is a counterbalance for such complex and untamed minds. Germans possess dark corners in their souls and feel the need to surround them by many circles of order. Moreover, according to Isaiah Berlin, who interpreted the works of Tostoy, German political thinking could be described as 'a hedgehog' as opposed to 'a fox' style represented by the United Kingdom and the US. He argues that Germany (as well as Russia) copy the behaviour of hedgehog in trying 'to know many things' and aiming to achieve great synthesis. Anglo-American countries are thought to aim at 'knowing only one thing' thanks to empirical examination of data.

(4) A deep ambivalence to money.

After bad experiences of high inflation, as well as a result of Martin Luther's protest against the sale of indulgences by the Catholic Church, Germans are suspicious of money. They are also in a constant fear that the money would lose its value. All these experiences were perhaps a stimulus to create a *Bundesbank* free of political influences and government intervention in manipulating interest rates. Germans are strong advocates of the idea that employees should work for the sake of work, and not for financial gain.

(5) Concerns and social idealism.

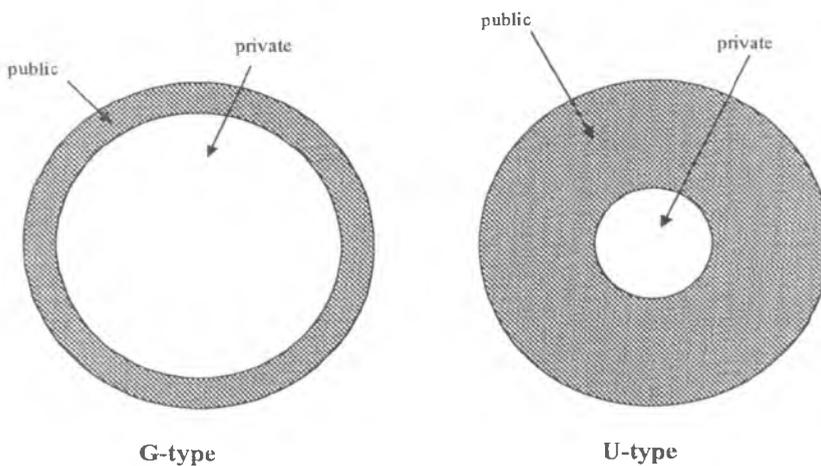
Germans are intellectually and philosophically interested in communication and consensus. They subscribe to the view that 'the individual's behaviour toward others should be such that a universal law could be derived from this conduct' (1993, p. 223). This way of life reconciles the

universal laws and particular situations, the parts of society and the whole, the rights of the individual and obligations owed to the collective.

(6) G-type personality.

German culture is a typical example of a 'diffuse' culture as opposed to a 'specific' one. This classification is based on the assumption that human personality can be represented in a form of concentric circles with 'life spaces' and 'personality levels' between. Hampden-Turner and Trompenaars (2000) base this classification on the work of Kurt Lewin, the German-born Jewish psychologist (Figure 3.6).

Figure 3.6: G-type versus U-type cultures.



The most personal and private spaces are placed near the centre, and the most shared and public spaces in its outer parts. There are two types of life spaces U-type (American) and G-type (German), with the first one having much more public than private space, and the latter being characterised by the opposite. German-type public spaces are very small, and the private spaces are large and diffuse.

(7) Training, developing, complexifying.

Tom Peters recently observed that 'the Germans are training fanatics. They try to improve everyone continuously. Every year more than a million enter three-year training programmes, which divide their time between vocational training institutes and their job with the company. Relative skills will determine the future of developed high-wage nations. [...]. The Japanese, Singaporeans, [...] Germans clearly understand this. We (Americans) don't' (Hampden-Turner and Trompenaars 1993, p. 231).

According to Hampden-Turner and Trompenaars (1993), there are two features that distinguish this German liking of training from the Anglo - Saxon model. Firstly, they do not admit the possibility of failure in their extensive training. It is simply successful by assumption. Secondly, the way they train people is highly practical. They do not train peoples' characters, but concentrate on their hands and minds. Their training is very industry and technology specific.

Glunk (1997 et al.) in search of finding 'the key to German-style management' have identified the following 'unique' features of it (pp. 95-103): (1) fostering vocational training, (2) emphasising the technical expertise of managers, (3) showing respect for competence, (4) wide span of control, (5) loyal managers, (6) focusing on quality and innovation, (7) maintaining effective labour relations, (8) formalised, hands-on production management.

And finally, according to Hickson and Pugh (1995) the two characteristic features of Germans are: managing uncertainty through an emphasis on planning and orderliness, and management of authority expressed in formal structures. They have also described the German management approach as 'structured' as opposed to the British one, which they called 'liberal'.

3.4.4. British culture and management.

Great Britain is a country that scored relatively low as far as Hofstede's (1994b) power distance (index: 35), and uncertainty avoidance (index: 35) indexes were concerned. It is one of the most individualistic of the societies under investigation of his study (index: 89), with moderately high masculinity index (index: 66), and weak long-term orientation (index: 25). Table 3.4 below is a summary of the family, school and work attitudes of British culture, according to the main characteristics attributed to the Hofstede's four dimensions of culture.

Table 3.4: Family, school and work place in British culture.

	small power distance	individualistic	masculine	weak uncertainty avoidance	weak long term orientation
In the family	Children encouraged to have a will of their own Parents treated as equals	Education towards 'I' consciousness Private opinion expected Obligations to self: - self-interest - self-actualisation - guilt	Stress on achievement Competition Resolution of conflicts by fighting them out	What is different, is ridiculous or curious Ease, indolence, low stress Aggression and emotions not shown	Immediate gratification of needs expected Traditions are sacrosanct Family life guided by imperatives
At school	Student-centred education (initiative) Learning represents impersonal 'truth'	Permanent education Learn how to learn	Best students are norm System rewards students' academic performance Student's failure at school is a disaster - may lead to suicide	Students comfortable with: - Unstructured learning situations - Vague objectives - Broad assignments - No time tables Teachers may say 'I don't know'	Short term virtues thought: social consumption
At the work place	Hierarchy means an inequality of roles, established for convenience Subordinates expect to be consulted Ideal boss is resourceful democrat	Same value standards apply to all: universalism Other people seen as potential resources Task prevails over relationship Calculative model of employer-employee relationship	Assertiveness appreciated Oversell yourself Stress on careers Decisiveness	Dislike of rules - written or unwritten Less formalisation and standardisation	Spending The bottom line Analytic thinking Fuzzy problem solving

Source: Adapted from Hofstede (1994b), and Hofstede (2001).

Similarly as in case of German management Hampden - Turner and Trompenaars (1993) use seven dimensions to present a 'snapshot' description of British business culture. In their view it is characterised by universalism, analysis, individualism, inner-direction, status by achievement, equality, and sequential relation to time. More precisely the authors identify several key features of British culture and management. They will be discussed below (the titles of the headings in most cases were borrowed from the authors):

(1) A Commanding Social Presence.

A necessity for a commanding social presence in Britain can be best described by the following words of Hampden - Turner (1993), a British himself:

[...] To be a gentleman, or to become one of the many modernistic transformations of a gentleman, was to command the attention of others with grace, style, wit, eloquence, self-possession and infinite subtlety. There were many other values, of course, intelligence, affection, wealth, but these were mere resources to be pulled into centre stage on cue. The purpose of life was that stage itself, a scenario where ultimate ideas and great passions would play themselves out around me. And I was curiously dismissive of all those subjects which did not lend themselves to social fluency, i.e., science, technology, industry, and similar subjects known to make people conversationally dull. I expected such people to work *behind* the stage (Hampden-Turner 1983, cited in Hampden-Turner and Trompenars 1993, p. 302).

(2) A Preference for Consuming.

British preference for consuming derives from their previously discussed commanding social presence and individualism, as people displaying these features are mainly consumers. In this type of society it is consuming that is seen as more sophisticated than producing. A consumer 'is able to seek and achieve quite rare combinations of personal effects' (p. 308), while the producers work as a group on a certain product, not necessarily chosen by them, to which they have a joint and long - term commitment.

Because Top People have traditionally consumed with style, but have rarely consented to produce material goods for sale, the entire British economy is skewed toward consumption. Status tends to increase in direct proportion to one's proximity to sophisticated consumers, and to decrease as one approaches crude producers. [...] Finished goods are associated in Britain with finished and refined people, who may even have gone to finishing school. Raw products in non-rural settings are associated with raw and unrefined people (pp. 309-310).

(3) Money as Empirical Data and Commerce Decontaminated.

The British represent a contrasting to previously discussed German attitude to money. While the latter are suspicious of it and constantly fear that it would loose its value, the former 'admire the extraction of money from large and mature organisations and from lumpy artifacts so that it can be wafted around the world's airwaves in a matter of minutes' (p. 312). There are three reasons for this attitude. Firstly, working with 'universal symbols of wealth is regarded as superior to dealing with the particular things or objects themselves' (p. 313). Secondly, 'monies are empirical data to which a corporation and its products can be reduced' (p. 313). And finally, dealing with money is something that an individual can do on their own, as opposed to manufacturing, which requires a more collective approach.

(4) Aggregated Individuals and Remote Controllers.

Britain had experienced the failure of social consensus over an extended period of time. Culturally preferred analysis and reductionism over holistic visions are the reasons behind fragmented ways of people's thinking, and the preference for the individual over the community is responsible for the fragmentation of the social world. These bits and pieces are 'remotely controlled by general principles of alleged universality' (p. 321). This system is reflected in conglomerates which:

[...] are typically run by a system of financial controls. Each unit tries to maximise profits independent of all other units, in an attempt to win more investment pounds from HQ. Managers are rewarded for achieving and surpassing targets. There is no overall strategic plan among units in the portfolio, no communal relationship or shared vision, and no objective that transcends the profiting of individual units. [...] Units in a conglomerate are, of course, 'remotely controlled' by financial levers and incentives (p. 321).

(5) The Educational Deficit and the Trap of Ideology.

There is an inherent tendency [in Britain] to highlight differences rather than commonalities, and polarities rather than continua. For unless a culture keeps dipping down from abstract ideas to concrete realities, the strata of ideal will lose touch with the underlying strata of realities. Ideas begin to contend furiously with ideas, because these have lost their common reference points. [...] Gradually, the polarised structure of language and the hundreds of invidious distinctions take over from the integrated nature of the real world in which cultures cohere and pursue common purposes. Britain is caught in this trap of ideology, which mistakes the structure of reality for the structure of a debate or argument (p. 326 and 328).

The discussed above 'polarisation' has had several consequences for the education. One example of it can be a distinction between 'pure' science and 'pure' art ('pure' was considered as the only good science). Its other examples are ideological splits between business enterprise and education.

(6) Britain's Polarised thinking.

British managers are characterised by having difficulty in reconciling polarities, and this is even in case when these polarities have nothing to do with politics or ideology. They see these conflicting polarities without an end, and without possibilities of reconciliation.

Tayeb (1997) identified several 'organisationally - relevant attitudes and values' of the English. They are namely: (1) individualism (it originates from independent upbringing of the children and Protestant religion), (2) deference and inequality (people respect authority however only if it is used well, and the leaders need to pay attention to the needs of their subordinates), (3) self-control and reserve (not expressing one's emotions in public), (4) conservatism (love of the past, traditionalism and reluctance to change), (5) xenophobia (a result of being an isolated island), (6) honesty and trust, (7) liberty (pre-eminent right), and (8) class consciousness.

Lawrence and Senior (1998), unlike most of the management literature which focuses on the differences, subscribe to the view that British and American management and business systems share a lot of similarities. These similarities, and at the same time characteristics of the British are the following: a reliance on equity finance rather than debt finance, a primacy accorded to shareholder value, a short-termed perspective, frequent profit reporting, an attachment to the management prerogative, an adversarial attitude to trade unions/industrial relations, and entrenched hostility to industrial democracy, a negative orientation to *Technik* as opposed to business, and finally a positive attitude to merger and acquisition as the means to diversification and/or market entry.

3.5. Summary and conclusions.

The objective of this chapter has been to outline the theoretical and factual background to the opinions and perceptions expressed by the interviewed managers in subsequent chapters. In order to achieve this we have presented a historical background of Poland, Germany, and the United Kingdom, and a background of different nature of the relationship between Poland and Germany, and Poland and the United Kingdom. It was concluded that the relationship between Poland and Germany has been much stronger than the one between Poland and the United Kingdom, and this was expected to be reflected in the results of this study which will be presented in the subsequent chapters of this study.

Furthermore the issue of ethnic oppositions was discussed, and in particular the work of Chapman (1992a). This framework was argued to have a particular relevance to the Polish/German contrast discussed in the current study.

In the last section of this chapter we looked at the main characteristics of Polish, German, and British culture and management. It was a continuation of a discussion on culture and management issues from the previous chapter (Chapter 2) with particular reference to the countries under investigation. It was also hoped to be a useful introduction to the subsequent chapters of analysis.

Chapter 4: Research methodology, design and implementation.

4.1. Introduction.

Discovery has been the aim of science since the dawn of the Renaissance. But how those discoveries are made have varied with the nature of the materials being studied and the times (Strauss and Corbin 1990, p. 5).

It is essential to identify the method of the research and its adequacy and relevance to the analysed topic. Therefore the purpose of the first section of this chapter will be to present the methodological background of the study, the importance of perceptions, as well as the method applied by a comparison of qualitative and quantitative methods, and a discussion on major difficulties arising from qualitative inquiry. The profile of Poland as a host country is then discussed, followed by the research design encompassing the selection of participants (e.g., companies and interviewees) of the current study, and the process of data collection. The chapter ends with a section on implementation, and deals with issues pertaining to data analysis, outlining the main problems encountered in that process, and discussing reliability and validity issues, and the role of the researcher in the current study.

4.2. Research methodology.

4.2.1. *Methodological background of the study.*

We live in an increasingly shrinking world, where internationalisation is bringing us into closer contacts with one another. Understanding other peoples and developing sensitivity to their ways of life are very crucial to the success of our social and business interactions. Our research methodologies as well as our research goals should reflect this understanding and sensitivity (Tayeb 1994, p. 444).

The social sciences are currently facing challenges to dominant paradigms that results in 'crises of representation'. The key issue here seems to be the debate on the question 'how can we know and represent what we know about reality' (Spiggle 1994, p. 491). Similar concerns have been voiced in the particular context of international business (IB), which is considered to represent a 'narrow vision' of inquiry (e.g., Toyne and Nigh 1998, Sullivan 1998). This state of affairs calls for a change of attention in IB research as at present the 'ideas outshine the methods' (Sullivan 1998, p. 853). As far as comparative, cross-cultural business studies are concerned, they apply mostly a traditional, positivist approach 'based on surveys conducted by

questionnaire' (D'Iribarne 1996/97, p. 30). This type of inquiry 'has distracted researchers from in-depth and complex explanations and favoured recourse to standard explanatory grids' (Usunier 1998, p. 151). In order to achieve 'broader and more context-free interpretations' these methods should be supported by anthropological, or ethnographic approach (Usunier 1998, p. 150).

Differences between positivist (quantitative) and interpretative (qualitative, ethnographic, naturalistic, humanistic, phenomenological, semiotic, etc.) research methodology have attracted a growing number of social scientists (e.g., Brislin et al. 1973, Buckley and Chapman 1996a, 1996b, Chapman 1996/97, D'Iribarne 1996/97, Gummerson 1991, McCracken 1988, Miles and Huberman 1994, Salk 1996/97, Silverman 1994, 1997, Spiggle 1994, Strauss and Corbin 1990, Usunier 1998, and Yin 1994). Since every method has to be appropriate to the specific demands and constraints of the topic, and elicit the optimum data and insight from the available sources, the awareness of the correctness of the method applied is of a great importance to any research project.

The choice of method for the current study emerges from the discussed 'crisis of representation'. In order to address the research questions, already identified in the introduction to this thesis (Chapter 1), the qualitative, interpretative method of inquiry characteristic to social anthropology was selected. One of the reasons why this method was appropriate for the current study was the fact that it was exploratory in nature. It aims to identify the main differences and similarities in perceptions between the managers from Germany, the UK, and Poland, for which no suitable secondary data exist. The quantitative, questionnaire based research could not be used in this case as the categories of this study were not known. The justification of the selection of method of inquiry for this study can further be supported by the statement of Strauss and Corbin, who claim that qualitative analysis is of particular utility when one aims to:

[...] Uncover and understand what lies behind any phenomenon about which little is yet known. It can be used to gain novel and fresh slants on things about which quite a bit is already known. Also, qualitative methods can give the intricate details of phenomena that are difficult to convey with quantitative methods (1990, p. 15).

The current study falls into all these three categories. Firstly, it focuses its attention on the perceptions of executives, which are relatively new tool of analysis in international business, especially in the particular context of cross-border co-operations. Secondly, it brings new insights to the existing theory, as it seeks to identify the differences in managerial perceptions and their influence on the perceived role in the company. And finally, it offers an in-depth and complex explanation of a great complexity of interaction between managers from Poland, Germany and United Kingdom in a foreign direct investment relationships. This would have not been possible to accomplish by using quantitative methods alone.

4.2.2. Perceptions - a powerful tool.

The study of managerial perceptions is argued to be an increasingly important tool in business research and economic analysis (e.g., Buckley and Chapman 1998, Cyert and March 1992, March and Simon 1993, Simon 1983). Birkinshaw et al. (2000), who measured a gap of perception between the headquarters and subsidiary managers, concluded that perceptions 'shift from being measurable error to being an operationalisable construct, one that has potentially important consequences' (p. 322).

Buckley and Chapman (1998) discuss perceptions in the context of transaction costs. According to the authors with the popularity of transaction costs theory the issue of the actual measurement of the transaction costs received relatively little attention. When transaction costs were discussed, this tended to be limited to the fact of the existence of such costs and their presumed comparative size (larger or smaller). The authors further argue that 'the theory of transaction costs implicitly regards the world as one in which transaction costs tend to be minimised' (p. 58). Williamson (1989) for example states that firms adopt governance patterns that minimise the sum of transaction costs and production costs. Buckley and Chapman (1998) discuss two contrasting explanations of minimising the transaction costs, namely the Darwinian argument ('survival of the fittest'; blind adaptation through random events), and rational explanations ('homo transaction cost economicus'), and find both of them unsatisfactory. In the authors' view

what matters are managerial perceptions of transaction costs expressed in language, as opposed to ‘computation of fully recognised transaction costs’ (p. 57).

Transaction costs, [...], are made up of elements which are exceptionally difficult to put figures to; it would perhaps not be an exaggeration to say that in many respects they are often outside the domain of quantification altogether. They are also, crucially, intertwined with costs normally enumerated as production costs (Buckley and Chapman 1998, pp. 72-73).

The same applies to the issues central to the current study. It deals with the ethnic oppositions which, although in a business context, are the metaphors of the human imagination, and almost by definition cannot be quantified. Buckley and Chapman (1998) conclude:

It is the perception of transaction cost issues that determines the outcome, and the perception receives linguistic, not numerical, expression. [...] Managerial perceptions matter, and transactions costs cannot be quantified or measured separately from these perceptions. Managers undertake a conscious (not random) selection from among the arrays of potential transaction costs, and among the most important transaction costs are those which are avoided by this process. From the observer's point of view, transaction costs are thus difficult to measure in any objective fashion (p. 82).

4.2.3. *Quantitative versus qualitative research.*

Discussion on the appropriateness of method applied invites discussion of its main characteristics. In the author's view, this can be best achieved by contrasting them with the main features of the positivist approach. A useful discussion of this issue was provided by McCracken (1988) and his line of thought will be mostly followed here. The author argues that ‘the most striking difference between the methods is the way in which each tradition treats its analytic categories’ (p. 16). While quantitative research aims to isolate and define categories as precisely as possible before undertaking the study, and only then to determine the relationship between them, qualitative approach seeks to isolate and define categories during the process of research and expects them to be changed during the project. This means that well-defined categories in the first case constitute the means of research, and in the second its object. McCracken further argues, that:

The qualitative research normally looks for patterns of interrelationship between many categories rather than the sharply delineated relationship between a limited set of them. The quantitative researcher uses a lens that brings a narrow strip of the field of vision into very precise focus. The qualitative researcher uses a lens that permits a much less precise vision of a much broader strip (p. 16-17).

These two methods also differ in terms of the data-reporting abilities of the respondent.

Some social scientific questions elicit easy and rapid responses from the respondent. The respondent can identify precisely what is wanted, retrieve it easily, and report it without ambiguity. Other questions are much more demanding. The respondent has more difficulty determining what is wanted. He or she must then labour to identify and articulate a response. [...] When the questions for which data are sought allow the respondent to respond readily and unambiguously, closed questions and quantitative methods are indicated. When the questions for which data are sought are likely to cause the respondent greater difficulty and imprecision, the broader, more flexible net provided by qualitative techniques is appropriate (p. 16-17).

A final difference listed by McCracken is the number and kind of respondents that should be recruited for research purposes. The quantitative approach requires constructing a 'sample' of necessary size and type to generalise to the larger population. The purpose of qualitative approach in turn is 'to gain access to cultural categories and assumptions according to which one culture construes the world' (p. 16-17). And as Jamal claims:

The purpose of interpretative research is not necessarily to produce generalisations, since it is basic to this research paradigm that meanings are contextual. Rather, the objective remains to provide in-depth understanding and knowledge of phenomena, from the point of view of those who are under study (1997, p.).

Spiggle (1994) presents features of qualitative research from another point of view. This method of inquiry can be described as: the attempt to understand meaning of texts through interpretative procedures, the focus on context, the use of qualitative data and qualitative analysis, and the frequent use of emergent research designs and inference processes. Another description of qualitative research was provided by Miles and Huberman:

Qualitative data are sexy. They are a source of well-grounded, rich descriptions and explanations of processes in identifiable local context. With qualitative data one can preserve chronological flow, see precisely which events led to which consequences, and derive fruitful explanations. Then, too, good qualitative data are more likely to lead to serendipitous findings and to new integrations; they help researchers to get beyond initial conceptions and to generate or revise conceptual frameworks. Finally, the findings from qualitative studies have a quality of 'undeniability'. Words, especially organised into incidents or stories, have a concrete, vivid, meaningful flavour that often proves far more convincing to a reader-another researcher, a policymaker, a practitioner-than pages of summarised numbers (1994, p.1).

Moreover as D'Iribarne argues:

An ethnographic approach to comparisons between organisations from different countries, even if necessarily involves much smaller samples, leads to a more certain and precise understanding of the societies under investigation. Undoubtedly, it does not give the same impression of objectivity. However, this is because the considerable subjectivity of the choice of questions used in quantitative approaches is more easily concealed under the apparent objectivity of the figures (1996/1997).

And finally, while making comparisons between qualitative and quantitative methods, one has to bear in mind that these '[...] two research approaches represent two very different sets of intellectual habits and frames of mind'. This must be considered when 'one tradition seeks to master, or to judge, the other' (McCracken 1988, p. 17). One needs to be aware that recognising these differences is vital in evaluating the quality of the research inquiry.

4.2.4. Problems in qualitative research.

Qualitative research methodology, as any other method, contains some areas of controversy. These need to be taken into consideration while conducting research of any type, in order to assess the reliability and validity of the study. According to McCracken (1988) one of the difficulties arises from the relationship between the researcher and their own culture. On the one hand it creates a possibility for the researcher to be biased, and on the other it can be a great potential and advantage in the process of better understanding the researched topic. The skill lies in developing the ability to be aware of and minimise the first possibility, while taking maximum advantage of the second.

Another difficulty in qualitative data analysis concerns the relationship between the researcher and the data.

The key question here is: How can the researcher collect data that are both abundant and manageable? [...] Every qualitative interview is, potentially, a Pandora's box generating endlessly various and abundant data. The problem is to control the kind and amount of these data without also artificially constraining or forcing their character (McCracken 1988, pp. 11-12).

This raises the issue that interpreting qualitative data is a process, which needs to be developed by every researcher individually. Working under these circumstances requires both discipline and imagination on the part of the researcher.

The basis for conducting qualitative research is developing a relationship between the researcher and the respondent, due to personal contact, during the interviews, and if possible more than one meeting in order to collect the data over a period of time. But great skills are required from the researcher to construct and construe this delicate relationship in the best way (McCracken 1988). All these issues show the importance of the researcher in the process of qualitative research. The researcher is the main instrument of observation, selection, co-ordination, and interpretation while conducting the field work (Jamal 1997).

The current research, while cross-sectoral is also a cross-cultural, comparative study. This means that it seeks to make comparisons between organisations from different countries. This in turn implies that 'the underlying reasons for similarities and differences are sought' (Brislin et al. 1973, p. 3). There are many strengths of this method but there are also some weaknesses. An obvious, but important difficulty is language difference in comparative research.

Even the most expert translations and re-translations can produce differences of meaning (Philips, 1970; Brislin, 1986). The underlying difficulty arises in the nuances of meaning as expressed through language. Cultural biases in language are not easy to exclude (Buckley and Chapman 1996a, p. 236).

More attention will be given to these issues later in this chapter, in the section concerning data analysis.

Moreover, as described by Buckley and Chapman, the major difficulty of cross-cultural research emerges from 'the monumental nature of the task' (1996a, p. 236). The nature of these problems has also been described by Gummerson:

I have rather been reminded of the Chinese boxes; one opens a box only to find another box inside. A sufficient display of stubbornness can perhaps reduce the size of the boxes to a point where they can be ignored. I have felt, though, that I am approaching the world from the very smallest box, which I then open only to find myself in a larger box. The subject keeps expanding (1991, p. 18).

However all these efforts are worthwhile because:

The great strength of comparative research is that it provides a carefully specified 'counterfactual' - the situation existing in the country with which comparisons are being drawn (Buckley and Chapman 1996a, p. 236).

4.3. Poland - a host country profile.

Before we move on to a detailed discussion of the selection of the countries and respondents for the study, it is important to look at the profile of Poland as a host country and the changes that have paved the way for this study. Poland has gone a long way since the economic and political changes were initiated in 1989. It is hoped that the presentation of the economic transformation programme, privatisation, and foreign direct investment indicators of the country will serve as a useful background for further discussion in this chapter, and will facilitate better understanding of the issues in the current study in general.

4.3.1. *Economic Transformation Programme.*

The first non-communist government that came into power in September 1989 found Poland in rapidly deteriorating macroeconomic condition. Sachs (1993) outlines six basic structural characteristics of the Polish economy at that time:

- 1) High industrialisation of the country, as a goal of the communist planners.
- 2) Large peasant agriculture sector, with low productivity and high political demands on the state.
- 3) State owned economy, as one of the key characteristic of socialism.
- 4) Lack of public or private small- and medium- sized industrial enterprises.
- 5) International trade excessively East-directed.
- 6) Egalitarian in the distribution of income and wealth state.

In these circumstances the immediate Economic Transformation Programme was essential. It was introduced in January 1990, and designed by Leszek Balcerowicz²⁰. In Balcerowicz's own words the main objectives of reform were:

²⁰ Deputy Prime Minister, and the Ministry of Finance in the first non-communist government of Poland.

To put the Polish economy on the path of efficiency and improve the average standard of living required, first dealing with the macroeconomic disaster and solving the structural problem of low and declining efficiency. Macroeconomic stabilisation required radical measures: cutting the budget deficit, controlling the money supply and moving towards real positive interest rates. [...] The structural problem of low efficiency required a fundamental change in the economic system (Blejer and Coricelli 1995, pp. 44-45).

Sachs (1993, p. 45-46) describes five main pillars of the reform:

- 1) Macroeconomic stabilisation involving a package of monetary and fiscal measures designed to cut decisively the rate of credit expansion from the National Bank of Poland to the government and to the enterprises.
- 2) Liberalisation of market, prices, international trade, and the use of raw materials, as well as the establishment of a legal environment to support decentralised actions of private property owners, including a commercial code, company law, and system of judicial enforcement of contracts.
- 3) Privatisation of more than 8,000 state-owned companies.
- 4) The construction of a 'social safety net' adequate for the new market (an unemployment compensation system; a long-term redesign of pension, education, job training, and health-care systems).
- 5) Mobilisation of international financial assistance to support the transformation process (balance of payments support, debt relief, and targeted emergency assistance at the start of the reforms).

4.3.2. Privatisation process.

One of the basic elements of the Polish adjustment programme is the current process of privatisation - a final step of transforming the state's property into private one, and creating new opportunities for foreign direct investment. Begun in August 1990, when the privatisation law was issued, it had to produce strategies and instruments previously not present on the Polish market.

Sachs (1993, p. 84) points out several 'fateful mistakes' of the early stages of that process. In his view the first one was the adoption of so called 'the British model' of privatisation. The United Kingdom was indeed the world's leading privatiser at that time, but the number of companies it had to deal with was much smaller than the one in Poland. The Thatcher government had to deal with about fifty companies over a period of ten years, whereas the Polish government had over 8,000 state owned firms, which had to be privatised in a reasonably short period of time. Consequently, leading merchant banks in Great Britain were able to prepare very careful valuations of each enterprise. This in turn, allowed setting the appropriate price for the shares, and was followed by a long public relations campaign to explain the process to the public and to attract potential investors.

In Sachs' view, another mistake was to make privatisation a voluntary procedure for each enterprise. As he puts it:

The privatisation law of July 1990 spelled out in detail the procedures and options for each enterprise, but it left the ultimate decision on when to privatise to the workers' councils, the management, and the ministries with (theoretical) oversight responsibility over the enterprise. The government retained the power under the law to force an enterprise to privatise, but it was clear from the statute that this power was to be held in reserve (1993, p. 84-85).

In general, privatisation in Poland could be characterised as 'learning by doing' process. Over the period from 1990 to date, several paths of that process were applied. Following PAIZ (1997) their choice depends on the size of the enterprise (annual turnover, number of employees), forecasted financial and production indicators, and finally the interest in an enterprise expressed by potential investors (domestic or foreign). Privatisation in Poland has been following three main paths. The first one, called *direct privatisation or liquidation*, applies to small and medium-sized enterprises. The second path, *indirect or capital privatisation*, refers to larger firms, and involves open sales of shares and the search for a strategic external investor. And finally, *mass privatisation*, which aims at distributing ownership rights to all citizens (Gajewska 1996, OECD 1997). These methods will be discussed in more detail below.

Direct privatisation (privatisation through liquidation) generally applies to small- and medium-sized enterprises. The transfer of company's assets takes place by liquidation of the enterprise as a legal person. There are three possibilities of the ownership transfer:

- 1) Selling a part or the whole company,
- 2) Contributing a part or the whole company into a partnership,
- 3) Leasing a part or the whole company to the employees.

Privatisation through liquidation is independent from a capital market, and enables selling only a part of the company.

In the event, a substantial portion of enterprises were leased to the workers and employees, which constituted the first step towards further purchase. Moreover a large number of companies in poor financial standing were liquidated, and their assets were sold to private entities (OECD 1997).

Indirect privatisation (capital privatisation) is conducted by means of commercialisation of large- and medium-sized enterprises. This involves transforming a state-owned company into a joint stock enterprise, wholly owned by the State Treasury. From the formal point of view, the company is still the property of the state, but with a different organisational structure. The Workers' Council (*Rada Pracownicza*) has been dissolved, and replaced with the Supervisory Board. The period between transition from a wholly state-owned joint stock company and the actual privatisation should not exceed 2 years. Capital privatisation strategy offers a possibility of selling the shares of the company to domestic and foreign investors, workers and employees as well as listing the company on the Stock Exchange.

According to statistics (OECD 1997) capital privatisation has been the main source of revenue for the budget, even despite the fact that it applied to a much smaller number of firms (Table 4.1). In 1995 two thirds of this revenue was provided by deals involving foreign buyers.

Table 4.1: Privatisation statistics (December 31, 1998).

Date	Direct privatisation		Capital privatisation		Total
	registered	completed	registered	completed	
1991	950	201	260	28	1210
1992	1549	561	480	51	2029
1993	1971	893	527	98	2498
1994	2262	1248	723	134	2985
1995	2557	1450	958	160	3515
1996	2851	1806	1076	184	3927
1997	3103	2101	1254	228	4357
1998	3281	2325	1366	244	4647

Source: Adapted from PAIZ (<http://www.paiz.gov.pl/privatisation.htm>)

Mass privatisation - enterprises participating in the programme of mass privatisation are transformed into joint stock companies. Sixty percent of their shares go to 15 National Investment Funds (NIFs), which are their legal owner and which are supervising the enterprises. Each NIF has a supervisory board as a controlling body. A total of 512 medium-sized enterprises were included on voluntary basis. They mainly included: metallurgy, electro-engineering, chemical, mineral, wood and paper processing, light industry, food, construction, transport, commerce, and other branches of the industry.

Each NIF holds shares in every company, with one NIF owning a strategic stake of 33 percent and all the others holding a total of 27 percent. The allocation of shares took place in a way of a lottery. 51 percentage points out of 60 percent of NIFs' are converted into share certificates. The remaining part constitutes a performance-based remuneration for the funds' managers. As for the rest of the shares, 15 percent are reserved for the employees, and around 25 percent of the shares, remain with the State Treasury (OECD 1997).

The shares are distributed among the 27,4 million adult citizens of the country by means of so-called *Universal Share Certificates* (Powszechne Swiadectwa Udzialowe) exchangeable into NIF shares. The distribution of certificates started on 22 November 1995, and lasted 12 months. By the end of September 1996, 18.9 million people (69% of the eligible population) had taken up their certificates. Quotation of the certificates on the Warsaw Stock Exchange (WSE) started in 1996 and the shares of the NIFs themselves in 1997 (OECD 1997)

4.3.3. Foreign Direct Investment.

The importance of FDI in the economy of countries under transformation has been growing significantly. It also applies to Poland. Similarly to other countries from the bloc, Poland has enormous capital needs which are connected with opening the economy and the process of restructuring. It is difficult if not impossible for these capital needs to be financed from the internal sources only. More and more often FDI are being perceived as significant method of financing both the processes of development and restructuring. In general they contribute to acceleration of transformation processes (Kopec 1997).

Poland is currently experiencing the biggest absolute inflow of FDI in comparison with other countries of Central and Eastern Europe region. However, it has not been so from the beginning of the process. Expectations of the scale of incoming FDI were at first unrealistically high, and the scale of flows in the early years after 1990 disappointed many in Poland. Latterly, however, the pace has picked up. FDI in 1995 amounted to USD 2.5bn, in comparison to the USD 10.1bn invested in the entire period from 1989 to the end of July 1996 (PAIZ 1996). Also in comparison with other countries of Central and Eastern Europe region Poland is currently experiencing the biggest absolute inflow of FDI. In 1996 Poland was the only one to experience a substantial increase in inflows, which amounted to USD 5.2bn. At the same time other countries from the bloc had registered large declines, e.g. Hungary - USD 2bn, and - the Czech Republic USD 1.4bn (Kopec 1997, World Investment Report 1997). The inflows of FDI have been continuing to grow reaching USD 6.6bn USD in 1997, and a record amount of USD 10bn in 1998. In total by the end of December 1998 foreign companies had invested \$ 30.7bn in Poland (PAIZ 1999).

As for the pattern of FDI according to activity, the most popular seems to be manufacturing (see: Table 4.2 below).

Table 4.2: FDI in Poland by activity (December 31, 1998).

Activities according to the European Classification of Activities (ECA)	Capital invested (USD m)	Planned investment (USD m)
Manufacturing:	15,912.1	6,970.6
- food, drinks, tobacco products	4,460.7	1,471.0
- transport equipment	3,627.9	2,083.3
- other non-metal goods including:	2,576.8	1,249.8
- wood and wooden products	392.2	124.3
- fabrics and textiles	226.1	39.9
- pulp and paper, printing and publishing	1,353.9	325.3
- chemicals and chemical products	1,272.4	470.0
- electrical machinery	1,016.3	372.7
- other machinery and apparatus	584.8	343.1
- rubber and plastics	422.7	228.1
- metals and metal products	354.2	252.6
- other goods	242.4	174.7
Financial agencies	4,802.9	1,140.4
Wholesale and retail trade, repairs	2,942.7	2,193.7
Construction	1,685.3	1,133.8
Transport, storage, communication	719.3	159.2
Hotels and restaurants	429.8	207.1
Community, social and personal services	397.8	386.1
Power, gas and water supply	241.8	1,000.0
Real estate, renting and business activities	112.0	123.5
Agriculture	24.1	8.0
Quarrying and mining	11.8	4.4
Total value of FDI over USD 1 m	27,279.6	13,326.8
Estimated value of FDI below USD 1 m	3,371.6	
Total FDI in Poland	30,651.2	

Source: PAIZ (<http://www.paiz.gov.pl/invest98.htm>)

By the end of December 1998, the capital invested in that sector amounted to nearly USD 16bn, out of which USD4,5bn went to food, drinks, and tobacco products, USD3,6 bn to transport equipment, and almost USD2,6bn to other non-metal goods. Second most popular was financial agencies sector, however with much lower amount of USD4,8bn of capital invested. The other popular recipients of FDI were wholesale and retail trade, repairs and construction sectors.

In terms of the value of FDI by country of origin the latest statistics (Table 4.3) show that the leading country is here Germany with over USD5 bln of capital invested, and 163 companies present in Poland.

Table 4.3: FDI in Poland according to country of origin (December 31, 1998).

No	Country of origin	Capital invested (USD m)	Planned investment (USD m)	Number of investors
1	Germany	5,117.3	2,231.0	163
2	USA	4,911.2	3,654.4	112
3	France	2,398.9	1,294.3	60
4	Italy	2,037.6	1,224.3	64
5	Great Britain	1,929.5	366.6	28
6	Netherlands	1,878.9	410.8	42
7	International	1,813.1	815.3	18
8	Korea	1,412.4	496.3	4
9	Russia	958.0	616.0	1
10	Austria	758.3	155.1	31
11	Sweden	691.5	336.8	37
12	Switzerland	666.2	235.9	13
13	Denmark	558.4	43.4	28
14	Norway	455.8	439.0	12
15	Canada	235.6	57.1	21
16	Ireland	226.1	-	3
17	Japan	198.3	188.4	11
18	Finland	191.2	59.0	16
19	Belgium	156.8	100.1	19
20	Portugal	147.2	63.0	3
21	Croatia	138.0	70.0	1
22	Australia	98.1	90.0	4
23	Czech Republic	68.4	-	4
24	Spain	62.3	-	3
25	Turkey	48.0	58.0	2
26	Liechtenstein	29.5	12.0	3
27	China	25.0	25.0	1
28	RSA	25.0	40.0	1
29	Hong Kong	20.0	20.0	1
30	Slovenia	6.0	1.0	1
31	Taiwan	5.7	200.0	1
32	Israel	5.4	20.0	1
33	Greece	3.6	4.0	2
34	Luxembourg	2.3	-	1
Total value of FDI over USD 1m		27,279.6	13,326.8	714
Estimated value of FDI below USD 1 m		3,371.6		
TOTAL FDI in Poland		30,651.2		

Source: PAIZ (<http://www.paiz.gov.pl/invest98.htm>)

It is closely followed by the United States, with the investment of just below USD 5bn. Similar value of capital invested is represented by France, Italy, and the UK, with about USD 2bn each. Germany ranks very highly among the countries with further investment plans in Poland, while the UK has comparatively more modest investment plans.

According to PAIZ (1999) USD 24.3bn in Poland comes from the OECD countries (88.9 percent of total FDI). European Union's contribution is a capital amounting to USD 16.1bn, which constitutes 59.3 percent of the total. North America have invested USD 5.1bn, and Asian countries USD1.6bn so far (18.9 percent and 6 percent respectively).

The most recent geography of FDI in Poland has been presented in Table 4.4 below.

Table 4.4: FDI in Poland by a region (February 1999).

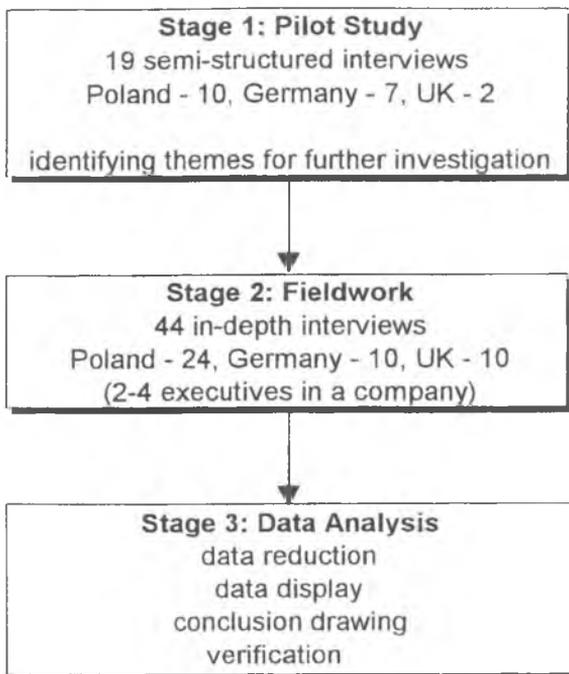
No	Region	Number of locations
1	Mazowieckie	449
2	Slaskie	231
3	Wielkopolskie	216
4	Dolnoslaskie	153
5	Pomorskie	139
6	Lodzkie	109
7	Malopolskie	101
8	Kujawsko-Pomorskie	76
9	Zachodniopomorskie	72
10	Lubelskie	48
11	Podkarpackie	48
12	Swietokrzyskie	44
13	Warminsko-Mazurskie	43
14	Lubuskie	40
15	Opolskie	35
16	Podlaskie	30

Source: PAIZ (<http://www.paiz.gov.pl/invest98.htm>)

The majority of investment is located in the largest regions of Poland. Undoubtedly the most active region is here Mazowieckie Voivodship with 449 locations. It is followed by Slaskie and Wielkopolskie with over 200 locations.

4.4. Research design.

In order to collect the data face-to-face interviews using open-ended questions were applied in the phase of pilot study, and the same method was also used in the later phases. The research can be divided into three stages as presented in Figure 4.1 below:

Figure 4.1: Methodology Design.

4.4.1. Selection of participants to the study.

Defining a sample of the study is one of the elements of setting the boundary of the study (Miles and Huberman 1994). According to McCracken (1988), the selection of respondents in qualitative research must be conducted very thoroughly. The author argues that 'less is more'. He also says 'It is more important to work longer, and with greater care, with a few people than more superficially with many of them' (p. 17). The selected group is not to represent 'some part of the larger world', but as he further claims 'it offers, [...], an opportunity to glimpse the complicated character, organisation, and logic of culture' (p. 17).

The selection of participants for the study started from identifying Polish companies in different sectors where the capital was held by the German or British investor. The criteria for an investor company was the large size, with more than 500 employees (UNCTAD), and their subsidiary being located in Western part of Poland. The area of interest was narrowed down to this region of the country (in most of the cases to Wielkopolska) as it is a third largest recipient of FDI in Poland. This choice was assisted by circumstantial knowledge of the region (the author of this study comes from this region), the availability of the companies, the financial

limitations of the project and finally the minimisation of cost given a limited budget. Data on these companies came from publicly available sources²¹.

Germany and the United Kingdom were selected for the study, because they are considered to be two out of six most active countries in European cross-border acquisitions. Together with France, Sweden, Switzerland, and The Netherlands, they have accounted for 65 percent of total cross-border deals over the period from 1985-1995 (Angwin and Savill 1997). Although both of these countries rank quite high in terms of M&A activity, they also represent considerably different approaches to this type of international business (Woolcock et al. 1991, Gajewska 1997). These are influenced by their response to market regulation. The summary of M&As control mechanisms has been presented in Table 4.5. It is a comparison of the EU, Germany, United Kingdom and Poland, which is the main country of interest in this study. There are several justifications for choosing Poland for this research. First of all, the researcher herself is Polish and this greatly facilitates research in this country in particular. Secondly, Poland is third most populous nation in the area of Central and Eastern Europe²². And finally according to the Polish Agency for Foreign Investment (PAIZ)²³, since market reforms were initiated in 1989, Poland has experienced a considerable inflow of foreign direct investment (FDI), which by the end of December 1998, reached a record amount of USD 10 bn (PAIZ 1999). This means that in comparison with other countries of Central and Eastern Europe region Poland is currently experiencing the biggest absolute inflow of FDI. This creates new opportunities for M&As activity, through the opening of the new markets in Eastern and Central European countries.

4.4.2. The companies and industries represented by the interviewees.

In this section we present the companies and industries represented by the interviewees. A detailed profile of the companies from the current study has been presented in Appendix 2. The

²¹ E.g. 'The List of Major Foreign Investors in Poland' issued annually by the Polish Agency for Foreign Investment (PAIZ, 1996).

²² Source: Business Central Europe. The Annual 1997/98.

²³ Polish Agency for Foreign Investment (PAIZ) is a joint stock company, wholly owned by the State Treasury, established to promote Poland's investment opportunities and "to encourage foreign companies to choose Poland as their preferred investment location".

German and British companies were selected on the basis of their FDI being held in Polish companies located in Wielkopolska (Western Poland). These companies represented three different modes of entry, namely M&As (Company 'C', 'E', 'H', 'I', 'J'), greenfield (Company 'A', 'B', 'G', 'K', 'L'), and equity joint ventures (Company 'D', 'F'). Polish companies were selected on the basis of their equity shares being held by either by German or British parent company. Although the main focus of the study are cross-border M&As, also other forms of FDI were considered for investigation. This was aimed to give the opportunity to compare the patterns of executive's responses depending on which form of FDI they came from. It also gave another interesting dimension to the study. An unknowing confirmation that this selection of companies was appropriate was provided by one of the interviewees, who initially understood that the study only comprised interviewees from M&As such as himself, and who asked:

Aren't you afraid that in this way you distort somehow the [real] picture? It is not the statistical picture anymore, because it does not reflect the real attitude of managerial team towards the process of M&As, but instead it reflects the picture created by the ones, who actually participate in this process? (H2_PL).

We attempted to avoid this kind of bias, by precisely including other forms of FDI in the study. The respondents selected for the study were general managers from the Polish companies, and area directors responsible for Eastern Europe in German and British companies. The purpose of this selection was to identify the group of respondents, who would have the most extensive knowledge on the researched topic. As it was argued in the previous chapter (Chapter3) the nature of a Polish-German relationship, has been very different from the one between Poland and the United Kingdom, with the first one being very close, and the latter being of an opposite nature. By selecting area directors responsible for Eastern Europe in German and British companies for example, it was hoped that these both groups of respondents would have had personal experience with Poland and Poles. This choice can be supported by the biographical data collected during the interviews (see Appendix 4.2) according to which all Polish, German, and British interviewees at least visited their respective countries (e.g., all German and British managers visited Poland, and several of them used to live there as expatriates).

Table 4.5: The Procedures of Mergers and Acquisition's Control in Selected Legal Systems.

Jurisdiction of M&A	Notification	Requirements Towards Notification	Investigation	Decision	Decision Criteria	Effectiveness Protection	Advisory	Person in Charge	Publications of Recommendations	Revision or Appeal
European Communities	Directorate General, Mergers Task Force (MTF)	before the completion of M&A	Directorate General, Mergers Task Force	European Commission	domination	ambiguous	Advisory Committee on Concentrations	politician	short-term decisions, annual reports	European Court of Justice, Court of First Instance
Germany	Federal Cartel Office (Bundeskartellamt)	before-the biggest companies, after-the rest of the companies	Federal Cartel Office (FCO)	Federal Cartel Office with Minister of Economy	market forces	no - for FCO, yes - for Minister of Economy	Monopoly Commission	public servant	two-year report	Berlin Court of Appeal
The United Kingdom	Director General of Fair Trading	before - voluntarily, after - the rest of the companies	Monopolies and Mergers Commission	Secretary of State for Trade and Industry	public interest with emphasis on market forces	yes	-	public servant	detailed reports	does not exist
Poland	Office for Competition and Consumer Protection (former Anti-Monopoly Office)	before and after the completion of M&A	Office for Competition and Consumer Protection	Office for Competition and Consumer Protection	market forces	-	Body of Office for Competition and Consumer Protection	public servant	-	Anti-Monopoly Court

Source: European Economy No 57, 1994, Gajewska 1996, and PAIZ 1997.

4.4.3. Primary data collection and fieldwork.

The fieldwork started with contacting the selected respondents by fax explaining the objectives of the research and requesting an interview (See: Appendix 3). This was followed by a phone call one or two days later in order to set the date for a meeting.

The pilot study comprised face-to-face interviews with 10 general managers from Polish companies, in which FDI is held by either German or British investors. Subsequently general managers from the German (7) and British (2) companies were selected and interviewed in the same way. In 4 out of the 19 cases, face-to-face interviews had to be replaced by telephone interviews; in the face of time constraints on the part of certain executives, this turned out to be the only practical (second-best) solution.

The pilot study aimed at identifying the main themes for further investigation, and therefore the interviews were intended to be unstructured. This was to allow for the provision of additional information which was not expected. In this respect it was meant to invite executives to talk about M&As activity, but then allow them to discuss whatever issues they saw fit. In the event, however, and especially in Germany, some interviewees expressed a desire to see a structured questionnaire in advance of the actual interview. Therefore, a check-list of open-ended questions was developed ('Pilot Study Interview Guide'), which covered general topics regarding the background of the company, style of management, competition, possible merger and acquisition activity, and so on; this was constructed so as to impose minimum constraints on potential topics of interest (see Appendix 4.1). It is also important to note that:

‘Authenticity’ rather than reliability is often the issue in qualitative research. The aim is usually to gather an ‘authentic’ understanding of people’s experiences and it is believed that ‘open-ended’ questions are the most effective route towards this end (Silverman 1993, p. 10).

The pilot study also aimed at verifying the appropriateness of the applied method of data collection. For example, based on the experience of this first stage of data collection tape recording of the interviews was abandoned in its second stage, because of the perceived

sensitivity of the issues under investigation. This was to avoid restraining the interviewees as well as to retain confidentiality of the interviews. Furthermore, the pilot study proved to be invaluable in making the first contact with interviewees, who were then invited to participate in further interviews of the study.

The results from the pilot study served as a basis for investigation during the second stage of data collection. It consisted of 44 face-to-face interviews, out of which 24 were conducted in Poland, 10 in Germany, and 10 in the United Kingdom (which gives a total of 63 interviews in both stages). The interviews were held with at least 2 general managers from each of the companies. The first respondents were contacted in the same way as in the exploratory stage of the study (fax and telephone call), and the 2nd - 4th respondents were indicated by the first ones, which is so called 'a snowballing technique'.

The interviews were unstructured, however from the experience of the exploratory study, the researcher has developed a 'Fieldwork Interview Guide', which contained a one page questionnaire investigating the biographical data of the respondent, and a check-list of questions originating from the themes identified in the exploratory study (See: Appendix 4.2). The importance of the construction of a 'questionnaire' for qualitative study has also been pointed out by McCracken (1988). In his view it has to fulfil the main objective is 'to allow respondents to tell their own story in their own terms' (p. 34).

Following McCracken (1988), several techniques of constructing questions were applied in this study. The interviews normally start with the 'grand-tour' questions, relatively easy for the respondent, and relatively unobtrusive. They were then supported with more proactive questions, for example contrast questions ('What is the difference between ...?'), category questions ('How do you define...?'), or questions asking to recall exceptional incidents in which the research topic was implicated. In case of Polish respondents the researcher also used 'auto-driving' prompting procedure, by showing them a humorous picture of a German and British

person (See Appendix 4.3), and symbols of Poland (See Appendix 4.3) 'to provide their own account of what they see there' (McCracken 1988, p. 36). This technique was received quite well by the respondents in Poland, however when attempted during one of the interviews in Germany was not very successful, and therefore abandoned

Interviews lasted on average from twenty minutes up to two and a half hours. The shortest ones were given by the British executives, who claimed to be extremely busy and already excessively burdened by 'surveys'. During the exploratory study the longest interviews were given by the Polish managers, who seemed to feel quite privileged to be selected for participation in this study. The German approach was similar to the Polish one, albeit somewhat less enthusiastic. This attitude had changed however during the second stage of the interviews in Poland (with the exception of executives who were interviewed for the second time), when the respondents were still co-operative, however did not display such a great deal of enthusiasm. This change of attitude of the respondents is perhaps a reflection of the mental transformation that has been taking place in the Polish society since the beginning of the nineties. It also unknowingly provides support for some of the results of this study (e.g., Polish managers stated the need to be shown 'the right way', and once shown this way they claimed to outperform their 'master' thanks to their great imagination and being resourceful).

The interviews during the exploratory study were tape-recorded, after obtaining prior consent from the interviewees. This was in order to give more confidence to the researcher, who was undertaking the task of qualitative interview for the first time. This method was accompanied by taking hand-written notes during the interview; these notes were partly as a back-up in case of tape-failure, and partly to record non-verbal data. During the second stage of data collection, as the researcher gained more experience in interviewing this method was abandoned, and substituted by as close to verbatim as possible hand-written notes, which were written up immediately after the completion of an interview. This change in data recording technique during the second stage of data collection was related to the fact that issues discussed with

executives were very sensitive in nature, and it was feared that the presence of a tape recorder could discourage the respondents from expressing their candid opinions on the subject. Another issue arising from the sensitivity of the topic under investigation was sending texts of the written up interviews to interviewees for verification. On one hand it could be considered a useful way of verifying the correctness of the information obtained during the interview, but on the other hand its usefulness could be overwritten by interviewees' tendency to correct the text in the way they would want it to be interpreted (especially in a sensitive context of mutual perceptions of Poles and Germans). Therefore this method of data verification was not pursued. There were however several other methods to ensure the validity and reliability of the current study, and they were discussed in more detail in a separate section later on in this chapter.

The language in which the interviews were conducted varied depending on the country. In Poland all the interviews were carried out in Polish, as it was the first language of both the researcher and the interviewees. In Germany and the UK the language of communication was English. It is worth pointing out that all the German executives were quite fluent English speakers (only in one case the interview was assisted by an interpreter), but less inclined to tell stories.

Primary data was complemented by various sources of data of other type. It was mainly annual reports and leaflets of companies obtained directly from the respondents during each of the interviews, as well as information on the companies available on the internet, and press-cuttings.

4.5. Implementation.

4.5.1. Data analysis and interpretation.

Following Spiggle the process of analysis can be defined as the one which:

[...] breaks down or divides some complex whole into its constituent parts (i.e., from Greek, *analyein*, to break up). Through analytical operations researchers dissect, reduce, sort, and reconstitute data (1994, p. 492).

The process of analysis of qualitative data is one of the most demanding and least examined aspects of qualitative research methods. Moreover 'The exact manner in which the investigator will travel the path from data to observations, conclusions, and scholarly assertion cannot and should not be fully specified. Different problems will require different strategies. Many solutions will be ad hoc ones' (McCracken 1988, p. 41). This section presents a method of analysis applied to data collected by the researcher during both stages of data collection.

After the completion of the interviews the tape-recorded ones were transcribed verbatim in the source languages. The interviews notes were keyed in, and this was also performed in the source languages. Further analysis was also made in the source languages, in order to avoid misinterpretation or loss of idiosyncratic meanings and concepts. It is worth noting that Polish and English, although classified by linguists as belonging to the same Indo-European language group, come from very different branches of this group (Slavonic and Germanic), which means that they are distant in many respects - conceptual, grammatical, phonetic, and so on. There are certain concepts, which exist in one language, but not in the other. There are also different historical backgrounds accompanying both of them, which should not be neglected. Moreover 'the elements of language should [...] be understood [...] in their relationship to one another at any particular period [of time]' (Buckley and Chapman 1996b, p. 97). Therefore translation, especially of data for further analysis, requires careful attention to detail, and one could argue that a total translation is not possible.

The method of analysis applied was based on interpretive approach, which as argued by D'Iribarne (1996/97), is particularly useful in comparisons between organisations from different countries. It offers a more certain and precise understanding of the societies under investigation, from the point of view of those who are under study (D'Iribarne 1996/97, Miles and Huberman 1994, Yin 1994). Written up data were compared across interviews and across the companies, and analysed for common themes, stories, and issues. This was achieved by multiple readings of the transcripts. The interviews were then colour coded and a list of the

main topics, themes, and stories were developed. The main themes were namely: (1) the worker who could not decide for himself, (2) close neighbours and distant friends, (3) motives for market entry, (4) motives for M&As, (5) barriers to M&As, (6) level of competition in the industry.

The texts from the interviews were then sorted according to these themes. The main themes were the issues repeatedly mentioned by the interviewees, discussed by many of them, or pointed out by executives as important. The attention of researchers was also directed to 'important absences' (e.g., topics that the respondents persistently avoided talking about), and the reasons behind them. However there are specialist software packages available on the market (e.g. QSR Nudist), but these do not support data in more than one language, which was the case in the current study. Presented with this difficulty the researcher developed her own method of data organising, by using Microsoft Word features for managing long documents. The text was grouped under the main 6 themes identified, each of them constituting the main document, with coded company names as sub-documents. Each main document (theme) was again colour coded (a highlight option in Word), and the list of sub-codes was created. This served as a basis for writing up the narratives. Wherever it was found useful the results were cross-tabulated with the characteristics of the respondents (e.g., age, education, length of experience in the company, international exposure, etc.) types of the companies (e.g., M&As, greenfield, or JVs), different industries or with secondary data on companies. This served as a useful explanation of the findings. And finally the findings were compared with conflicting and similar literature for the purpose of rising theoretical level (Eisenhardt 1989).

4.5.2. Data Verification.

4.5.2.1. Validity and reliability of the study.

While evaluating the quality of research it is important to maintain the awareness about the kind of method applied, namely whether it was a quantitative or qualitative approach. As discussed

earlier on in this chapter, these two methods are very distant from one another, and it is important to keep this distinction visible and clear throughout the whole evaluation process.

According to McCracken (1988) there is a tendency among the researchers to judge qualitative work by the standards of quantitative one. This phenomenon can be explained by the fact that qualitative research being ‘contingent, contextual, personally interpretative [in] nature’ (Miles and Huberman 1994, p. 277) is broadly considered as the one for which it is not really possible, or should we say easy, to specify quality criteria. This difficulty is perhaps to blame for a tendency to consider the themes identified in a qualitative analysis as influenced by the subjective perceptions of the author, rather than being ‘really there’. This is a theme which could be endlessly discussed, and there are no right answers: some researchers in the positivist tradition regard subjectivity as a threat, to be annulled if possible; researchers of a more ethnographic and interpretive bent might prefer to argue that giving up subjectivity would be akin to giving up intelligence. There are at least several considerations, within the present work, which might serve to reassure its validity and reliability.

Firstly, one of the principles of data collection is using multiple sources of evidence in order to achieve triangulation (Yin 1994); here, primary data were complemented by various other sources (e.g., annual reports and leaflets of companies, press cuttings, internet sources). This was in order to assure the validity of the current study.

Secondly, the interview transcripts were sample-coded by the researcher, and this coding was verified by 3 other colleagues coming from a culture other than the one of the researcher (e.g., the researcher is Polish and the colleagues are British).

Thirdly, the narratives were supported with the verbatim responses of the executives under investigation, to offer the reader the opportunity of drawing their own conclusions (Marschan 1996).

Fourthly, the findings were cross-tabulated with the data on the characteristics of the respondents, types of the companies, and different industries. This provided some useful insights to the findings, and helped to build internal validity of the study (Eisenhardt 1989).

And finally, the findings of the study were compared with conflicting and similar literature, which as Eisenhardt (1989) put it 'builds internal validity, raises theoretical level, and sharpens construct definitions' (p. 533) in the first case, and 'sharpens generalisability, improves construct definition, and raises theoretical level' (p. 533) in the second one.

Another issue pertaining to data verification is the role of the researcher in the qualitative study, and we will look at in more detail it in the next section.

4.5.2.2. The role of the researcher.

The researcher is the main instrument in the fieldwork of interpretative research as collecting qualitative data involves maintaining a close relationship between the interviewer and the interviewee. This invites a question about reliability and lack of bias in this type of inquiry. According to Marschan (1996) in positivist research this relationship could be seen as a weakness influencing objectivity of the study as the results of the study might be influenced by the personal motivations and biases of the researcher. However in qualitative research such a close relationship can be considered a major advantage as it 'allows the researcher to influence and control the interview situation' (p. 63).

The primary data for the study were collected during face-to-face interviews with the executives and several questioning techniques were used by the researcher to ensure obtaining the maximum information from the respondents (they were discussed in more detail earlier on in this chapter). The researcher made every effort to create the atmosphere of co-operation with the interviewees to encourage them to answer truthfully the questions of the study. This was

achieved by presenting the purpose of the study, and assuring the interviewees of confidentiality and anonymity of any information obtained from them. This was done both in writing in the letter requesting participation in the study, as well as verbally in the beginning of the interview. It was also made sure that the level of knowledge of the research phenomenon was appropriate by selecting the appropriate interviewees to participate (e.g., area directors responsible for Poland in British and German companies).

Let us take a look now at the importance of the nationality of the researcher and the sensitivity of the topic under investigation. The current study was conducted in three countries, namely Germany, United Kingdom, and Poland, the latter being the researcher's home country. The sensitivity of the topic of inquiry pertained to the fact that it sought to identify how the managers from the selected countries saw one another and what they thought about their work together. In the context of the current study one might consider the researcher's own understanding of Polish background and culture both as a resource as well as a drawback. Being a Polish person conducting research in Poland allowed the exploitation of the researcher's extensive background knowledge of the area, especially that the area of interest of the current study was narrowed down to only one region of Poland from which the researcher originated. Furthermore the sensitive issues of the current study became relatively 'less sensitive' being discussed between people from the same nationality. For example a Polish person (e.g., interviewee) felt reasonably free to express their views about Germans or British to another Polish person (e.g., interviewer), and both these persons communicated in their mother tongue. While being Polish had its advantages during the interviewing process it could be considered a disadvantage in the process of data analysis, as it could be a potential source of bias in the results.

In case of German and British interviews the role of the researcher's nationality related strengths and weaknesses was reversed. What was a strength in case of Polish interviews became a drawback in Germany and the United Kingdom and vice versa. The issues sensitive for

discussion became even more sensitive, as it was a Polish researcher inviting German and British managers to express their views on simply how it was to work with Poles. There was also another difficulty - speaking in a second language in Germany both for the interviewer and interviewee, and in the UK only for the interviewer. Although the researcher is a fluent English speaker, and so were nearly all German managers, the material coming from the interviews would have been richer if the interviews if they were conducted in participants first languages. The same applies to the interviews in the UK, where although the interviewees were using their mother tongue, the researcher still had to overcome language barrier herself. In an ideal world, in which unfortunately we do not live, it would be helpful if the researcher could use native speakers in collecting the data. This would have also helped to overcome the nationality differences, and would allow the interviewees to express their views more freely to a person representing the same nationality. The strength of being a Polish researcher analysing data coming from German and British interviewees is detachment from their culture and thus maintaining objectivity.

And finally, it is important to note the age and gender of the researcher. A relatively young female researcher conducting a study in a very much male dominated environment (e.g., only 5 out of 64 interviewees of the current study were women) was met with an initial surprise by the respondents. This was however overcome within the course of the interview. The issue of gender was particularly strong in Germany, and to a smaller extent also in Poland.

4.6. Summary.

In this chapter the methodology of the current study was discussed. It aimed to present the appropriateness of the qualitative, interpretative method applied to the current study. It also presented the perceptions as an important tool of analysis in international business research.

Furthermore the qualitative method was compared with the quantitative methodology design, and the main weaknesses of interpretative inquiry were acknowledged. In order to shed some

light on the selection of participants of the study the background of Poland as a host country was presented. It was followed by research design in which selection of the participants of the study was discussed as well as issues related to primary data collection and fieldwork. The study adopted in-depth interviews as modes of data gathering. They were applied to gain access to the cultural categories of respondents in the three groups of executives identified in this study. The reasons for selection of particular participants were discussed.

In the last section the implementation of the method was discussed and the main issues related to data analysis were presented. It was also argued that since the qualitative and quantitative research approaches represent two very different sets of intellectual habits and frames of mind it was necessary to evaluate research conducted under each of these paradigms on totally different criteria.

The problems and difficulties associated with conducting qualitative, comparative research were also presented. The researcher acknowledged the weaknesses, as well as strengths, associated with the practice of qualitative research, and the generation of interpretative texts.

Chapter 5: Poles and Germans - Ethnographic illustration of national and corporate perceptions.

5.1. Introduction.

In the previous chapter we looked at the issues pertaining to ethnic oppositions as specified in social anthropology, and also at the literature on Polish, German and British culture and management. We have seen that the nature of relations between Poland and Germany has been very different from the one between Poland and the United Kingdom. This theoretical background will find a direct application in this chapter with reference to the first set of the countries, namely Poland and Germany (Polish and British perceptions will be presented in the following one). This chapter offers insights into how the managers from German companies that invested in Poland, and from Polish companies in which the FDI is held by German investors see their foreign colleagues. We will try to show that that opinions and perceptions expressed by German and Polish managers, referring to their mutual interaction, have a certain oppositional logic which has been demonstrated in other situations of ethnic meeting (e.g. Anglo-Saxons and Celts) discussed in the work of Chapman (1992a). These ethnic oppositions are argued to be likely to influence managers' perceived role in the business co-operations under investigation. In this chapter we will provide an ethnographic illustration of the national and corporate characteristics drawn by the respondents, which is divided into German perceptions of the Poles and Polish perceptions of the Germans. In the end of the chapter short summary and conclusions are presented.

5.2. German managers on Poles.

5.2.1. 'People do not change a lot'

One of the most striking features of German perception of the Poles, was a tendency to discount the influence of the communist period on the Polish psyche. Due acknowledgement was made of the economic transformation and the collapse of communism; in spite of these stirring events, however, the Germans did not seem to believe that the experience and ideology of Poland during the communist period had had a great impact on the Poles themselves.

In a sense, the Germans presented a static, even essentialist, vision of the Poles, whose defining and characteristic features showed few signs of change, and were rooted in a deep past. This view was represented by the interviewees from almost all age groups (e.g., D3_GE, C2_GE, G4_GE, D2_GE, P_G1_GE). All of them have travelled extensively, and several of them lived abroad (including Poland). Moreover as the German interviewees were mostly area directors for Poland one could expect that their knowledge about this country was extensive. One of the interviewees, for example, who himself claimed to have had extensive contact with Poland and the Poles, was asked whether he observed any changes in Polish society; he replied:

I think people don't change a lot. They have the same feeling, but the time changed completely. Friendship everywhere is the same, and maybe what I said about Catholicism, nationalism also, but maybe there is a growing up experience also and changing from the socialistic system to capitalistic system it's you can see it everywhere. I can remember the time when nothing was in the shops. Since 1988 something like that is completely different. But it's kind of materialism, you see of course. They haven't got [did not have] so many cars, the streets are full of traffic (D3_GE).

The German's limited reference to the communist period in Poland, could indicate that they do not consider Poles to be very much affected by it, and that perhaps what shaped 'polish mentality' was the events from more distant past. This view corresponds with the available management literature (e.g., Hickson and Pugh 1995, Jankowicz 1994, Kiezun 1991), however the issue of the impact of communism on Polish psyche is much more complex. Therefore a more detail evaluation of this impact has been presented in a separate section in chapter 3 earlier on in this study.

5.2.2. Polish neighbours.

Geographical proximity between Germany and Poland received quite a lot of attention from the interviewed investors who were emphasising that Poland was their 'great neighbour' (G4_GE). This view was shared by the representatives of most companies as well as different age groups (e.g., P_G1_GE, G4_GE, C2_GE, D2_GE, E3_GE, P_B1_GE). German executives pointed out the importance of being present on the Polish/Eastern European market, and the challenge of managing to stay on it (e.g., P_G1_GE, P_D1_GE). Consider the following quote:

We are present in all Eastern Europe, ‘Company G’ is known world wide but it is very much present in Eastern Europe, as it is geographically nearest to the East. [...] ‘Company G’ is number 1 in infrastructure in the world, Eastern Europe is a good place for building such an infrastructure – it pays back, the pay back is the best there, if there is infrastructure there is a growth of private enterprises (P_G1_GE).

This achievement of market power on the neighbouring market seems to be quite a strong motive for entering it in the view of German executives (e.g., C2_GE from a construction industry, which acquired a Polish company):

We will have a very good future. We are already the biggest or the second biggest (depending on who makes the statistics) on the market. We are planning to expand even more. We are thinking of buying new companies, but our strategy depends if it is in the North or in the South, as it is a totally different business (C2_GE).

Some interviewees recognised that in economic terms Poland was not a uniform nation, but rather one which varied from region to region; for example:

At the moment 80 per cent of companies are located in Warsaw, but Poznan is developing as well. For example Volkswagen had opened a factory there. They want to develop the South too, Krakow, Katowice, special businesses there. In the coast there is a lot of development too. The other parts of Poland have a different mentality. For example in Gdansk, or in the North in general, people are not so open for foreigners. Poznan area is very open, as it is close to the border, the same refers to Warsaw, where are a lot of foreign companies, it is very much different in Gdansk. In general North is different from the South, and this is also in Germany (C2_GE).

Moreover, the German executives had emphasised the big size of the Polish market. Some of them also referred to Polish market as a source of their export markets, serving as a platform for re-exporting to other parts of the world. This view was particularly strongly represented by the executives from ‘Company G’ which is (among the others) an electrical engineering and electronics company. It also happens to be a company that had strong links with Polish market long before the fall of communism.

5.2.3. *Job skills of the Poles.*

Although some of the German respondents differentiated between the younger and older generation of Poles, with the former being well educated and highly motivated (D2_GE, C2_GE, E4_GE), and the latter being ‘Western’ but only ‘on the surface’ (e.g., C2_GE), they

tended to see their eastern neighbours as quite a homogeneous nation. It is worth mentioning here that German executives praised the language skills of the Poles:

The important point is also the language skills of the Polish peoples. I just speak German in Poland. Nobody in our English company speaks German. None. I have to speak English there, but in Poland everybody speaks German. So I don't have to learn Polish, and they speak very, very well, and they are also, they have a good education (D2_GE).

Although German investors emphasised the importance of gaining access to local know-how in Poland (P_D1_GE - JV), they mostly saw Poles as a source of cheap labour, and stated this as one of the main incentives of entering the market:

Poznan company is very cheap, and has a very cheap personnel (E2_GE).

The cheapest way to produce 'product name', the workers are not so expensive. It is also near to Germany and for the transport it is not so far. Most of people who work there speak German, that also helps (E3_GE).

This view was very strongly expressed by executives of various age groups however almost all coming from food processing industry (P_B1_GE, E2_GE, E3_GE, D2_GE). This might suggest industry specific influence (in this case, the manufacturing of labour intensive products).

German managers' perceptions of Polish working skills, seem very much to reflect the basic list of oppositions of 'self' and 'other' from Chapman's (1992a) framework which was introduced in Chapter 3 (Figure 3.2 and 3.3). Although some German individuals are inclined to acknowledge that Poles also possess features, which could be attributed to the 'self'/good' side of basic oppositions, the general trend would be to place them on the 'other' side of the oppositions. German managers almost fail to acknowledge positive aspects of hiring Polish employees, other than the low level of their wages. As it will become more apparent later on in this chapter this seems to be the main perceived advantage of hiring Polish staff, which is seen as evading responsibility, and lacking basic job skills.

5.2.4. *Polish networking phenomenon.*

German executives observed that their Polish colleagues were the people who operated in a networking system. As some of them put it:

They [Poles] have ambitions too, but definitely they are with good relations [contacts], we used to have a saying here that: 'A socialist without relations is like a capitalist without money'. They have they own networking (G4_GE).

[Poles are] with relationships – they have friends for everything, e.g. when I had a health problem, one of them told me 'don't worry I have a friend who is a doctor, and he will surely help you' (G3_GE).

Quite interestingly the first quote is the only reference made by the German interviewees to the communist/socialist past in Poland. As already discussed in one of the previous sections, they tended to discard the influence of this system on the psyche of their Eastern neighbours. Also according to Gesteland (1999) it is vital to have the right connections in Poland. It is also very important whom you know.

In the investors' view 'the right contacts' are indispensable while conducting any commercial activity in Poland. As one of them put it:

[...] You have to know the right people. The people really taking the decision. And something like a bribe doesn't ... well it's helpful (P_B1_GE).

The issue of networking phenomenon received a particular attention of the executives in their early forties and early thirties, however no company patterns of responses were observed.

Moreover, the executives warn, that while operating in the Polish market, not only is it crucial to have their own network but to make sure that the specialists you employ are trustful (E4_GE). If this can be achieved they 'would manage the company for you' (E4_GE). This view was particularly strong among the executives from 'Company E', which is a food processing company.

Furthermore, corruption in Poland was also mentioned by several of German respondents (e.g., P_B1_GE, D2_GE, D3_GE, G3_GE, G4_GE, E5_GE). Very much 'in accordance' with the

features attributed to the 'other' side of the basic ethnic oppositions, Germans saw their Polish neighbours as people who were corrupted, and pursuing their own private interest only. The interviewees saw Poles slowing down the arrangement of certain matters deliberately in order to receive a bribe. One of the executives even gave an example of closing down the water purification plant for the weekends, because its director wanted to earn some 'extra money' for that (E5_GE). The executives pointing out the issue of corruption were mostly in their early thirties, and late fifties, and represented companies from various sectors. All of them had travelled extensively, and some of them lived in Poland.

According to Transparency International²⁴ a 'Corruption Perception Index' for Poland in 1999 was 4.2 which places this country almost half way between the most corrupted Cameroon (with the score of 1.5), and the least corrupted Denmark (scoring 10.0). In this classification Germany was placed as fourteenth least corrupted country in the world (in a total of 99 countries included in the survey) with the score of 8.0.

5.2.5. Polish evading responsibility, and need for authority.

As argued in Chapter 3 of the current study, one can see that in a long history of interaction between Poland and Germany, it was the German side that played the defining role of power rather than the Polish one. Moreover, Chapman's (1992a) argument was that peoples in positions of dominance (e.g., structural, moral, symbolic, political, etc) had a tendency of constructing others as inherently 'disorderly'. One can see a certain trend of constructing similar characteristics by the German executives in the current study. Consider for example a Polish tendency to evade responsibility, as stated in the following quotes:

²⁴ An international body that aims to monitor and to reduce corruption in global business.

The self-control awareness of the employee, positive approach to work, and identification with the company leaves a lot to wish for [in Poland]. There are 70 per cent of foreigners employed in the production here [in Germany], but their awareness is much higher, they have a positive approach to the [work] environment (E4_GE).

The problem is taking over the responsibility. We [in Germany] have this problem too, but if someone is responsible in for certain area they take care of it. In Poland it takes a long time to find a person with relevant education and skills (E5_GE).

This characteristic of the Poles was observed mainly by executives in their early thirties and early fifties, and to a smaller extent by the interviewees in their early forties.

The evasion of responsibility was acknowledged by the Poles themselves as will be discussed in more depth in later sections of this chapter referring to Polish perceptions. They typically saw this as being a direct result of the communist system. German respondents did not see these issues as related. Rather, they considered that, in order to produce good work, Poles needed to be well managed and motivated. This is because they have a great respect for authority, and do not question the decisions of their superiors. Consider the following quotes:

One does everything with these people [...], because the Pole is capable, but one has to manage them, show them a new way (E4_GE).

If the employees in Poland are well managed, they are better than here [in Germany], but it is very difficult to find good specialists on the lower [than the management] level. On the level of management it is already much better (E5_GE).

[...] Polish employees they work like German ones 15 years ago. It is true what boss says, and they do it, they follow. In Germany this is not the case. They question the boss a lot (C2_GE).

What is more, Poles are believed to demand authority and be a 'certificate-driven' society. As stated by one of the investors:

[...] The same as everywhere else, they need to have loyalty, very good knowledge, a lot of managerial skills, and high social competence. This last one is often a problem in Poland. They say for example: 'I have studies, and you didn't, I have a certificate'. Look what happened with your president Walesa. People didn't accept him, because he did not have education. However I personally think, that he had done a lot of good for the country. Poland is a very certificate-driven society (C2_GE).

This finding is congruent with Hofstede's (2001) dimensions of culture pertaining to Poland, and in particular power distance and uncertainty avoidance. According to this study Poland

scored very high in both these dimensions. In large power distance societies subordinates expect to be told what to do, and strong power distance means that people have emotional need for written and unwritten rules, what brings the need for more formalisation and standardisation

The German executives, while talking about the Polish need to be coached, also made it clear that the Germans were the best ones to do the coaching, and to show the Poles 'the right way'.

They also saw Poles working for their companies as privileged ones. As one of them stated:

The motivation is high, they know that if they come to the EU if they come to Germany to work they wouldn't have the same chance as some Germans, so therefore they see the chance to work for a German company in Poland as very good, because it can grow in his country, with this company is a big bonus (D2_GE).

Germans tended to regard working for a foreign (German) company as very motivating for Polish employees, since it offered an opportunity to experience the corporate world of the European Union. In return the Germans expect the Poles to try to understand the German way of thinking and acting. One German expressed surprise that co-operation with the Poles had gone so well, contrary to his expectations:

[...] I was very surprised with a good co-operation during the restructuring of the company, very good co-operation. I didn't think it would go so smoothly (C2_GE).

Polish need for authority and German entitlement to do the coaching was strongly emphasised by the executives in their early forties and fifties. All of them travelled extensively, and some of them have lived outside Germany, including Poland.

Several authors in management attempted to explain the Polish need for authority phenomenon. For example Keizun (1991) linked it with so called 'clerk mentality' of the Poles, Jankowicz (1994) went back to the fourteenth century Poland in order to explain this phenomenon, and Podgorecki (1993) referred to Poles as incurable romantics. These differing views have already been presented in Chapter 3 of the current study, however their explanations are somehow superficial. Chapman's (1992a) framework offers much more complete an explanation. We can see on this example that an image of Poles being disorderly and irresponsible projected over the

centuries by those who were in power at that time, generated another trend of describing this nation as people who needed authority and who needed to be shown the right way.

5.2.6. *The closer to the East the less safe it gets.*

The safety of the Polish market was quite a salient issue for German executives. Quite interestingly it received much more attention of the interviewees than economic indicators of their target market, such as good economic growth and low level of inflation (e.g., P_B1_GE, D2_GE). Consider the following quote:

It is a neighbour country, with a high population, with a strong industry, and which is one of the candidates, which will go in the European Union, which really tried to come close to relations and to the needs of the EU. The inflation is not that high like in Russia, or anywhere else. You have laws, which are close to the German laws. Poland is also a very interesting market, and also a lot of privatisation. True privatisation, which has been in the Polish market since 1990. Not like the Russian market, where they have spoken about the privatisation, but haven't done it. Even now we are trying to get more companies, it is a good process, and true process, and a real process, and therefore we think it's one of the best markets at the moment (D2_GE).

The issue of risk was also mentioned in this context (e.g., P_G1_GE, D2_GE), and was directly related by the executives to their choice of investment form in Poland. The interviewees who came from companies that entered the Polish market by forming a joint venture with a local company claimed to do so due to the perceived high risk on the market at a time. These companies represented the electronics and electric engineering and waste utilisation sectors. In the literature (e.g., Young et al. 1989) risk is one of the key variables to be considered while identifying overseas investment opportunities, next to the market potential and growth of the country and of the specific product market, and the strength of potential competition. Therefore joint ventures are mostly formed by foreign direct investors in developing countries, where the environment is less familiar and the risk is perceived as higher.

It is important to note that the interviewees would always refer to the issue of risk on the Polish market in relative terms. The German executives, representing all age groups, very often compared it with the Russian or Ukrainian market. The above finding links quite well with the idea of images of civilisation in the west progressively dissipating to the east already discussed

in the beginning of this chapter. German executives seem to unknowingly subscribe to this view. The analysis of qualitative data has shown that the Germans see the negative relation between the safety and the Eastern European Region. In short it could be described as ‘the closer to the East the less safe it gets’.

This perception seems to influence the German approach to the Polish market. Although the interviewees would refer to it as a safe one, they would also discuss, quite extensively, the amount of preparation and research they had to do before they actually entered this market. For instance:

[...] The important think is, when you do an investment in a foreign country, what you know how much is the risk, and if you look at the South Asian market in China, which is for everybody an interesting market, the problem there is that the risk is very high. You don't have a true private business atmosphere. You have high corruption, and you don't have that in Poland, or not that high. And you have system, which works, all the business systems, or law system and so on. So therefore you have rules which are very close to the European rules. Therefore I think it's an interesting market for all the Americans, Germans and so on. It's a very important one, because if you look and analyse other companies, what is the highest, or what are the points of doing business. One of the highest points is risk. How much risk you will have (D2_GE).

5.2.7. *Competition and how to deal with it on the Polish market.*

As discussed in more detail in methodology chapter (Chapter 4), German executives under investigation came from large international companies, and recognised a high pressure of competition for their company as far as the international markets are concerned (e.g., P_D1_GE, P_C1_GE, E2_GE). In this context they would mostly state that they compete with relatively large international companies. Their home markets have also been evaluated as highly competitive by them, and virtually closed off by others. As one of the German executives stated:

Because it's a growing market. And now if you win the market share here in Germany or in European Community, you have to take it from your own competitor. And in Eastern Europe, the market is simply growing, and it's easier to expand your sales in a growing market, it's very simple. You have to, if you want to win market share in Germany, in many cases you have to go through the price. You simply have to reduce prices, and our second objective is to find new products, innovative products, and our third target is to simply lower our costs that we have. Look for better processes and try to find cheaper ways to produce (P_B1_GE).

The executives discussing this issue were mostly in their early thirties, and represented companies from three sectors: waste utilisation, construction and food processing.

It is interesting to note that the interviewed executives did not observe a similarly high level of competition in the Polish market. In the contrary, they perceived it as a relatively less competitive one, and stated this as one of the main incentives for entry. The interviewees would point out that they went to Poland because it was a market 'not closed off by the others' (P_B1_GE). Moreover most of the interviewees would see their companies as the key players in the Polish market and would list large, multinational companies as their main competitors (e.g. C2_GE, G4_GE). The latter opinion was represented by the executives in their early forties and early fifties with varied job experience. There were no particular industry patterns observed.

In this context also the possibilities of finding a suitable target company for acquisition on the Polish market were evaluated as very low. This view was presented by interviewees from the companies which invested in Poland by establishing a green field site there. These executives had expressed the view that there were 'no equals' for them in Poland (e.g., P_B1_GE).

Consider the following quote:

Well, we looked first of all, we looked for a company or production hall, that is completely ready for us. With infrastructure: water, electricity, with all the necessary equipment we needed for logistics, but we simply didn't find it. So for, the decision for Kazmierz was taken because, there was a certain infrastructure, because of dairy company next to us [...].

[What have you learned from that process?]

Concerning Poland we lost too much time looking for a suitable existing partner. In other Eastern European countries we wouldn't spend much time looking for it, but we go right away to green field operation (P_B1_GE).

Based on the above quote as well as on the remaining empirical data the interviewees from companies that chose not to acquire Polish companies stated that it would have taken them too long time to find a suitable one. Similarly to the quoted above interviewee, most of them would emphasise the lack of infrastructure in the potential Polish acquisition targets. Lack of suitability was also linked to the small size of the Polish companies or simply to their lack of

availability. One needs to remember that these investments were made in the beginning of the transformation period, and this perception could be linked with the slightly slower pace of privatisation in Poland in comparison with other countries of the region.

Although the German executives pointed out the lower level of competition on the Polish market, they expressed their awareness that this situation might change very soon. This opinion was particularly strong among the interviewees from food processing and electric equipment sector, aged between 41 and 45. In case of one of the German companies under investigation only the prospects of entry on the Polish market by its close competitor brought the management of this company to the decision of selling the business. Consider the following quote:

In Germany yes, in Poland we don't have real competitors yet, but this would have changed, when [if] we didn't sell the company to 'Company X' [...]. 'Company X' is a German company. And 'Company X' intended to come to the Polish market with large capital, and that was the reason, one of the reasons that we sold the company to 'Company X', because it would have been a very large competitor of this market in the future, some clouds would have come. [...] That's exactly the reason [for selling the business]. We thought that when we wait another five years, and this competitor will come to the market, our business would [have been] be less worth than today (P_E1_GE).

The executives from media and distribution, food, and construction industry would state strengthening of their core businesses as one of the ways of dealing with competitors. For example:

[How do you compete?]

We could do a lot. First of all, we have a very simple strategy, you know. We try to strengthen our core businesses, that means those businesses from which the main return comes you know, the main cash is created, that is book business, and that's magazines' business. And in third place comes the music, that means the entertainment business. And the new business, which could be the one in the year 2010, which really drives the company forward, is a multimedia business. That means if you have, let's say 1 billion DM per year investment, money for investment, then you can calculate on your own to which area the money will flow (P_A1_GE).

In this regard the increasingly competitive environment in Poland encourages the investing companies to find innovative products, and to have better quality of products and services than their competitors (e.g. P_B1_GE, C2_GE, E4_GE). Another important tool of competing has been identified by the interviewees as reorganisation of the company in order to improve the

management in their subsidiaries (e.g. C2_GE). This was particularly strong among the executives of 'Company C' which is a construction company. In their view this improvement is important for providing clients with equal standards to the ones of the parent company. This can be achieved by know-how transfer between the organisations. It was also emphasised that the individuals in the organisation are its strength.

The executives representing the food processing industry have also considered reducing prices as another way of competing in the Polish market (e.g. P_B1_GE, E2_GE), however this measure was treated as a last resort.

5.2.8. Polish legal system and the government.

Quite an interesting issue in the German perception of the Polish market is their view of the host legal system. The interviewees emphasised the importance of the legal system for their choice of a potential target country for their investment. They would emphasise that conducting a systematic overview of legal developments is one of the first steps in their investment decision (e.g. P_G1_GE, G2_GE). This view was particularly represented by 'Company G', which is an electric equipment company, and which has been present on the Polish market for a long time.

As far as the Polish legal system is concerned, the Germans would express the view that it resembles very much the one of Germany. This similarity was explained by the historical events such as for example Poland being a part of Prussia, during the period of partitions. Several age groups of interviewees were represented here, and several types of companies. Consider the following quote for example:

[Are regulations in Poland investor-friendly?]

Yes, very much, but it goes back in a history. I don't know the English word for it, but Poland was part of the Prozen, and had the same regulations. Then after the socialism these regulations have been brought back, and they are again based on German law, so there is no major problem with it in Poland (C2_GE).

It is important to note at this point that this historical German influence on the Polish law is a very rare reference to Polish-German relations by the German interviewees. The general trend

among them would be to avoid discussing these issues, or at most calling them ‘very specific relations’. Some of the executives from Germany even shared the opinion that the German legal system was much more compatible with the Polish legal system than with the legal system in the UK. For example:

It’s a different natural system. We have the BGB in Germany, it means a contract in Germany is maybe 15-20 pages, in Poland is not that much more, and in the UK, it is kind of, one would be maybe 300 pages. Because if you would have problem in Germany, or in Poland you would go to the court, and in the UK the court would say, what is written but not therefore don’t have that much space to get maybe a benefit for both (D2_GE).

However, although the German interviewees would list all these qualities of the Polish system, they would still claim that it had a lot of room for improvement. The lack of ‘democratic traditions’ would serve as an explanation for this state of affairs:

Here in Germany we have 50 years of justice [*democracy?*] and of course this influences the laws, and every law you have to interpret. But Polish government is on the right way, it will get there as well (G3_GE).

Executives representing the companies that did not go for a merger in Poland also stated that they chose other form of international business, because of an unstable and not yet developed legal system in Poland (e.g. D2_GE). As stated by one of the interviewees:

[...] The company first started in Germany, just in Germany. And we have started 7 years ago outside of Germany with activity in Australia with another company, a joint venture, and then 8 years ago, we have started this business in America, but it was just a small activity, and big growing international market started in 1992/93 with activities in Poland. Poland is our largest market.

As we have started, with connection in 1992 of course legal system was not that much developed as it is now. Therefore we have started with joint ventures and that was more ‘silent’. So not to make too much investment, in order to check a little bit how much we can do. And the whole company, and the legal system had grown to the state we are now (D2_GE).

The German executives pointed out the difficulty in dealing with the Polish government. They would point out the troublesome tax authorities which they ‘had to bargain with’ (G4_GE). Moreover they experienced ‘unequal’ treatment by the Polish government (E5_GE), which would always act in favour of the Polish domestic companies. Reference was made to Polish nationalism, which Germans had experienced while doing business in Poland. Consider the following quotes:

It can be also bad luck. We have placed an offer, but the Polish government gave it to the Polish applicant. There is a little bit of chauvinism there. There are also situations, if you are too late. Yes, it is very important the time you enter (G3_GE).

[...] You see, we were surprised about the laws they had in Poland concerning the production, the construction of a company. They had laws that were even stricter than the German ones, and we didn't find any Polish producer meeting those standards. We got the impression that the standards are only made for foreign investors, as a kind of protection as well.

[So do you mean that there are different requirements for foreign investors that for local producers?] I guess so. For example, concerning hygienic topics, we had to meet very strict standards and none of the Polish producers could meet that [them]. We are sure. I've seen 30 of them (P_B1_GE).

[How do you see the future of your company?] Positively, especially if [Polish] Sanitary Offices will start treating all the companies equally (E5_GE).

German interviewees also emphasised quite a high export duty on their products which in case of 'Company B' proved to be an important motive to enter the Polish market by doing direct investment there (P_B1_GE). The view on nationalism and unequal treatment by the Polish government mainly came from executives in their early thirties, and late fifties.

5.2.9. *Very different from us.*

The analysis of qualitative data has shown that there was a strong tendency among German executives to emphasise that Poles were very different from them. The interviewees also used a specific term 'mentality', while talking about their Polish colleagues. It was for example while talking about a 'different mentality' of the people (P_D1_GE), or 'work mentality' of the Poles (D2_GE). The trend of emphasising how different Poles were was displayed by all age groups of the interviewees, and from all types of the companies. It is important to mention here that most of these respondents visited Poland (some of them lived there for a limited period of time), and that they were well travelled in general. Consider just few examples of executives' statements on the issue of difference:

First, start to think in Polish. Their way of thinking is different from ours. This is based in a history, and we must be aware of it. You have to be aware of the history in the contact with Polish people, as our relations over the centuries have been very specific (C2_GE).

[...] It's very difficult to work together with Polish people because there is another knowledge, another way to work (D3_GE).

The statement that the German-Polish relationship has been ‘very specific’ might be regarded as a tragi-comic understatement of the case, in the light of 20th century events. It is clear that we are dealing here with issues that are too sensitive for expression (at least in the interview format to which we were tied; other approaches might have been possible). Experience from the face-to-face interviews, as well as the analysis of the interview data, has clearly demonstrated that the Germans were reticent about candid discussion of the Polish-German relationship. One executive, who had serious problems in characterising his associations with Poland, said: ‘I can’t describe it, but everybody can see it, on the work together’ (D3_GE). Another one, when asked for advice for potential foreign investors in Poland, gave the following patently disingenuous reply:

Not really, I treat Poland the same way as Austria or France. There are no significant differences in approach while investing there (C2_GE).

Interestingly enough it was the same executive who also referred to the Poles as the ones who are ‘Western but only on the surface’, and who was quoted earlier in this text. In this context consider also another quote:

Another information general, there is no difference in our perception, and measures of economic, and other impacts JV’s., M&A’s whether it is in England, Poland, the USA or everywhere. Our activities have to meet our several aspects. These are economic aspects, these aspects of general accepted rules, like we do accept government, people, no matter of race or religion, and things like that [...] (G2_GE).

The above statement was made by a German executive even before any interview questions were directed to him. The analysis of qualitative data by characteristics of the respondents did not show any significant patterns. A difficulty to talk about Poland and the Poles was equally shared by all age groups of the executives as well as coming from various companies.

The issue of difference received a lot of attention from German executives from the companies that had acquired Polish firms. They emphasised the importance of cultural differences and their influence on compatibility of corporate cultures in cross-border M&As. Consider the following quote:

[...] The chemistry and the culture. Culture in many levels. The corporate culture itself; each company has a different culture, hm, so even in Poland for example, there are different company cultures, depending on the area where the company is located, and also depends on the very specific chemistry of the chief executives, whether they fit together. If they don't do, then it will not work out (P_C1_GE).

Culture was ranked here at third place (according to importance) after the quite strongly emphasised good image and profitability, and just before management attitudes and additional value created.

Quite interestingly when asked directly for reasons behind acquiring a Polish company, German executives did not mention at all compatibility of Polish and German cultures as one of the factors. They had listed instead several standard stock value effect motives, namely extra value-added created (e.g., P_C1_GE), synergy (e.g., P_E1_GE), or achieving economies of scale (e.g., P_C1_GE).

What is more, the importance of compatibility of culture was stressed by executives from companies that chose forms of FDI other than acquisitions, namely green field investment. An executive from 'Company B' (P_B1_GE) for example stated not coming to agreement with other parties as one of the main reasons for choosing not to acquire a company in Poland.

Consider the following quote:

[..] Well, Warsaw would be fine as well. We had pursued a contract in Ciechanow, and there we found a place, where we said, well, that would be fine enough, but there were two other parties in it, and we really simply didn't come to an agreement on that. And that's the reason we rejected Ciechanow and went to Poznan. Well, this is the green belt, let's say, where you have the highest production of milk around of Warsaw, that would be fine as well sure, the Poznan area is really the best. And you can see the fairs, for example, that Poznan is the city with the most important fair (P_B1_GE).

This finding is supported in the literature (e.g., Kogut & Singh 1988, Barkema & Vermeulen 1998, Hennart & Larimo 1988, Harzing 2000), where cultural distance is considered to be one of the factors influencing company's choice between acquisitions and greenfield investments.

The greater cultural distance between a target and investing country the lower is the likelihood of an acquisition.

The issue of difference between Germans and Poles also appeared in another context. When presented with the statement that inhabitants of Wielkopolska believe themselves to display certain German-like features (e.g., order, discipline, diligence) German executives seemed to oppose it strongly (e.g. G4_GE, P_B1_GE). This strong objection to any intimation of similarity between Poles and Germans is understandable, in the light of the ethnic oppositions which have already been discussed in the beginning of this chapter, and also in the light of the various negative features which the German interviewees noted in Poland. Attention was drawn, for example, to already mentioned earlier on corruption in Poland; also to a rather undesirable form of materialism (e.g. P_B1_GE, D3_GE, G3_GE). For example in German executives' view a good salary appeals to the Poles the most. Although they can be very committed to their jobs, they can work long hours, they would not do it unless paid accordingly (D3_GE, G3_GE). Some of the executives would even call Poles lazy, as they do not want to work if they do not get a lot of money for it (D3_GE). They are always looking for a good compensation for their work, which can be in a form of money, car, or other benefits. 'When they have a goal, they [will] do everything to achieve it' (G3_GE). Reference was also made to Polish nationalism, which has already been discussed here in the context of the legal system and government in Poland.

The positive features of Poles mentioned unanimously by executives were Polish hospitality and warmth (e.g., D3_GE, D2_GE), the positive features tended to be stressed by the same interviewees who had also dwelt on the negative features. There seems to be an age pattern to these responses, with the respondents concerned being in their early thirties, and early fifties. As for as their international exposure is concerned some of them lived abroad (including Poland). There were no particular patterns of responses as well as types of companies were concerned.

5.3. 'Self' and 'Other' Contrast – German Interpretation.

Let us go back to the list of oppositions which was presented in Chapter 3 (Figure 3.3 and Figure 3.5). These oppositions were constructed within a structure where ordered centrality is represented by the left-hand column of the figure, and that defining power resides on the left. Figure 3.3 was a generic 'self'/'other' contrast, where 'self' was good and 'other' was bad. This was argued to have a long history of application to the German/Polish contrast, in the limited sense that the Germans had used this series of oppositions to classify themselves as 'self', and the Poles as 'other' (repeat of Figure 3.3):

<i>Self</i>	:	<i>Other</i>
Rule	:	Disrule (absence of rule)
Order	:	Disorder
Culture	:	Nature
Human	:	Animal
Controlled	:	Uncontrolled
Lawful	:	Lawless
Clean	:	Dirty
Reason	:	Unreason
Intellect	:	Emotion
Constant	:	Inconstant
Modern	:	Backward
Progressive	:	Regressive
Individualism	:	Conformity
Conscientious	:	Irresponsible
Honest	:	Dishonest
Diligent	:	Lazy
Wealthy	:	Poor

Now a summary of the German characterisation of the German/Polish opposition must be presented, as derived from the interviews with German managers (Figure 5.1):

Figure 5.1: The German/Polish Contrast, as perceived by the Germans.

Germans	:	Poles
'do the coaching'	:	need authority
set the rules	:	need rules and hierarchy
responsible	:	evade responsibility
honest	:	corrupted
fair	:	set higher standards for foreigners
safe	:	safer than in Russia
(tolerant)	:	nationalistic
orderly	:	(disorderly)
disciplined	:	(undisciplined)
(diligent)	:	lazy
(controlled)	:	warm and hospitable
(work individually)	:	work in a networking system
(altruistic)	:	materialistic
long tradition of law	:	(lawless)

(N.B. Items in the above list, which are in parenthesis, were not explicitly articulated by interviewees. They are inserted into the above table, however, since they were implied by the executives. They are oppositions to the characteristics attributed by the Germans to the Poles and themselves).

One can see from the German characterisation of the Poles contrasted with the one of themselves, that there is a strong presence of Figure 3.3, the basic self/other opposition. As already argued in Chapter 3 of this study, Poles were typically recorded in history from the perspective of the Germans, who were as shown in the historiographical background of this chapter, always in the position of dominance towards their eastern neighbours. According to Chapman (1992a) there is a tendency among people to characterise themselves as orderly, civilised and properly human, and to regard other surrounding peoples as failing to achieve these virtues. This is particularly true in the core/periphery relationships of which Germany and Poland are the very example.

Let us take a look at the 1921 propaganda leaflet from Upper Silesia (Figure 3.1 in Chapter 3). Where there was no fear of offending, and where the 'other' was not allowed self-characterisation, then we might expect an unvarnished application of the oppositions from Figure 3.3, where poverty, dirtiness, laziness and incompetence find a natural home in the right hand of the column. One or two pieces of evidence from German popular culture were cited in

Chapter 3 which suggest that the oppositions from Figure 3.3 still have some resonance in popular thought, although the depth and dispersal of these ideas is undemonstrated by our research. We have also seen numerous evidences of German managers struggling for words, when the direction of their narrative is leading them towards characterisations of this kind directed towards the Poles. Evasions ('I can't describe it, but everybody can see it'), Olympian detachment ('our relations have been very specific'), and wry hints ('people don't change a lot'), were all in evidence. It is clear that allowing full expression to oppositions deriving from Figure 3.3, in a business context in modern Europe, in a world of political correctness, and in a question-and-answer interview format, is almost impossible. We should perhaps be glad of this. There is nevertheless some suggestion that the older and currently less reputable ideas from Figure 3.3 are still present in the structures of opposition through which Germans define their relationship to the Poles. There is certainly abundant evidence that the ideas from Figure 3.5, are strongly held in Polish characterisation of their own relationship to the Germans the evidence of which will be shown in the section that follows. Where ideas from Figure 3.5 are invoked, then Figure 3.3 is conceptually never far away; indeed, it is an important part of our argument that Figure 3.5 is only a disguised form of Figure 3.3.

5.4. Polish managers on Germans.

5.4.1. 'Cybernetic' German Society.

The qualitative data has shown that Polish managers observed a 'rule for everything phenomenon' in their German colleagues. This view partially corresponds with Hampden-Turner and Trompenaars (1993, 1998) who describe Germans as enthusiasts of rules and regulations, and state this feature as one of the strengths of German society. It corresponds only partially because Polish interviewees interpreted this phenomenon somewhat differently. They consider their German colleagues to be blindly following regulations and therefore to be uninspired. This is in accordance with the findings of Warner and Campbell (1993) who reported that German managers are not very inclined to improvise, but work according to rules and instructions. A few examples from the data can be quoted here:

Yes, definitely they are different, and I am saying it is an advantage of our [Polish] employees. In my opinion our employees are more open. This means that if you look at a German fellow for example, let's call him Helmut, who is an employee, and who is to perform a task in a certain way, [you will see] that he will be doing only this task and not thinking of anything else. And if we now go back to Poles [a Pole with the same task], he will be thinking, he will be trying to make his work easier, and he will display greater vivacity and sharpness than an average German (A2_PL).

[...] They [Germans] perform their duties from A to Z [...] (G2_PL).

It is quite a uniform and disciplined nation. Maybe they are a bit uninspired and without imagination. What they read in regulations is sacred for them (G1_PL).

One of the executives even presented a 'cybernetic' vision of his Western neighbours:

We are very different from them. [...] Germans are a society of a higher level of social organisation, one could describe it in this way. A social and cybernetic [organisation], and everyone taken out of the context of their organisation, falls into oblivion before our manager, who is much more versatile. He can react much better in a crisis situation, and has much better knowledge and preparation. [...] A specialist [from Germany] for example from the construction business is trained very well in his subject and virtually leaves no room for discussion. However when one tries to go beyond his narrowly specialised knowledge one totally loses contact with this person, and one is not able to continue a conversation (C1_PL).

In his view these differences between the two nations have been conditioned historically. Germany has a long tradition of a state of order, where the above-mentioned 'cybernetic structure' of the society functions without interruptions, and where the basic needs of the society are fulfilled. Poland by contrast is a 'young democracy' where these characteristics are scarcely developed; this has forced Poles 'to manage as one can'. This opinion was mainly represented by the interviewees in their early thirties and late forties, all of them originating from Wielkopolska. Several of them spent at least three months living abroad and have travelled extensively.

However, Poles do not see 'managing as one can' as a defect. On the contrary, although they admit the need to be coached by their foreign partners, they insist on being treated as equal partners by German investors (e.g. A2_PL, E3_PL, E1_PL, G2_PL). This slight contradiction in responses could be explained by the fact that the need for coaching was mainly expressed by

the older age groups of executives, and the demand to be treated as equal partners was presented by the managers in their early thirties with relatively limited experience of managerial positions.

There were no age-related differences however, in Polish self-characteristics constructed as oppositions to the German ones. Polish managers see themselves as much more dynamic, imaginative, versatile and spontaneous than the Germans. In their view foreign capital encouraged the development of a very ambitious workforce, which is able to think economically, and is very entrepreneurial (E1_PL). As was pointed out several times by the interviewees (all of them originating from Wielkopolska), Poles are very talented and have considerable potential for development. When compared with their foreign counterparts, Polish staff are more educated, but lack the relevant experience (D1_PL).

The informants referred to two types of experience here. First one was the experience of functioning in a market economy, which is still a learning process for many of them. Another one referred simply to a practical experience. Especially that many of the employees are 'new people' (E1_PL). They are university graduates, who are well prepared theoretically, but lack practice.

Moreover, the managers originating from Wielkopolska consider the inhabitants of German 'eastern lands' to be rather 'unimaginative'. They contrast this description with the great initiative of the Poles, who achieved much more with far fewer resources, as compared with their western neighbours (G2_PL). The managers' perceptions were that although quite light-hearted and humorous, when Poles get down to business they can do a good job, more quickly than others, and with more ideas. What is more:

[...] Poles are an intelligent nation. Our bad luck was that nobody showed us 'how to do it'. I think however that managed cleverly, we are the people who are destined to succeed (C1_PL).

They only need to be shown the right way first Polish self-perceptions pertaining to their need for authority and clearly specified rules correspond with the available literature on the

subject (e.g., Kiezun 1991, Podgorecki 1993, Jankowicz 1994, Hickson and Pugh 1995, Nasierowski and Mikula 1998, Hofstede 2001 etc).

5.4.2. *German Order and Good Organisation.*

The analysis of qualitative material has shown that one of the features most admired by the Polish managers, who identified themselves as chaotic and needing authority, is undoubtedly the long German tradition of law and order (e.g., A2_PL, C1_PL, D2_PL, D3_PL). This was mainly stated by the executives in their late forties, who originated from Wielkopolska. In the opinion of the interviewees the good organisation and discipline of the Germans are the main reasons for the great economic success of the country (e.g. D3_PL). In this context it was also pointed out that the Germans are very responsible and diligent. According to Hofstede's IBM study of culture (1980) Germany scored relatively high as far as uncertainty avoidance dimension was concerned (score: 65). According to the same author (e.g. 1994b) and also Hickson and Pugh (1995) societies with strong uncertainty avoidance manage their uncertainty through an emphasis on planning and orderliness.

The interviewees contrasted German features discussed above with the Polish evasion of responsibility and their reluctance to take decisions. This opinion was expressed by all the age groups of respondents, and there were no differences as far as the region of Poland was concerned.

Quite conveniently, the phenomena of the Polish evasion of responsibility and the reluctance to take decisions were explained by the Poles themselves, with reference to the 'techniques of autocratic hierarchy' associated with communism, and summarised by one of the executives as follows:

RULE 1: Your boss is always right.

RULE 2: If your boss is not right see the above (P_E1_PL).

These autocratic structures were to blame for the evasion of responsibility by the Poles, who were accustomed to waiting for decisions 'coming from the top', and if there were no decisions

coming, then of course 'it is even better' (P_E1_PL). It was also pointed out that even today people were still reluctant to say that there was something wrong happening in the company. As one of the executives put it, while talking about the need for improvement in his company:

Nobody will tell you this in other companies, and more precisely, will be afraid to tell you, and I am admitting it openly (P_E1_PL).

In the respondents' view these negative aspects of 'Polish mentality' are a direct consequence of the communist system in Poland. Consider the following quotations as evidence of it:

[...] 40 years [of communism] had caused such deep changes in many people's grey cells, that one is not able to root them out at once (D1_PL).

Mentalnosc Polakow [The mentality of Poles] was and is shaped by the 40 years of experience of the 'PRL' [the Polish People's Republic] [...] (E1_PL).

The autocratic structures of Polish companies under communism have been widely discussed in literature (e.g. Hickson and Pugh 1995, 1997, Kiezun 1991, Jankowicz 1994, Kostera 1995, Kostera and Wicha 1996 etc.), and receive support from our data.

5.4.3. *German continuity of change.*

According to Hampden-Turner and Trompenaars (1993) Germans display a tendency of continuous improvement of everyone and everything. Polish interviewees under investigation (in particular the ones aged forty-five and more, and originating from Wielkopolska) also observed a similar phenomenon in the behaviour of their German colleagues. Polish managers quite extensively commented on what they called 'German continuity of change' (e.g., P_C1_PL), which meant that they are never satisfied however good the result. In this context Germans are seen as very professional, and setting high standards and requirements. This characteristic was contrasted with one of the features of 'Polish mentality', that is lack of acknowledging continuity of change. Poles do not seem to acknowledge the need for continuous changes leading to improvement. The following quote is an illustration of this:

There is something in the consciousness of Poles that makes them think [Poles] that once something has changed that's it, finished, and then one can [sit back, and] *cut the coupons* [enjoy the dividend] (P_C1_PL).

The executives from Polish companies acquired by or co-operating with German firms talked extensively about the process of transformation and adjustment they were undergoing. They discussed these issues from two perspectives. First of all, the interviewees coming from acquired companies took pride in the fact that they were sufficiently transformed to attract the attention of foreign acquirers. Consider the following quote:

Because of the fact that we were the 'avant garde' of these changes, we started them quite early, we managed to lead this company through this difficult period without any particular revolutionary changes, that means we did not lay off people, we were not selling out our assets. We succeeded to earn enough in order to cover high costs of running such a large company. We were trying to use the existing assets as much as we could [...]. This caused an increase in profitability of the company, and at the same time indicated these parts of the assets that were not fully utilised, or were a burden for it. I mean by that all sorts of company holiday resorts [*osrodki wczasowe*], and other social benefits, which according to the new economic analysis were simply not profitable. We got rid of this ballast, and thanks to the fact that we managed to stand firm, a West German worldwide corporation became interested in us [...]. Of course this co-operation was connected with financing certain spheres of our activity (P_C1_PL).

The above mentioned companies undertook a lot of changes in order to become attractive targets for their potential partners. But the process of change did not end there. Once acquired by, or once having started working with a German multinational, they were subjected to a continuous process of adjustment and improvements (e.g. C1_PL, C2_PL, C3_PL, E1_PL, E3_PL, P_B1_PL, E2_PL). As one of the executives put it himself:

Of course this merger brought about certain changes, which were a result of a typically market approach of a professional and large corporation to the problem of organisational structure of a construction company. [...] One can say that in all areas of our activity appear new technologies, and modern equipment. It is of course dictated by the level of quality expected by the investor, and also by very disciplined deadlines. In connection with this continuous progress in these areas will be a guarantor and a condition of our competitiveness on the market. As you can imagine competition does not sleep; and it also invests enormous money in their development, and treads on our heels all the time (P_C1_PL).

This view was strongly expressed by interviewees from two companies, one in food processing and one in the construction industry. Moreover, both these companies were acquired by the German multinationals.

One of the most crucial aspects of the process of adjustment mentioned by the executives was the mental transformation of the Poles. They are transforming themselves to be the 'new

managers' who are 'the strongest component[s] of a company' (P_C1_PL). These 'new employees' have to function in the 'new reality'. They work in luxury, 'European' interiors, and wear 'European' class clothing (P_C1_PL). However, the rules of market economy, and sometimes 'brutal' capitalism (P_C1_PL) set very high requirements towards the employees. There were no particular trends among the executives who discussed the transformation process age and experience-wise, but one can observe a strong company pattern ('Company C' and 'Company E').

Moreover the appearance of foreign investors on the market, together with their capital, 'brought' different requirements towards the employees. 'Simply they required more' than 'at previous times' (P_D1_PL). These requirements had certain influences on the psyche of the Polish management and employees themselves. They reinforced the need for Polish staff to supplement their education with business awareness and also foreign languages. One of the informants said that they are exposed to a process of continuous training and supplementing of their knowledge (P_C1_PL). The issue of the requirements set by an investor, regarding quality and meeting deadlines, was also mentioned. Another sign of change was considered to be the implementation of new management techniques by these 'new managers'. To illustrate this, these are some statements of the managers themselves:

The basic issue is creating the process [refers to *management by objective*]. If someone has a problem, their task is to present it to the people directly concerned with it, [...] no matter if it is a director or a worker in a production line, it is based on a conversation without hierarchy. [...] One of the true and good methods one can consider [in a company] is creating a decision process in a group (P_E1_PL).

We are intensively exercising re-modelling of management by implementing *integrated system of management* in a company [...]. [This new system] will improve management process, the flow of information, and will allow better utilisation of managerial staff [...] (P_C1_PL).

Decentralisation of management, which comprises: letters of attorney for supervisors of different divisions, dividing the costs, all [of them] have their own budget, and have to account for it independently. [...] There is a division of functions [in the company] (E1_PL).

We are accepting the new organisational system, which consists of [...] making bigger number of people responsible for managing the company, and for taking decisions. It is moving this responsibility [down] to the operational level (C1_PL).

The executives discussing this issue extensively largely came from three companies representing the following industries: construction, food processing, and waste utilisation. These examples show aiming at quite a high degree of decentralisation in organisations. This could be influenced by the fact that all these companies are affiliates of foreign multinationals, and it could be an extension of a parent company strategy. Quite interestingly the executives who discussed this issue did not see it as their parent's contribution, but rather as their own natural development during the transformation process from 'communist' to 'capitalist' ways of thinking. The observation that Polish managers would only acknowledge German financial ability as their main contribution to the venture will be discussed in more detail in the section on perceived benefits of co-operation.

The German liking for training and continuous improvement finds support in the literature. According to Hampden-Turner and Trompenaars (1993), not only are the Germans enthusiasts for training but they also conduct it in a highly practical manner without admitting any possibility of its failure. Also Glunk (1997 et al.) have mentioned fostering vocational training as one of the 'unique' features of German-style of management.

5.4.4. *German 'deeper layer of personality'*

The analysis of the qualitative material has shown that most of the Polish interviewees, regardless of their age group and region of origin, consider the Germans to be reserved and to show their superiority. This latter is particularly evident in their contacts in corporate situations:

They [Germans] are a nation which does not like to admit their mistakes. According to my own observations they do not hesitate to show their intellectual superiority, it changes however after some time. A German person needs some time to understand that Poznan, Poland is a country of educated people, who can be easily partners even for Germans. Moreover, they are disciplined, presumptuous and cold, the latter meaning that it is difficult to get through to a deeper layer of their personality (A2_PL).

In general we get along very well here. However they [Germans] have this little vice, that whatever they invented here, what they propose is the best, and there is nothing better. One has to be very intelligent and smart, to do what one wants to do without going against their opinion, and without explaining that this [what they propose] is not the best (C1_PL).

This finding seems to be supported by the view of Trompenaars and Hampden-Turner (2000) who classify cultures into 'specific' and 'diffuse' with the German one being a typical representative of the latter. This classification is based on the assumption that human personality can be represented in a form of concentric circles with 'life spaces' and 'personality levels' between. The most personal and private spaces are placed near the centre, and the most shared and public spaces in its outer parts. There are two types of life spaces U-type (American) and G-type (German), with the first one having much more public than private space, and the latter being characterised by the opposite. German-type public spaces are very small, and the private spaces are large and diffuse.

In the context of being reserved and showing ones superiority some of the Polish interviewees also differentiated between the Eastern and Western Germans, with the former having much a more negative attitude towards them than the latter. The Western Germans were also seen as more relaxed and well-mannered than those from the East.

It is interesting to note that the German assumption of superiority (as perceived by the Poles) is measured in virtues (for example: discipline, reliability) that the Poles are able to perceive as defects, to which the Poles possess the complementary virtues (for example: improvisational skills, imagination). The Poles are prepared to use these perceived skills to get their own way, being intelligent and smart, rather than simply following the rules. The intimation that Germans are 'credulous' seems to lie in this confrontation; the Germans lay down the rules, and assume that the Poles are following them, since the Poles say they are; the Poles only respect the rules in as much as they have to, and will maintain that they are following the rules even while evading them in their own self-interest. The Germans are not able to see this, and so are 'credulous'. This feature is well-captured by one of the Polish executives in the following statement:

I also know Germans from my father's stories from the [Second World] War. He was trading meat during that time, and several times mentioned to me what a severe punishment one could get for doing this. For example a friend of his killed a pig without permission (this could result in execution by a firing squad). German authorities found out about it. A soldier asked him several times if he knew that what he did was illegal, if he knew it was prohibited? The terrified fellow would constantly repeat that he knew, and the insistent German soldier would continue his question. And it was just enough to say that he did not know about it, and the soldier would leave him alone, and he would be able to go unpunished. This is how things were at that time (D2_PL).

The managers who discussed the German being credulous largely came from three companies ('company c', 'd', and 'g'), and were all in their late forties.

5.4.5. *It is a privilege to work for such a good company.*

Although, as already presented in the previous sections, Polish managers discussed extensively the weaknesses of the German character, they claimed to feel privileged to work for German companies. This subject attracted much attention from the Polish executives (e.g., P_C1_PL, C3_PL, G1_PL, P_A1_PL), usually from the same interviewees, who elaborated extensively on German imperfections. What is more, the same executives who pointed out their 'superiority' to the Germans, also claimed to possess several features which made them similar to Germans (e.g., 'Prussian discipline' in A2_PL, C1_PL, P_C1_PL, D3_PL, etc.). This view was expressed by the executives in their early thirties and late forties, and with all of them being born in Wielkopolska.

The executives from the companies acquired by German buyers said that working with key players in international markets was one of the most important motives for selling their company. However, Polish perceptions towards Germans contain a certain degree of contradiction. Let us look at the following statement:

It is very beneficial for the Polish market, because on the one hand we are, we create [support] a demand for Polish industry, a big demand, and on the other hand we do not create competition for the Polish industry, as everything we do goes for export. In this regard our activity does not cause closing down of any Polish company (P_L1_PL).

On the one hand Poles are proud to work for a German company which, as mentioned earlier, is perceived to be inherently a good and profitable organisation; on the other hand, they feel guilty about this, as their company might represent a threat to domestic firms. If one goes a bit further, however, and looks at motives for entering any business co-operations with the Germans mentioned by the Polish managers (e.g. their insistence on financial strength of German parent companies), which will be discussed in the subsequent sections of this chapter, they seem to very much coincide with the Polish 'vision' of the German character.

5.4.6. Working for a German Company and Competition.

The perception of the level of competition in the market can be divided into perceptions of two groups of executives. The first group of interviewees reported the view that by working for their German parents, they did not experience strong competition either in terms of the national or international dimension, and did not fear this might change in the future. This is because they believed that by working for their parents they practically had 'no equals'. This group of executives shares some common characteristics, one of them being their limited experience of senior positions. As far as company's industry trends are concerned, these companies represented the following sectors: distribution and media, food processing, waste utilisation, and glass (P_A1_PL, A2, P_B1, P_D1, P_E1, P_L1).

Second group of managers strongly emphasised the power of competition that 'does not sleep', and 'treads on their heels all the time' (P_C1_PL). The last groups of executives identified their main competitors as mostly large foreign companies already present on the Polish market. This view was strongly represented by the interviewees from 'Company C', who were in their late forties and who had long experience in senior positions. 'Company C' is a construction company.

5.4.7. *Benefits of Working with the Germans.*

The managers from the companies acquired by German multinationals, expressed the view that their firms became investors' targets because of being leaders on the Polish market, and having their position there well established. Consider the following quote:

The company was established in 1945 as a state-owned company, as these were the only ones that existed at the time, and was called 'Company X'. I started working here in 1974. It was at a time, a company with its position well established on the market, dealing mainly with industrial construction. In the 70s [...] there was an investment boom in Poland, these were Gierek's [one of the first secretaries of the Communist Party in Poland] times. One was building a lot and a lot of investment was undertaken. Thanks to this our company prospered quite well (P_C1_PL).

The above quote is an important one, especially in the context of the espoused Polish motive for, and benefit from, selling the company to the foreign bidders. The view presented above was very strongly represented by 'Company C' which is a construction company, and was discussed by the executives being characterised by an extensive senior management experience, aged in their late forties.

The analysis of qualitative data has shown that financial reasons are one of the most important motives for Polish companies to enter any business co-operation with a foreign partner. In the view of Polish interviewees the acquisition of their companies was only necessary because they were weak financially, and were encountering temporary cash flow problems at the time. According to the respondents these problems could only be solved by the way of 'injection' of foreign capital (e.g., P_C1_PL, P_D1_PL). For example:

First of all, we partially wanted to satisfy our ambitions, and partially were motivated by the financial standing of the company. We were conducting talks for almost a year with this and other companies. The conditions offered to us by ['Company C' in comparison with] other companies, were undoubtedly the best at the time. Of course we were also flattered that this was the most dynamically developing corporation on the German market. [...] Problems that we were facing first of all had to do with chronic cash-flow hiccups. Raging inflation, delays in leasing re-payments caused a chronic insolvency problem, which was deepening with time. 'Company C' had solved that. We became a 100 per cent private company, and have nothing to do with the State Treasury anymore (P_C1_PL).

Our first plans were to cooperate with the best company as far as its functioning is concerned. We were aware that the whole capital, which was developed in the West, has to roll [*przetoczyć się*] to the East. [...] We were aware that this capital would come here, and the question was whether we were able to meet the requirements of the market where this capital would appear. Would we be able to defend ourselves, and what methods can we undertake to counter, or counterbalance this capital which would be coming. There were concepts that we could try on our own, using our own resources, and using our own ideas we could try to obtain capital, and become a strong firm financially, because of course we were a very weak financially in the 90s [...]. So the only reason [of cooperation] really [was] a well known company with big financial background, because it has a very wealthy shareholder (C3_PL).

Western capital also gives a certain sense of stability. Recognised position of a company on the market guarantees development and career, this is what one associates with it (E1_PL).

The interviewed executives claimed that by selling their company to the German investor they committed themselves to a company which had offered them the best conditions, and therefore would be able to improve their financial performance.

There was a general trend among the executives to downplay the role of soft skills transfer from parent company to the affiliate. The managers represented three industries, namely: construction, waste utilisation and food processing.

The analysis of qualitative data has shown that this view was reported by those interviewees who also strongly emphasised themselves to be different from the Germans, and stressed that these differences were to the Polish advantage.

5.4.8. *'All the management is Polish, it is quite unusual'*

The Polish executives from the companies that entered business co-operation with German companies, expressed their astonishment at the degree of the autonomy given to them by their German headquarters (e.g., P_C1_PL, G2_PL, D2_PL, E1_PL, E2_PL, E3_PL). This view was strongly represented by the managers from 'Company C', 'E', and 'D', which come from the following sectors: construction, food processing, and waste utilisation.

Concerning relations with foreign partners, Polish managers from green field sites emphasised that:

First of all I have to point out that despite the fact that it is a German company, all the management is Polish, it is quite unusual (P_A1_PL).

[We are] An exceptional case, practically [there is totally] Polish management here on a site. There is no foreigner in the management, it exclusively consists of Polish employees. There are three managers: a general, a financial, and a commercial one. As far as a current activity is concerned each of us is in charge of their area independently. More important decisions are taken collectively by us, and the owner only reserves the right to decide on further investment and direction of development. As far as the current activity is concerned it is totally based on our competencies (P_B1_PL).

This ‘quite unusual’ situation was also pointed out by several of informants from ‘Company C’ and ‘D’. The companies represented the following industries: media and distribution, food processing, construction, and waste utilisation.

This surprise with high level of autonomy in organisations can perhaps be explained by the fact that in several cases the same executives expressed the view that they ‘needed to be shown the right way’ by the investors. Moreover, because of accelerated internationalisation in recent years, firms investing directly now face a more chronic management constraint than commonly believed. Consequently expatriate managers of quality are very scarce and the necessity of ‘hiring locally’ for managerial posts is represented as, and often believed to be, a virtue to alleviate this constraint (Chapman et al., 2001).

The interviewees would link autonomy given to them by the foreign investor, with two very different sets of factors. Firstly, they could enjoy ‘freedom’ at work because of their good work performance. Moreover, it was stated by the executives that they worked honestly and therefore Germans had a great trust in them, otherwise they believe they would not have given them these high posts (e.g., P_A1_PL). The managers who represented this view were in their late forties. See for example:

Is all the management board Polish?

Yes, it is.

Was it always that way?

Yes, it was. I believe that as long as the management board can cope, and generate profits it will remain this way (C1_PL).

I do my best to work honestly. Germans have a lot of trust in me. They would not have given me this post [otherwise]. It is based on trust (P_A1_PL).

And secondly, in Polish managers' view Germans did not have any other choice, but to trust them. Consider the following quote:

I can see from my own experience, that Germans would not really be able to cope with the situation here if the management board was all German and was residing here permanently. I can tell you, that I think it would not function so well as it does now. These are not the words of criticism you know, but Germans, or any managers coming from any other country, would need a bit more time to get to know the regulations, it is extremely important. It is extremely difficult for German Gentlemen to find themselves in this reality. Believe me, I need to do a lot of work, as there are certain ideas or projects coming from there [Germany], and sometimes it is not possible to implement them [in Poland] (P_A1_PL).

5.4.9. Polish versus German mentality.

The analysis of qualitative data has shown that Polish executives strongly emphasised that their German colleagues were very different from them. Polish managers believe themselves to possess a 'Polish mentality', which is distinctive from the one from Germany (and also the one from United Kingdom) (e.g. P_D1_PL, D2_PL, G2_PL). As the interviewees put it themselves:

One has to point out that there are very big differences in mentality, different law, customs and habits [...] (J1_PL).

It is simply a different mentality of the nation [...] (G2_PL).

The precise description of these differences was presented in the previous sections of this chapter, however the issue of difference itself needs to be briefly discussed here. The interviewees talked about this issue with enthusiasm, as in their view this difference was to the Polish advantage (presented as creative, versatile, intelligent, etc). Similarly to the issue of difference the executives who pointed out to the virtues of Poles largely originated from Wielkopolska, and have never lived abroad.

An interesting phenomenon from the data concerns the *Wielkopolanin* mentality, which seems to be ‘an exception to the rule’ in the perceived Polish and German contrast. It is a source of pride to the inhabitants of *Wielkopolska* (including the managers themselves). *Wielkopolska* mentality was widely discussed by the executives representing two age groups, namely 31-35 and 46-50, who travelled moderately and who never lived abroad. This region has been described by one of the interviewees in the following words:

there is no other genuine [rdzenny] region like it in Poland (E3_PL).

It is also located centrally, between the east and the west, and Poznan, its capital, is an axis city between the north and the south of Poland (E1_PL). It is believed that this region is inhabited by the people with *Wielkopolanin* mentality, which

[...] is very different from the mentality, personality of an average inhabitant of Siedlce, Warsaw, Rzeszow, or Bialystok (A2_PL),

and which was not very much affected by the communist era in Poland. Consider the following quote:

[...] In [*Wielkopolanin*] mentality ‘*komuna*’ did not cause a lot of damage, it pays (E3_PL).

Wielkopolanie are conscientious, and value their work. As described by one of the interviewees:

Regional differences are quite visible in politics, you know. We *Wielkopolanie* enter ‘the game’ as the last ones, but once we have done it we simply go for it. I can see significant [regional] differences, for example [in Poznan] when one drinks one drinks, and when one works one works. One cannot see it in other regions. We do not wait for someone to give us something, we are not waiting for subsidies. When you compare Warsaw and Poznan, it is really scary. Mess is getting on our nerves (F3_PL).

Wielkopolska mentality was shaped by numerous historical events connected with Germany, not least the partitions of Poland, where *Wielkopolska* fell into the German sphere. This was expressed as follows by one of the executives:

[...] Poland is divided into Poland A, B, and C. 'Poland A' is a former Prussian partition, 'B' – Austrian, and 'C' – all the rest. This influences the present order of matters, for example Prussian – diligence, Austrian – order, and I won't mention the rest. Poznan is located in the centre of Poland A. This area of Poland has certain [good] economic habits [...]. Poland A has got a well-prepared workforce, with habits of ethos of work (EI_PL).

This suggests a perceived positive Prussian influence on the work habits of *Wielkopolskie*, discernible in their interactions with foreign investors. An example of this might be the German idea of 'continuity of change' (discussed earlier on in this chapter), by which is meant the continuous search for improvement in processes and production. This need for continuity of improvement, when introduced by German investors into Polish reality, was said by Poles from *Wielkopolska* to cause confusion and upset to Poles from other parts of Poland, who were used to a stable working environment, as well as relatively low expectations of their work performance. The *Wielkopolskie*, however, believe that they can cope quite well with these challenges. This is due to the fact that they have the ability to adjust to these new conditions 'in their genes', as the remnants of the '*dryl pruski*' (the 'Prussian knack', or 'Prussian discipline'). It is interesting that German executives, when presented with this idea, opposed it strongly (e.g. SIE4_GE), and so did the executives originating from other parts of Poland (e.g., P_D1_PL, D1_PL). The internal diversity within Poland, which the *Wielkopolskie* were prepared to perceive, and to manipulate to their own credit, was less visible from outside Poland. According to Chapman & Gajewska-De Mattos (2000) this is the common fate of strongly held sub-national perceptions of diversity.

From what we have seen so far, the *Wielkopolska* mentality is pulled in two ways, in relation to the images and oppositions which we have discussed. It has 'German' features, by contrast to the rest of Poland, but has 'Polish' features in German eyes. In the ethnographic situation which we investigated, where the models for business and management activity are coming from outside, and particularly from Germany, then we would expect such tensions. The same executives (all originating from *Wielkopolska*) emphasise that the Polish mentality is different

from the German, and at the same time claim to possess German-like features. The passage from one of the interviewees can perhaps shed some light on it:

It seems to me that these are historical implications, because still the longest war of modern Europe [reference to a famous Polish TV series] did affect us here. We did fight economically during the times of Prussian partition. There were many economic innovations created at that time, which exist in one form or another up to the present. I also think that these initiatives, which were instilled into the nation at that time, they result in the existence of many small and medium sized firms, which are developing. (D3_PL).

It is arguable that these characteristics were generated through Prussian (German) influence, not only through external influence during the Polish partitions, but also through self-comparison and competition on the part of the Poles themselves. Davies (1981) supports this view, describing the Polish movement in *Posnania* as follows:

The temper and the possibilities of the Poles in Prussia were far better suited to conciliation than to revolution [...]. It [the Polish movement in *Posnania*] was very staid and bourgeois, and in many ways was an avid imitator of German virtues. The Poles of Posen were consciously striving to outdo their German neighbours at their own game (p.122).

The nature of this Polish - German competition was summarised in an article written in 1872 in *Posnania* and cited in Wandycz (1974) in the following words:

If you are a shoemaker make better shoes, if you are a blacksmith do a better job on the cart ... if you are a Polish housewife make better and cleaner butter, have better vegetables, linen, fruits, and poultry than the Germans have. In this way you will save yourself and Poland ... Learning, work, order, and thrift, these are our new weapons (p. 229).

5.5. 'Self' and 'Other' Contrast – Polish interpretation.

In order to present a Polish interpretation of 'self' and 'other', Figure 3.5 from Chapter 3 needs repeating here. It represented a 'self'/'other' contrast through Romantic lenses. In this formulation, the characteristics of 'other' were still determined by opposition to 'self', but they had been re-interpreted as virtues rather than vices and were invoked by Polish managers (repeat of Figure 3.5):

Figure 3.5: Self / Other - extended Romantic Reappraisal.

<i>Self</i>	:	<i>Other</i>
Constraint (rule)	:	Freedom (disrule, absence of rule)
Predictable (order)	:	Unpredictable (disorder)
Artificial (human)	:	Natural (animal)
Urban (culture)	:	Rural (nature)
Reserved (controlled)	:	Impulsive (uncontrolled)
Formal (controlled)	:	Informal (uncontrolled)
Conventional (lawful)	:	Unconventional (lawless)
Sterile (clean)	:	Fertile (dirty)
Calculation (reason)	:	Imagination (unreason)
Measurement (intellect)	:	Passion (emotion)
Dull (constant)	:	Exciting (inconstant)
Alienation (individual)	:	Belonging (group)
Pedantic (conscientious)	:	Maverick (irresponsible)
Credulous (honest)	:	Smart (dishonest)
Fussy (diligent)	:	Care-free (lazy)
Overindulged (wealthy)	:	Humble (poor)

Let us take a look now at the Polish characterisation of the German/Polish opposition, as derived from the interviews with Polish managers (Figure 5.2):

Figure 5.2: The German / Polish contrast, as perceived by the Poles

Germans	:	Poles
'cybernetic' society	:	imaginative
lack spontaneity and poetics	:	spontaneous
perform routine tasks	:	creative
down to earth	:	romantic
limited	:	versatile
cold and reserved	:	warm and open
uninspired	:	intelligent
credulous	:	smart
show their superiority	:	privileged to work for Germans
presumptuous	:	(modest)
responsible	:	evade responsibility
well organised	:	chaotic
disciplined	:	need authority
very wealthy	:	(poor)
clean and tidy	:	(dirty and untidy)
diligent	:	(lazy)

(N.B. Items in the above list, under the Polish characterisation, which are in parenthesis, were not explicitly articulated by interviewees. They are inserted into the above table, however, since they are implied by the executives, and since they are opposites to the characteristics attributed to the Germans).

We can see from the Polish characterisation of themselves contrasted to the Germans, that there is a strong presence of Figure 3.5, the Romantic reappraisal of the self/other opposition. It has been argued that this is still a structure within which ordered centrality is represented by the left-hand column of the figure, and that defining power still resides on the left. This, seems to be true of the German/Polish opposition, both in the light of political and economic events of the last two hundred years, and in the light of the depth and intensity of German scholarship directed towards Central European literary, linguistic, philological, ethnic and cultural issues. The exemplar for this argument was the Anglo-Saxon/Celtic contrast, as argued by Chapman (1992a). Norman Davis provides a nearly unwitting confirmation of the appropriateness of the comparison, when he says:

For a newcomer from an Anglo-Saxon country there is an unmistakable scent of Ireland in a Polish atmosphere (and this is not because of a remark by certain great professor that Poland and Ireland are the only catholic countries in the world, where the inhabitants feed on potatoes and vodka). Both [these countries] are full of erratic anomalies. Most of the Poles are already 'against' by nature (translated from Davies, 1998, Vol. 2, p. 672).

Being 'against' is what you are if your characteristics are defined by opposition to somebody else, where somebody else is doing the talking and writing. In this sense, the Poles are 'against' the Germans, and it is not surprising that this might evoke comparisons with the Irish experience. It is not simply that the Poles and the Irish are 'the same', but rather that the larger definitional structures which they both inhabit are similar (there is a similarity, that is, between the Anglo-Saxon/Celtic contrast, and the German/Polish contrast). The present FDI relationship between Germans and Poles bears strong resemblance to the one in the past. It is German companies that are investing in Poland, buying Polish companies, and employing Polish staff. Poles do not want to acknowledge this position of power again, and therefore they reinterpret German characteristics as negative, and glamorise normally negative self-characteristics.

It is interesting to see, therefore, the Poles characterising themselves as 'incurable romantics'. The right hand columns of Figure 3.5 and Figure 5.2 are, as noted, very similar. What about the oppositions that are represented on the left-hand column of Figure 5.2, but absent from the right hand column? Four of these are, in their left hand column versions: professional, very wealthy,

clean and tidy, diligent. It is noteworthy that the Poles tacitly declined to fill in the obvious oppositions, in their own characterisation of themselves: unprofessional, poor, dirty and untidy, lazy. These characterisations are more difficult to glamorise in the romantic reappraisal (although not necessarily impossibly so). The oppositional logic of the ideas requires these adjectives, and of course we have seen that in non-Romantic characterisations from a German perspective, such adjectives would have seemed fully appropriate. Quite interestingly one can also observe some more similarities with the basic set of oppositions in Polish managers' statements. As we can see from Figure 5.2 Germans were characterised by the Poles as responsible, well organised, disciplined, and diligent, and this was contrasted with Polish evading responsibility, being chaotic, and needing authority. In this context Poles acknowledged the positive features of the Germans and even claimed to possess German-like characteristics (e.g., Wielkopolska mentality). By acknowledging German virtues Poles were also beginning to admit that they could learn something from the Germans, and that they no longer wanted to be on the 'other' side of ethnic oppositions in the 'periphery'.

5.6. Summary and conclusions.

The relationship between Germany and Poland is a big subject even when reduced to interactions within the specifically business context. These neighbouring countries share a very rich and turbulent history of mutual relations. The objective of this chapter has been to show that opinions and perceptions expressed by German and Polish managers, referring to their mutual interaction, have a certain oppositional logic which has been demonstrated in other situations of ethnic meeting (e.g., Anglo-Saxons and Celts). The analysis of qualitative data has revealed that these oppositions are likely to influence managers' perceived role in the business co-operations under investigation. In order to achieve this we have discussed the issue of ethnic oppositions, and in particular the work of Chapman (1992a) which served as a theoretical basis for this chapter. Cross-tabulation of the patterns of responses with the form of FDI represented by the interviewees has shown that in some cases there seems to be a linkage between the managerial perceptions and organisational setting (e.g., German perception of high risk environment in Poland and lack of suitable partners for M&As; Polish perception of German

continuity of change). There were several cases, however, where this linkage was not clear (e.g., German perception of Poles evading responsibility; Polish perception of German order and good organisation). This seems to suggest the need for further research.

Let us depart from the German perceptions and the issue of the influence of communism on the Polish psyche. The German managers who were interviewed tended to see the communist period in Poland as only a minor event in a much longer history. In that manner the Germans see the Poles as being corrupted, nationalistic, and lazy nation, which has been this way since a long time ago. They see Poland and the Poles as their so well known Eastern neighbour, that despite of all these 'superficial' reforms did not change at all.

Another striking feature was the fact that German managers saw Poles as very different from them. Although some positive characteristics referring to Poland and Poles were mentioned by the interviewed executives on this occasion (e.g., warmth, hospitality, knowledge of foreign languages, good economic progress), the main points made by them were their negative characteristics. They would point out Polish tendency of evading responsibility, and being reluctant to take the decisions. Polish employees were also seen as the ones who do not question any decisions of their superiors, and what is more who need authority in order to perform their job well. As far as safety of the Polish market is concerned, German managers would always refer to it as a relatively safer than the markets located further to the East (e.g., Russia, Ukraine). There was a sense of the images of civilisation in the West (e.g., Germany, UK) dissipating towards the East in German executives' responses.

Similarly to the pattern of German responses, Polish interviewees insisted on their Western neighbours to be different from them. These differences would be particularly apparent in the work attitudes of the Germans. The Polish interviewees would describe themselves as being much more creative, spontaneous and versatile than the Germans, who were described as performing routine tasks and down to earth.

Although characteristics of the Poles reported by the interviewees were presented as their virtues, they also admitted to some negative aspects of 'Polish mentality', like for example evading responsibility and having a chaotic approach to work. These negative aspects of Polish character were justified by the Polish managers as being a direct consequence of communist system in Poland, and were contrasted with German responsibility, and their good work organisation - features greatly admired by the Poles.

It is interesting to note that while German executives were described as setting very high requirements and standards at work as well as being presumptuous, they were also praised by the Polish interviewees for giving them surprisingly a lot of autonomy at work. The latter was interpreted by the Polish executives as a proof of their good job performance, and a sign of trust the investors had in them. Moreover, German companies were seen as good organisations one should feel privileged to work in.

The analysis of qualitative data has shown that the German and the Polish managers tend to construct parallel ethnic oppositions between each other. These oppositions were shaped by the common history and by the inevitability of a big versus small country relations. These are the issues that the managers of the present as individuals have to confront. We have not discussed in any detail a world in which the Poles were in the defining positions of power, characterising themselves as 'self', and the Germans as 'other', in terms of Figure 3.3 and Figure 3.5. Such a world undoubtedly existed, locally in many places, nationally for limited periods. In general, however, in the last two hundred years, there is little doubt which of the two groups has played the most powerful defining role. It remains true, in the situations investigated here, that the Germans have taken control of Polish companies, rather than the other way round.

It is also true to note that Polish and German nationalisms have shared a great deal of their vision and their rhetoric. Davies (1981), discusses the attitudes of both of these nations in the last decades before the First World War. Both sides would insist on their differences, but their insistence would be identical in its mutual antagonism:

To the outside observer at this stage, the exponents of German and Polish nationalism displayed striking similarities. Both cultivated myths about their own exclusive blood and culture; both believed in their unique civilising mission in Eastern Europe; both regarded the other as a 'reactionary' obstacle to the achievement of their 'rights', and as a usurper of the 'ancient land of their forebears'. The Polish nobleman who sold his estates to the Colonisation Commission, like the German who took a Polish bride, were both denounced as renegades to their nation (Davies 1981, p. 135).

It is an important part of the argument made in this chapter, however, that Polish and German experience were not equally recorded or empowered. The views of German and Polish managers, that have been reported in this chapter, are evidence towards this, in ways that we have tried to show here. In the next chapter we will look at the national and corporate perceptions between British and Polish managers.

Chapter 6: Poles and British - Ethnographic illustration of national and corporate perceptions.

6.1. Introduction.

In the previous chapter we have looked at the national and corporate perceptions of Polish and German managers as representatives of two geographically and historically very close countries. We also argued that the nature of the relationship between Poland and Germany has been very different from the one between Poland and the United Kingdom. In this chapter we will look at the national and corporate perceptions between Polish and British managers from British companies that invested in Poland and from Polish companies in which FDI is held by British investors. We will try to show that there is a certain oppositional logic in managers' perceptions but, however, that it is not as strong as in the case of the German and Polish contrast. This is argued to be influenced by the geographical distance between the countries and a lack of strong interaction in the past. This chapter has been divided into two sections each of them pertaining to perceptions from the country under investigation (the United Kingdom and Poland respectively). These sections consist of the narratives based on the perceptions of British executives towards business co-operations with companies from Poland, and the perceptions of Polish managers towards working with the British. The chapter ends with short summary and conclusions.

6.2. British managers on Poles.

6.2.1. Geography and demographics of Poland.

Geographical proximity between the United Kingdom and Poland received some attention from the interviewed British investors, who pointed out the difficulty of getting there (e.g., K4_UK, H4_UK). Some interviewees recognised that in economic terms Poland was not a uniform nation, but rather one which varied from region to region; for example:

[...] Don't expect that because it's in Europe it's going to be like in the UK or any other Western European countries. We say Central Europe, but even the Czech Republic, and Poland are very different from each other. [...] There is also this old rivalry if you look at Poles. People from Krakow and Warsaw differ from each other and also the ones from Gdansk are different too (K3_UK).

Although geographical distance was presented as a difficulty, British investors appreciated Polish close location to Germany. As one manager stated:

We could transfer, basically transfer expertise pretty quickly across the border from Germany [...] so we could export people, initially knowledge, materials and more quickly to implement if we wanted to (P_H1_UK).

In this respect several British executives also saw the Polish market as an extension of their German activities, what would allow for example a prompt transfer of expertise across the border from Germany. This was mentioned by the executives from the companies with people intensive businesses (e.g. P_H1_UK, H3_UK, E1_UK), and who acquired Polish companies.

One of the consequences of geographical distance between Poland and the United Kingdom, stated by the British managers, was the fact that they had little knowledge about Poland, which they acknowledged modestly. This view was mostly represented by the interviewees in their fifties. Consider the following quote:

English people don't know much about it [Poland]. [...] In the UK you have to get on the plane to come to Poland and Germans are next door (K3_UK).

The British presence in Poland is weak, perhaps because of the image of this country, where people are queuing for bread for example. I wouldn't have believed myself that there are bank machines there, big blocks of flats. But it's changing now. People wake up to the fantastic opportunities in Poland. But some people fear of unknown (K2_UK).

Some of the British interviewees also mentioned strong ties between them and the Poles because of their common participation in the World War II (e.g. I1_UK, K3_UK). Quite interestingly, the same links were pointed out by the Polish interviewees in relation to the British (e.g., I1_PL). This however will be discussed in more detail in the second part of this chapter pertaining directly to Polish perceptions. The British frequently referred to the Second World War, and this seems to be a strong contrast with the statements of the German managers, who consistently avoided discussing this issue. Similarly as in the case of stating the unfamiliarity with Poland and the Poles, the war links were mentioned by the respondents in their fifties, and those who travelled extensively, with some of them having lived abroad.

Moreover, the interviewed executives had emphasised the big size of the Polish market, which was stated as one of the main incentives for market entry. Just to quote a few examples:

Large population, at the end of the day that's key, at the end of the day, you need people to buy your products, so small country will therefore be only a small market, so Poland potentially, clearly had a lot, a lot of attractions, which is the question of the pace of how that will go (P_H1_UK).

All of these countries are big with average population of 22-23 million, and in the type of business we do, we need people. Then the big changes took place, and we went to more countries there. We are now present in 24 out of 27 countries in the region. We are only not in Belarus, Tajikistan, and Turkmenistan. In all the others, all together we have 2400 people there. Our key countries are Poland, Romania, Ukraine and Russia, but this is not in order of importance. [...] First of all, the population over 20 million is very significant in the pharmaceutical sector. We need substantial population and this is the same in all the countries (I1_UK).

This opinion was shared by almost all of the executives, and companies from different industries, and there were no differences as far as the mode of entry was concerned.

6.2.2. *The communist 'heritage'*

One of the most striking features of the British vision of Poland was their attitude towards the influence of the communist system on the Polish psyche. The British managers, saw their Polish colleagues as the heirs of the values and habits from that system, and it seemed to serve as an explanation for quite diverse problems in their organisations. The following quotations can serve as examples of this:

The company had a state enterprise culture. They didn't understand how the utilisation of capital works. As a state company they were used to the situation of asking for money ('give me the money') and that's it. As a private capital company we have to justify the capital expenditure. The workers they felt they owned the company. It was a state enterprise culture as I said with autocracy, we had to change that attitude (I1_UK).

The difficult part are the cultural traditions of way of working, formed in the past, under a different system, changing attitude, style of work, top down hierarchy, no individual responsibility, reluctance to take decisions, and take the responsibility. That's the communist legacy, the legacy of central planning (I2_UK).

But that's the characteristics of all the former COMECON economies, whenever there is much tougher competition they say that's too difficult (H2_UK).

[...] We were late, we thought we were looking at a ready made facility, but it was lacking in international safety standards, it was run in the old communist way (H4_UK).

This could suggest that for the British executives Poland appears to be only one out of many post-communist countries, with typical post-communist problems. They did not seem to differentiate between the individual countries from the 'Eastern' bloc, but set a clear division between 'the western' and 'the communist' way of doing things instead. For example one of the interviewees remarked:

We entered the Czech Republic 2 years later in 97. After we learned things in Poland, we didn't have to learn how the market worked. The whole process was much quicker. We have conducted market research in the summer of 97, and the decision to go there was taken in September the same year. We started operating there in January 98. As I said. We learned a lot from Poland, especially how to use people (K4_UK).

What is more, in the view of British entrepreneurs, the communist 'heritage' of the Poles seemed to be one of the main factors affecting their decisions regarding acquisitions. This opinion was shared by British executives from the companies that acquired Polish firms, and the ones who decided in favour of other type of FDI. The first group elaborated on the difficulties they encountered because of the incompatibility between communist and 'Western' way of doing things, and the other one would state it as a major reason against an acquisition. According to these both groups of respondents it is (or would be) much better to grow organically in Poland rather than to acquire a local company run in an old communist way (e.g. H4_UK, I1_UK, I2_UK). The precise words of one of the executives have been quoted below:

We have acquired 'Company X' in Swarzedz near Poznan, however it was a mistake. We were late, we thought we were looking at a ready made facility, but it was lacking in international safety standards, [and] it was run in the old communist way. It required a lot of management, but in the end of the day it would have been quicker to go for greenfield (H4_UK).

These views are also supported by the strategy towards market entry of companies under investigation, as all of the discussed here acquisitions were the effect of post entry development. The issue of communist influence on the Polish psyche has been extensively discussed in literature (e.g., Jankowicz 1994, Kiezun 1991, Kostera and Wicha 1996) which we already demonstrated in Chapter 3. Nevertheless the British interpretation of this being very strong in Polish culture seems to be very much reflected in their perceptions of those in business co-operation with Polish companies. As we can see from the above quote this strong perception

overrides the traditional strategic motives for M&As as in the literature, where speed of entry is one of the main reasons behind choosing M&As as a form of investing directly (e.g., UNCTAD 2000).

6.2.3. Polish evasion of responsibility, and the need for authority.

The analysis of qualitative data has shown that British executives have observed a Polish tendency to evade responsibility. They pointed out that although strongly encouraged by them, Poles were reluctant to take decisions (I2_UK, K4_UK). These characteristics of the Poles were again related by the British managers to the 'communist past' in Poland. In this respect evading responsibility was seen as a natural consequence of the centralised structures of companies under the communism. This finding bears a certain degree of similarity with Polish self-perceptions, wherein Poles typically saw this feature as being a direct result of the communist system. Moreover, it was mentioned by the British executives that Poles had a great respect for authority, and did not question the decisions of their superiors. The view that Poles work well under authority was widely expressed by the interviewees of all represented age groups, and who travelled extensively.

British investors shared the opinion about the Polish need for authority by emphasising the centralised structures of Polish companies with very limited flows of information (I1_UK, I2_UK). They saw Poles as people who like rules, and display quite a high level of formality. The centralised structure of companies in Poland was quite strongly emphasised by the British executives. This was, for example, by the way of discussing the flow of information in the company:

In our company in Warsaw, where everyone has e-mail, fax, it's very easy to communicate with everyone from the senior management to the shop floor. In the old state owned company there was only one fax in the office of the managing director, and everything had to go through him. We were trying to show that if it works well in 'Company I - Poland' it could also work there [in Poznan] (I1_UK).

And also [people are encouraged] to be very open with the information. Under communism the information was power. We have a networking approach to work (I2_UK).

This finding is in accordance with the estimate of Hofstede's dimensions describing Polish culture (Nasierowski and Mikula 1998). According to the latter, the need for guidance and formalised environment are characteristic features of societies with large power distance and strong uncertainty avoidance. We can also add to this explanation Fukuyama's (1995) argument that people who do not trust each other will only co-operate under a system of formal rules and regulations. Therefore Poland can be classified as a low trust society. This in turn will increase the perceived costs of doing business in such an environment.

British executives saw the Poles as undergoing the process of mental transformation and believed that some 'coaching' was needed from their side to facilitate it. They considered themselves to be the ones who should come and change the way Poles think, just to quote some examples:

It was a state enterprise culture, as I said, with autocracy, we had to change that attitude (I1_UK).

It's very strong. We are the leaders, we are number one pharmaceutical business, progressing very well, we are hiring more people, we are changing the way people operate in Poznan (I2_UK).

They also felt that they were in a position to set the rules because they were the key players in the market. They also made it clear that the British were the best ones to do the coaching, and to show the Poles 'the right way'. British for example presented themselves as 'big players' on the market (I1_UK, I2_UK), with lots of experience their 'colleagues from the East' did not have. This was mainly a view represented by the managers from companies that acquired Polish companies. They wanted the people in their Polish subsidiaries to learn very quickly how to work the 'western way' (H2_UK). The British managers expressed the view that they had to set the rules clearly, and preferably be present in Poland at least from time to time. Consider the following quotes:

Basically we had to have somebody there [Poland] going across for a week or two. You need to have somebody on the ground (K4_UK).

First of all do your homework, be thorough, research it to death, double check the legal and financial system, so you will have a platform, a sound foundation. You also need enough money, a very clear plan, budget, and manage the growth, and maybe also live in the country (K2_UK).

The need for expatriate staff to be present in Poland was mainly expressed by representatives of one company ('Company K'), which established their activities from scratch. Moreover one could also link this perception with their admitted unfamiliarity with Polish market and Poland in general.

It was also suggested that the attitudes of the Poles themselves seemed to encourage formality. They were believed to be demanding authority. As some of the investors stated:

They can be a bit, Polish people still like rules, they like a clear hierarchy, they are very sensitive about 'he is my boss' for example. They are very formal. That's not our style. But it evolves over time. When I go to Poland and talk to bankers I have different relationships with staff in Warsaw than in Lodz for example. They treat me, they think this guy must be important, that he comes from the UK, but it doesn't affect our relationship. They have opportunities to ask questions, and people react very well to it (K1_UK).

The issues discussed in this section bear a strong resemblance to the 'self' and the 'other' argument from Chapman's (1992a) work. Poles, as 'other', are again attributed the negative features, e.g., irresponsibility, and the need for rules, etc. This view seems to resemble the perceptions constructed by the German executives, however there is a difference between them, and this difference is the issue of Polish mental transformation, which will be discussed in the following section.

6.2.4. Poles in the process of mental transformation.

As already signalled in the previous section, the British investors perceived Polish society as undergoing the process of transformation. Although they saw a growing gap between the social classes (e.g., 'the rich are getting richer, and the poor are getting poorer', K2_UK) they also emphasised that the Poles were waking up to the great opportunities of their times. Polish managers were considered to be very much Western European in terms of their jobs, careers, and a lifestyle.

They [Poles] are moving from 'write me a rule' people, from one type of society to another. We had one problem however. We couldn't find people with a high level of English, we have almost given up, but now that process is changing (K1_UK).

Poland at this point is very much closer to the Western market than to Eastern European in mentality. [...] Poles are very consumer society, with brand oriented loyalty issues, and price sensitivity (H3_UK).

One can see here that although British managers did describe Poles as displaying negative characteristics, they also acknowledged the fact that Poles were transforming and that this transformation took place in a good direction. If we apply Chapman's (1992a) framework here, they were to a small extent willing to partially place Poles on the 'self' side of the ethnic oppositions, with the 'self' side displaying all the positive features.

Moreover the British saw 'the hope' in young generation of staff, who were well educated, skilful, and free from a burden of communist ideology. As the executives put it:

One stakes on young people, because the people who have lots of experience also have various habits (H4_UK).

There is a young management there, which did not inherit the traditional stuff from the communist era. I mean by that values and policies: no corruption, no bribery, transparency, commitment to people, etc. I suppose it would be much different if we acquired a Polish company (H2_UK).

And other examples:

First of all, these people are young, they come young, and they learn very quickly how to work the western way, [...] they understand easily what we do (H2_UK).

We are looking at the younger element of the society, to develop their skills. They are usually in their mid 20's. They are extremely well educated. [...] Our focus is on younger, fast moving people. (K1_UK).

Poles we employ are much younger [than in England], better educated, with a high level of English. They are young and very ambitious, rapid promotion and progression oriented. The most experienced person in our company has 2.5 years of experience (K4_UK).

The need to employ young staff in Poland was mainly expressed by the managers in their forties, with extensive experience in the company (around 20 years). One could argue that employing young staff could be a part of a parent's recruitment policy (e.g., 'Company H'),

however the interviewees discussed this issue in the comparative context of Poles and British. Another argument for a young staff were their skills. Some of the most widely discussed ones were flexibility, and extremely good education.

We are confident that we can find the right people in Poland, well educated. It is easier to find people with a degree qualification there [in Poland] than it is in the UK. (K1_UK).

It is worth mentioning here that British executives praised the language skills of the Poles:

In the beginning of this year we had 24 expats and now there are only 9. We did not have any problem with employing educated Polish nationals, with 3-4 years learning curve. We are still present on these high level positions, technical specific, but there is not a problem, and they all speak good English, in most of the cases much better than our Polish (H3_UK).

6.2.5. It is less risky in Poland than in Russia.

The British executives stated the incentives of the openness of the Polish market and Polish reform as the main incentives for entering the Polish market. They also pointed out how important was presence and remaining in this market for them. Consider the following quotes:

[...] At the time it was the most open of the Central European, well most open, Hungary it was maybe a little bit more open, but it was the most active Central European place to go [...] With democratisation of Poland and the sort of the opening to the West, meant that is forward, that was pretty forward thinking in terms of making the bonus to the Western Europe. And that was encouraging (P_H1_UK).

We went there [to Eastern Europe] in 1984. It was during the cold war days, and I had to decide where to go first, and Poland, well in Poland 'the key was already in the lock' if you see what I mean. What was happening with Solidarity was not going to reverse. In 1985 we entered Hungary and Soviet Union, and in 1988 Romania. We went to Hungary because of similar reasons as Poland – reforms, and Gorbachev in Russia. In 1988 in Romania Ceausescu was still there, but I knew it would not last (I1_UK).

Poland is a relatively large market at that time was of all the CEE most accessible to the West European Trade, even during a communist era it was that way. The government was relatively open to foreign trade and interested in it. Poland also had reasonably well developed pharmaceutical industry of its own, so we could do business with Poland (I2_UK).

We were always interested in Europe. We have opened our branch offices in Poland and Hungary in the early 80's, but the real impetus came with the changes of 1990/91 (I2_UK).

Similarly to the previous section, one can also observe here that the British saw Poland as a transforming country and society.

Quite a salient issue for British executives was the safety of the Polish market. Consider the following quotes:

We also continue our research in new markets, we are looking where to go first. In reality I can go where I want to. We are however primarily focusing in Europe, because we have experience operating there, and it is less risky. We don't have a particular bias in Eastern Europe, you should never time the country out. For example there is a lot of crime in Russia at the moment, and it would not be very safe to go there, but maybe in 5 years time it can change. We are re-visiting the country and keeping up-to-date (K1_UK).

It is interesting to note that the interviewees always referred to this issue in relative terms, very often comparing it with the Russian or Ukrainian market. This view might indicate that the British saw a negative relationship between safety and the Eastern European Region. In short it could be described as 'the closer to the East the worse it gets'. Especially that although the executives referred to the Polish market as a safe one, they also discussed, quite extensively, the amount of preparation and research they had to do before they actually entered the market. For instance:

Four years ago our management board decided to look strategically at our matrix box of existing production, you can see it when you read my thesis, in new markets. We had some money to spend, and we thought we could do it. We started with a small project looking at Poland and the Czech Republic. We have used 'X' and 'Y', and they conducted a macro and micro analysis of home collected credit for us. We also used independent research conducted by 'Z' University. In August, 27 1995 'K3' and I got on a plane and went there ourselves. We conducted the first market research, contracting an independent research company. We managed to gather together 12 focus groups of 12 people, who were representing our potential target market in terms of budget and lifestyle. We have showed the video from 94, which was initially made for the UK brokers, which was dubbed in Polish. It tested pricing issues, and asked them, would you use this service? 10 out of 12 said yes. We did the same with the other 11 focus groups. We then designed 2000 in depth questionnaires and again found out that people did want this service. We also produced 1000 detailed research questionnaires, so all together 3000, and all showed that this could work (K2_UK).

This caution in the British approach to the Polish market can also be visible in their approach to the choice of mode of entry. The executives from British companies that did not go for an acquisition of a Polish company, but choose organic growth instead pointed out, for example, their unfamiliarity with the market, and therefore a big risk of combining with another business organisation coming from the host country. As stated by one of the interviewees:

We are a unique business. There is hardly anybody offering collective credit. There are small competitors, and we even thought 'let's buy one', for example a bank, but in an unknown market it is a very expensive way. It would be quite foolish. We would have to see what we are bringing to the company (K4_UK).

6.2.6. *Less competitive or not competitive at all.*

As discussed in more detail in the methodology chapter, the executives under investigation came from large international companies, and recognised a high pressure of competition for their company as far as the international markets were concerned (e.g., P_H1_UK). In this context they mostly stated that they competed with relatively large international companies. Their home markets have also been evaluated as highly competitive by them, and virtually closed off by others.

It is interesting to note that the interviewed executives did not observe similar phenomena in the Polish market. On the contrary, they perceived it as a relatively less competitive one, and stated it as one of the main incentives for market entry. This view was reported by managers with extensive company experience, however with shorter experience in their current positions (from 4 months to 4 years). British interviewees pointed out that they went to Poland because it was a market 'not closed off by the others' (P_H1_UK), 'there was nobody like' them (K2_UK), or simply because they 'needed to invest where others did not go' (H4_UK). Moreover most of the interviewees saw their companies as the key players on the Polish market and listed large, multinational companies as their main competitors (e.g. H3_UK, I1_UK). It is interesting to point out that the British interviewees did not consider Polish national companies as their 'real' competitors (e.g., K1_UK, K2_UK, K3_UK). As stated by one of them:

If you want to take a thing like Poland, I mean clearly, we've got 'Polish Company X', who are the sort of national company. They'll always be a strong competitor because they are very big, and they have a lot of sites. But the quality of their sites, and the quality of their offers they make to the customers is radically different. So once we see them as competitors in terms of number of sites, they're not people that we would see as really competing with to the customers in quite the same way. But in some again, we keep out the Polish thing, there we have got 'International Company Y', we've got 'International Company Z', you've got...others two. So you've got both international and sort of other, what I call more niche players. Obviously, [...], these people, this is their backyard in a way and someone like 'International Company Z', in sort of Poland, Baltic States, Russian, for a Finnish company it's a logical place, and you'll not see them out in the states, or in Latin America or Australia. So it's international companies. International oil companies, it's regional oil companies like 'Company W', and it's national companies like 'Polish Company X'. And then below that, there then sort of independents, who are truly just sort of individual businessman. Have one site or something, but clearly different type of competition, entirely (P_H1_UK).

A nice supplement to the previous statement can be a view of another executive from the same company, who remarked:

[...] I must say as our share in the market has grown there, we have experienced problems from the government, because we are the main competitor for the state company. So at the moment the playing field is not as level as it was before. But that's characteristic of all the former COMECON economies, whenever there is much tougher competition they say that's too difficult. So there are some dangers in Poland (H2_UK).

The last quote sheds some light on the issue of treating Polish national companies differently to British investors. Similarly as in the previous sections, one can observe that the communist system previously present in Poland seems to be the obvious explanation of any difficulty experienced by the British.

The issue of 'no equals' among Polish owned companies was also mentioned in the context of the lack of suitable targets for acquisitions in Poland. Consider the following quote:

There was nobody like us. The existing companies on the market were the high purchase companies like shops, banks, and it would take a long time to find a nearest one to it (K2_UK).

The above view was mostly expressed by the managers from British companies that did not choose to acquire a company in Poland, but went for another form of direct investment. The interviewed executives related this lack of equality to the fact that it would have taken them too

long time to find a suitable partner as the type of business they were in simply did not exist on the Polish market (e.g., 'Company K'). In the existing companies on the market the investors were looking for companies with a good range of products and infrastructure. For example:

We looked very carefully at acquisitions. When the government decided to privatise it, they had other priorities. In 1996/97 privatisation took place, and we declared interest. Of course we were conducting our own investigation, on what companies we would be interested in, but Poznan was our number one choice, because firstly, it had a very good range of products. And secondly, we knew they had good modern production facilities, and they were only engaged in pharmaceutical production as we were, so it fitted very well (I2_UK).

As demonstrated in the above quote, generally these features were found in Polish companies, by the companies that acquired them, with the one exception of 'Company H', which took advantage of the privatisation scheme in Poland and acquired a company there. However it strongly regretted its purchase after the event and did not acquire any other Polish company since. The reasons for this being the following:

We have acquired 'Company X' in Swarzedz near Poznan, however it was a mistake. We were late, we thought we were looking at ready made facility, but it was lacking of international safety standards, it was run in old communist way. It required a lot of management, but in the end of the day it would have been quicker to go for green field (H4_GE).

Several other acquirers of this study also took advantage of privatisation in Poland however with better result (e.g., 'Company I').

6.2.7. Ways to compete on the Polish market.

Although the executives pointed out the lower level of competition on the Polish market, they were aware that this situation might change very soon. The British executives pointed out that the rapidly increasing competition in Poland was why it was necessary to enter the market early and act quickly there (e.g., P_H1_UK, H2_UK, H3_UK, K3_UK, K4_UK). For example the management of 'Company H' did not want to repeat the mistake of acting too slowly, which they had made in other Eastern European countries (e.g., in the Czech Republic and Hungary), and what forced them out of these markets, by means of selling their businesses (H2_UK). As remarked by another executive of this company:

[...] If you identify your interest, you have to execute it very quickly. You cannot go slowly in Poland and expect the profits (H3_UK).

The analysis of qualitative data has revealed several other responses to an increasing competition in Poland on the side of British investors. They emphasised the importance of fostering the relationships with others (e.g. P_H1_UK), improving company's marketing (e.g., I1_UK) or paying a particular attention to maintaining and improving the company image (e.g., P_H1_UK). Consider the following quote as an example of one of them:

It's relationships, recognising the sort of business we are in, we have many interested shareholders in the company, they are communities, governments, consumers, shareholders, employees, and we need to form distinctive relationships with all these people, in order to give us licence to operate, and to gain access and trust (P_H1_UK).

The executives have also considered reducing prices as another way of competing on the Polish market (e.g., H3_UK, K2_UK), however this measure was treated as a last resort. Just to quote one of the interviewees:

When we discovered this company in Gdansk, we issued more leaflets, posters, and little train timetable cards with our details on the back. We increased the number of people, and improved the service, and the whole advertising system. If people are happy they will stay with us. If the competition tightens up we will have to compete with price (K2_UK).

The increasingly competitive environment in Poland also encouraged the investing companies to find innovative products, and to have better quality of products and services than their competitors (e.g., P_H1_UK, K4_UK). An illustration of this can be the following statement:

We offer better services or better products. We develop the products and services. And we are simply better than they are, but you can't be complacent. For example Marks and Spencer, they thought they had the best products, and look what's happening to them (K4_UK).

Another important competitive tool has been identified by the interviewees as the reorganisation of the company in order to improve the management in their subsidiaries (e.g., P_H1_UK). In their view this improvement is important for providing clients with equal standards to the ones of the parent company. This was claimed to be achieved by know-how transfer between the

organisations. It was also emphasised that the individuals in organisation are its strength, and particularly one of the companies took a great pride in this (P_H1_UK).

6.2.8. *The Polish legal system.*

Quite an interesting issue in the British perception of the Polish market is their view of the legal system. The interviewees emphasised the importance of the legal system for their choice of a potential target country for their investment. They emphasised that conducting a systematic overview of legal developments was one of the first steps in their investment decision (e.g. P_H1_UK, K1_UK).

The British executives emphasised the differences between the legal systems of Poland and the United Kingdom. They stated these differences as one of the main problems they had to struggle with while operating in Poland. Consider the following quotes:

The nature of the problems are largely you are coming with your western company into an evolving market, where the regulations and the priorities are different historically, so the regulations for getting permits for acquiring land, for getting a licence to sell petrol, to get a licence to open the shop. I mean extremely bureaucratic, has been much better now, but it's still difficult. And is much, much better now than let's say Moscow, which is sort of just a bit behind. So, but initially I mean, you are up against public authorities and regulations which are old, and not actually fitting the new world, sort of where the politicians want to go. Sort of law is always catching up and you're having this sort of help from Polish politicians, and government and local government be clear about the issues on health and safety and just helping Poland move extremely quickly from where it was 10 years ago to where it's now, which is you know, very different (P_H1_UK).

But yes, I mean those things are always difficult, actually, just sort of firstly getting the regulations clear, you know, level playing field. Did we own the land, how could we be sure if we put all this money in that if we wanted to sell something, that we could prove that we owned it? Simple things like that. But sometimes you just had to take some risk. And we certainly took some risks in Poland, and because we saw the direction was pretty clear.

Poland has gone a long way in 5 years and it's gone a long way in last 2, so it's as more investment coming and things, experiences are being repeated, and every new service station, then regulations become easy because the authority sort of understand the issues better. So it's a massive learning curve, and that's been getting better all the time. It's still problematic (P_H1_UK).

Similarly, as presented in earlier sections of this chapter, the main historical event that shaped these problematic regulations was identified as the communist period in Poland. For example:

It is different. There are a lot of laws from the communist times, but they didn't cause us as many problems as in the Ukraine for example. We had much more concern with the VAT system and its peculiarities (H4_UK).

It is interesting to note here that parallel to the British views on the level of risk in Poland, problems were discussed in relative terms. Interviewees often referred to the situation in Russia or Ukraine, for example, and stated that although not ideal the regulations in Poland were still much better than the ones further to the east (e.g. P_H1_UK, H4_UK).

Moreover some industry specific peculiarities were mentioned in the context of legal requirements, for example the market entry of 'Company K' was very much delayed and complicated by the fact that, in order to lend the money there, the company would have to be a bank. Quite an interesting point here was that this company still went for a greenfield rather than for an acquisition of a Polish bank for example. As it was explained by one of the interviewees (K2_UK) this form of investment was chosen by "Company K" because it was feared that laws might change again in Poland. This stresses the importance of the stability of the legal system in an investment decision process.

'Company K' was not the only one to experience problems with the legal system in Poland. As stated by an executive from 'Company H' from a totally different industry, and representing a totally different mode of entry:

First of all is much slower than in Western countries, especially when it comes to granting import licences. And we import 20 per cent from the outside. There is a law in Poland, which requires a separate import licence for each station. The process of obtaining it is very bureaucratic and slow. Besides, all the tax regulations and VAT are less than ideal. All these factors don't stop you from coming to the country, but definitely slow you down (H3_UK).

6.2.9. Polish government – 'our biggest headache'

British executives pointed out the difficulty in dealing with the Polish government, and even referred to it as 'their biggest headache' (H3_UK). The managers also emphasised quite a high export duty on their products (H2_UK). Moreover, the lack of specialists in the Polish

government was pointed out by the executives. In their view it caused a lot of problems and delays in the process of negotiating an investment deal, e.g., an acquisition of a company owned by the State Treasury. Consider the following quote:

So we negotiated with the government. It was a very difficult and complex process, because they wanted a golden share, which they would keep for 10 years as a guarantee that we do what we said we would do, otherwise we would have to buy this share back for lots of money. We bought 80 per cent of the share. The main one was the negotiation process with the government. They were overcome, but took longer than we've expected. There were certain people in the previous government that were creating difficulties. We didn't know who they were, but we knew they existed. Let's just say that there was not a unity of purpose. Things are going much better with the present government. So it was a 6 months period of negotiations, and it could have been shortened (I1_UK).

What were the main difficulties?

Negotiation with the government, this would apply to other business people from the Treasury Ministry (civil servants), who knew almost nothing about pharmacy. They didn't understand the things, which were very relevant, what caused a lot of complications in the negotiations (I2_UK).

'Company E' was owned by a German company. We also had our activities in the German market, and by extension we looked at other businesses in Poland. We contacted PAIZ, which is a government agency for foreign investment, and the British Embassy. 'Company E' was more complicated in terms of deal done regulations. We needed a Foreign Ministry approval for the transaction, there were problems with registration of property. We needed an approval of Antitrust Cartel Office in Warsaw, and were required lots of information about market shares, and lots of money.

[...] Yes, the actual negotiations with private individuals [were difficult], and we needed government's approval (E1_UK).

Despite all these criticisms however the British praised the government for keeping the reforms on track and pointed out that although there were frequent changes in the Polish government they did not affect the economy and the whole process of transformation (e.g., I1_UK).

According to the interviewees the issue related to the government in Poland was Polish bureaucracy. The British managers pointed out its very high level there. Just to quote a few exemplary statements:

The economy fits with western economies, but there is still a very strong bureaucratic drive there, and you have to get through it. For example, X is now resident in Poland, and you can ask him how long it took for him to transport his furniture ... (K1_UK).

Moreover there are different legal systems and Poland is very bureaucratic. [...] Let me just tell you that we went there in December 95, and were only able to start our activities in August 97. It took us a year to develop a legal structure (K4_UK).

Nature of the problems are largely you are coming with your western company, coming into an evolving market, where the regulations and the priorities are being different historically, so the regulations for getting permits for acquiring land, for getting a licence to sell petrol, to get a licence to open the shop. I mean extremely bureaucratic, has been much better now, but it's still difficult (P_H1_UK).

What we found in Poland was a low level of corruption. We didn't have to pay large sums of money. Perhaps being a big company like ours, we just didn't get to be asked, for publicity reasons. There were however a lot of rules to be followed (e.g., set by Sanepid) (H4_UK).

[...] You have to be patient. You need time to go through the government and regulations. You need to acquire a company owned by entrepreneurs, not too big. Some people like big, but you have problems to acquire them. You have to have a long term thinking. You have to invest for the future (E1_UK).

Bureaucracy seemed to be a particularly salient issue for the British investors, especially that, in their view, it slowed down many of their initiatives. This applied both to the initial negotiation process (e.g., with the government, I1_UK, I2_UK) while entering the country, and also afterwards, when their operations in Poland were already established. In this context one of the executives remarked:

My friend once said, that you need to apply the rule of four P's in Poland, but there they stand for patience, patience, patience, and once again patience. We really thought we were not going to get a deal. We had to try other ways. We got a deal in *Bank X* in *Radom*, and it was through other bank's external advisors. We started with *Bank Y* and went to another one in the end (K4_UK).

Polish bureaucracy can perhaps be related to the fact that according to estimated Hofstede's dimensions of culture (Nasierowski and Mikula 1998) Poland scored highly in power distance and uncertainty avoidance, and this means that in such culture hierarchy and formalisation and standardisation are a common practice.

6.2.10. Poles are different from us.

The analysis of qualitative data has revealed that British managers constructed several oppositions of 'Western' and 'communist' ways of doing things between themselves and their Polish colleagues. These differences have been characterised in the previous sections, however a short summary is required here, to improve the clarity of the argument.

Although British interviewees seemed to strongly emphasise that Poles were 'as good as in Western Europe' (I2_UK), they also pointed out that they were very different from the British.

This [product] is a completely new thing in a Polish and Eastern European culture (K1_UK).

There was also a cultural issue, as what is common in the UK is unusual in Poland. [...] Poland and Czech Republic are very similar, but for example Poland and UK aren't. They are very different (K4_UK).

And even if they admitted a certain degree of similarity, it was in a negative context:

For example when they [Poles] don't pay they use the same excuses [as British]. And also in the UK if someone mistakenly gave you £1 in change too much, it would be very rare that the person would go back and return it. There are very similar elements of dishonesty (K2_UK).

The influence of this perception can be seen in a trend among the British managers to be particularly cautious about finding partners for business co-operations on the Polish market. In this respect they placed a lot of emphasis on the fact that they were looking for someone with whom they 'could work together', and who had a 'good reputation' (e.g., P_H1_UK).

The positive features of Poles mentioned by the executives were Polish hospitality and warmth (e.g., K2_UK), the positive features tended to be stressed by the same interviewees who had also dwelt on the negative features.

6.3. 'Self' and 'other' - British interpretation.

Similarly as in the previous chapter let us go back to the list of oppositions which was presented in Chapter 3 (Figure 3.3 and Figure 3.5). Let us remember that these oppositions were constructed within a structure where ordered centrality was represented by the left-hand column of the figure (the 'self'), and that defining powers resided on the left. 'Self' was good and 'other' was bad. We have seen a strong application of these oppositions in a German/Polish contrast, where the Germans were the good 'self' and Poles were the bad 'other'. This was justified by a long history of 'core'/'periphery' relations between the two countries. The relation between Poland and the United Kingdom is not of this character and magnitude, therefore one cannot expect similar patterns to be emerging between these two countries. However the interviewed

British managers have constructed some ethnic oppositions between themselves and their Polish colleagues that bear resemblance to the oppositions from Chapman's (1992a) framework. The ethnic oppositions constructed by the British managers towards their Polish colleagues were summarised in Figure 6.1 below:

Figure 6.1: The British/Polish Contrast, as perceived by the British.

British	:	Poles
'do the coaching'	:	need authority
set the rules	:	need rules and hierarchy
responsible	:	evade responsibility
(controlled)	:	warm and hospitable
safe	:	safer than in Russia
decentralised	:	with centralised structures
(fair)	:	set higher standards for foreigners

(N.B. Items in the above list, which are in parenthesis, were not explicitly articulated by interviewees. They are inserted into the above table, however, since they were implied by the executives. They are oppositions to the characteristics attributed by the British to themselves).

One can see that characteristics attributed to the Poles by the British managers, are a reflection of basic oppositions of 'self and 'other', e.g., the need for authority, rules, centralised structures, and evading responsibility. However, as we can see there are only few of them in comparison with the ones between Germans and Poles. There was also a tendency among British managers to acknowledge that Poles were transforming and that this transformation took place in a good direction. If we apply Chapman's (1992a) framework in this context the interviewees were to a small extent also willing to partially place Poles on the 'self' side of the basic ethnic oppositions, with the 'self' side displaying the positive features (e.g., 'they are moving from write me a rule society').

The remaining characteristics of the Poles constructed by the British were more neutral, for instance 'typical post communists', 'transforming society', 'young generation not affected by communism', 'unfamiliar', etc. These characteristics were not mentioned by the interviewees as specific features of contrast between them and the Poles. The presence of such characteristics can be related to the degree of unfamiliarity between the nations. One can further argue that

even the oppositions in Figure 6.1 with particular reference to Poland, were not a result of these oppositions being constructed by the British but by other nations (e.g., Germany). The British, or perhaps we should say the English, had their own and, much more closely linked with them, 'periphery' - the Celts.

6.4. Poles managers on British.

6.4.1. They do not know much about Poland.

The analysis of qualitative data has shown that Polish managers considered their British colleagues as people who took a long time to take any decisions. In this respect they were described as very cautious by nature (e.g., H3_PL, J1_PL, I1_PL). This issue was discussed in the context of the relatively low level of investment in Poland held by the companies from the United Kingdom.

Englishmen approach this part of Europe with a big caution. They entered here only when economic and social situation was stable, but one cannot dismiss the possibility of further investment, for example British Airways is interested in LOT, steel companies in Polish steel works, but in the beginning the market was unknown to them (I2_PL).

British companies very rarely undertake hasty actions, they are conservative. In our case negotiations lasted for three years, because one has to remember that we were selling ourselves as profiting and good company (J1_PL).

Perhaps this very cautious approach to 'this part of the World' could be connected with the fact that Poland is not very well known to the British. This view was expressed by quite a few of the executives, for example:

[...] In many countries Poland is associated with a place where white bears are walking on the streets. The knowledge of our country abroad is very little (F2_PL).

People from the West do not know us. I know it because I have travelled abroad a lot. Our owners did not have a clue about Poland. They only got to know the country through our company (J1_PL).

This view of the British by Poles is not consistent with the arguments put forward by Hofstede (1994b) pertaining to uncertainty avoidance of the British, which according to his study was very weak. Hofstede's finding would, inter alia, imply that the British would treat whatever is

different as either ridiculous or curious. Also Tayeb (1988) found out that English tolerance for ambiguity was high.

The British lack of familiarity with Poland was also discussed on the example of language. It was emphasised by the Poles that none of their British colleagues spoke Polish, and that it was them who had to learn English (some of them not without difficulty, e.g., H4_PL, I2_PL).

According to the interviewees not only is Poland not very well known to the British, but also they treat this country with a certain dose of superiority, as 'as one of their colonial conquests' (I2_PL). As it was remarked by one of the executives:

One has to point out here that there are big differences in mentality, different law, customs and habits [in England]. We are required to possess a great knowledge about the market. And of course, if we do something well they would even praise us, [...] but they would not implement this solution on their own ground (J1_PL).

The only instance of familiarity between the Poles and British was expressed by the Poles as their common participation in the Second World War. This was mentioned by an executive in his fifties, who stated:

As for the Englishmen I think that there were many mutual contacts between them and Poles over the last 60 years. It resulted from the period of the Second World War, when there were many Polish soldiers stationed in England. Many of Anders Army [soldiers] came back and settled down in England, so I think that Polish environment in England was noticeable and had somehow created a mutual base for less official and more open for mutual understanding contacts. And quite apart from that, one of the better historical books about Poland was written by an Englishman (I1_PL).

And finally, Polish interviewees also admitted that British investors had exceptionally detailed knowledge of potential target Polish companies. Let us have a look at the following statement:

The negotiation process was, of course, difficult because of the fact that the transaction was perceived differently from the side of the acquirer, and differently from the side of the seller, meaning the State Treasurer, which de-facto being the owner did not know what he was selling. This is unfortunately the reality. In turn the one that acquires knows very well what he is buying and why they are doing it (I1_PL).

[It is important to know] what one wants and [what one] has in their hands, because often in this ambiguous information system, Polish owned companies do not know what they are like, and what they can expect. [...] They do not know what they are like, whether they are worth a lot, whether they have a full market potential. [...] When a strategic investor was entering this company, nobody knew how much this company was really worth, and what was its strategic position. This type of thing makes any implementation of common objectives, [...], terribly difficult (H2_PL).

The blame for this state of affairs was put by the Polish managers to the imperfections of Polish legislation referring to acquisitions through privatisation, and insufficient information systems in state owned companies.

6.4.2. *British professionalism.*

One can observe a certain degree of 'romanticism' in the Polish perceptions towards the British colleagues they work with. They saw their 'Western' colleagues as performing routine activities from their 'list of tasks' (e.g., F2_PL), and being quite happy with this state of affairs. This view was widely represented by the managers from all age groups and with varied international travel experience. By contrast the Poles saw themselves as the ones who were creative and full of imagination. The attitude of British following a 'list of tasks' was also connected by the interviewees with their professionalism, and contrasted with chaotic approach to work of the Poles. The professionalism was presented not as the better knowledge or expertise of the British, but as their particular approach to work. In this context the difference between Poles and British was presented as an advantage of the latter. As one of the respondents put it:

In my opinion there is a big difference, and it results from many things. First of all we can observe it in normal contacts with the external environment. It seems to me that British employees are much more professional. This does not mean their greater knowledge, or greater professional expertise. [It means that] they concentrate on their work, on what they are to do, and do it separately from their personality, from themselves, and this may be the reason why they might come across as perhaps less friendly but more professional (H2_PL).

The Polish 'romantic' vision of the British bears a strong resemblance with the romantic reappraisal of ethnic oppositions argued by Chapman (1992a), which was presented in Chapter 3 (Figure 3.5). Poles placed the British on the side of 'self' and themselves on the side of 'other', where due to romantic reappraisal the initially good 'self' now represented undesirable characteristics, and the initially bad 'other' was now glamorised.

Several interviewees observed that their British colleagues were very reserved. This view was represented mainly by the managers with limited travel experience. Polish interviewees also

pointed out the British ability to keep their professional life separate from the private one. Just to quote one of the executives:

We [Poles] have different habits – strong links with the family. They [British] are detached from the family, they can sit here for long hours, and we would like to go home (J1_PL).

Our data can be supported by Tayeb (1988, 1997) who also noted that the English were self-controlled and reserved, and did not show their emotions in public. According to Hofstede (1994b) this type of behaviour is characteristic for the cultures displaying weak uncertainty avoidance, of which British are the very example.

According to the Polish managers contact with British professionals had encouraged the transformation process in their companies. They had to adjust to higher standards set by the investors and change the way they were thinking. Consider the following quote:

The difficulties were in overcoming the mentality of people, even that of ourselves. We had to switch to another way of thinking (F4_PL).

The transformation process they referred to was discussed in two layers. Firstly, in the context of the economic performance of the company, which had to be improved to match with the standards of the British headquarters, the latter being world renown multinational companies that set their standards as very high. For example:

As this is a global corporation, that has its own standards in different areas of activity, we are at the stage of adjusting to these standards, requirements, and procedures in all these areas. This is in terms of business, quality and production (I1_PL).

I look at this from the angle of finance and economics. Companies before entering negotiations with a strategic investor should adjust their standards to the ones of the investor. This means that in order to seriously think of commencing the talks, businesses need to be comparable. For businesses to be comparable, there has to be the same information system. What also makes life a bit easier is a bit more realistic approach to what one wants to achieve by these talks. What one wants to achieve, and what one has in their hands. Very often in our unclear information system Polish companies do not know either what they are like, or what they can expect. [...] They do not know if they are worth a lot, if they have a full market potential. [...] If one does not make certain accounting standards, certain information standards, then really no one is able to estimate whether the potential of a created partnership is sufficient to achieve company's objectives (H2_PL).

And secondly, quite a lot of attention was given to the process of the mental transformation of Polish employees, which was encouraged by their contacts with British investors. The interviewees were emphasising that every employee had their own place in a company, and knew exactly their job description and responsibilities. They also associated themselves with a company, and enjoyed quite informal atmosphere. This was contrasted by the respondents with 'pure Polish' companies, with much more formal structures. In their view these companies are also characterised by the 'internal chaos', which on one hand encourages initiative, but on the other, requires much more work while performing routine tasks (e.g., P_F2_PL, F4_PL, H2_PL, J1_PL). For example:

This is like to compare day with night. Everything looks different here. Everyone has their own place [in the company], in all levels of the company. There is much higher work discipline now, and the requirements set are much higher. Before, one used to work harder with much worse effects. There are continuous purchases of equipment, and different requirements as far as work safety is concerned. One works in totally different conditions. Even the decoration of interiors is different (H4_PL).

Polish managers also pointed out that while working in British companies they had to be aware that at certain point in time they would have to adjust their personal life to the plans of their firm (I1_PL). They did it not without difficulty:

One must say that life in the West consists of a working week and weekend. Before, one worked until 15.00 o'clock here, and now I am not back home even by 8.00/7.00 p.m. (J2_PL).

And finally the transformed Polish employees required new motivation methods according to the interviewees. They pointed out that in the past, as promotion opportunities were very weak, it used to be a 'threat motivation' (F3_PL), however nowadays it was a 'positive motivation', a motivation of success and achievements (F3_PL). For example:

They [employees] did not work this way before, but I have implemented a new system, so called *task forces*. They accepted this system and it works for us all very well. [...] We are outlining a task for ourselves, and I invite volunteers to participate in a given task force. If there are not many volunteers I directly invite individuals, who I think should take part in that [task], and if there are too many, and it happens too, one has to limit the number of participants. And this is the way we help each other (P_F2_PL).

This type of motivation was found in the British companies.

6.4.3. *'We did not see such a bureaucracy even under the communism'*

According to the Polish managers British professionalism discussed in the previous section also had its downsides, in the form of what was seen by the Poles as British bureaucracy. British were perceived as very patient and sometimes even 'phlegmatic' (e.g., H3_PL, H2_PL, H4_PL). The interviewees were amazed how much time they took to plan everything they were doing. This reminded them of the centrally planned economy and bureaucracy they knew very well from the past. As some of them put it:

[...] At the times that are gone now, we were giving a big importance to planning, and this was associated with the political system, with socialist economy. And a big surprise was, especially for the Polish employees, what a big importance is given by the English, or employees of the group to planning. This was a big surprise. Planning of investment is very thorough and detailed. It is verified many times with respect to its value and ability based on the project needs. This has been recently our big surprise, and [at the same time it showed] superiority of the English, who approach it very professionally. On the other hand I think they were surprised by Polish hospitality, approach to people, to guests, openness. That is perhaps all (I1_PL).

We have a lot of work presently, and there is very big bureaucracy, I did not know such a bureaucracy during '*komuna*' [colloquial form of '*communism*'] (J2_PL).

Englishmen are bureaucratic. What only counts for them is meeting, minutes and action plan. And on top of that, they divide a hair into four, as the saying goes (J2_PL).

This view does not correspond with the fact that the British were classified by Hofstede (1994b) as a culture displaying weak uncertainty avoidance, which means that they feel more comfortable with less formalisation and standardisation.

6.4.4. *We enjoy a lot of autonomy.*

However Polish managers felt quite independent working for the British partner in much the same way as it was declared by those working with the Germans, they stated with pride that there were no expatriates from the parent company, and that management was 100 per cent Polish (e.g., I1_PL, I2_PL, P_H1_PL). This view was represented by executives from pharmaceutical, oil, insurance, and metal packaging sectors. The managers claimed to be working independently, but using the parents' experience whenever necessary, and 'There is no need to discover America once again' (P_H1_PL, H3_PL, P_F2_PL, F2_PL). For example:

There were some mixed teams, some of them are still operating, these are the ones requiring longer time perspective. Mixed teams are the ones consisting of British specialists and our employees. But on an every day basis the company is totally run by the Poles (I1_PL).

Some of the Polish managers however felt like a small part of a big puzzle, since their parent companies were perceived as trying to transfer their own global behaviour on the grounds of each of the countries they operated in. Consider the following quote:

We are undoubtedly a part of a big corporation, this is what can be said about it physically. Because we are a part of a big corporation, we have our objectives set in the global strategy of this corporation. They are not local objectives, connected with the local market. We are one of the many components of a puzzle, and one has to look at it this way. As far as the internal character of the company is concerned, surely this is a company, which differs from other firms functioning on this market. The atmosphere here is much more friendly and informal.

I must say that I like working in this company, but of course every big company has got its own specifics. It relates to the fact that certain decision processes are divided and do not concentrate on one person. On one hand, it requires a lot of firmness in obtaining consensus for ones decisions, but this is typical for such a large organisation. On the other hand it takes part of responsibility away from us. In small companies, there is usually a very small number of executives, e.g. one or two, and both responsibility and decision taking are in their hands. Of course in such a global company [as 'Company H'] this is not the case (H2_PL).

A big minus is surely the fact that this is an enormous international company, with many levels of management, and most frequently the lowest levels are being reduced, because all the others (the higher ones) are able to defend themselves (J1_PL).

This view was mostly represented by the managers with limited experience on their position (from 3 months to one year). Being a part of this big puzzle, was perceived as quite problematic, when it came to day to day decisions in the company. As one of the executives described in detail:

We are facing a very difficult task of how to explain to our bosses [...] that some of the ways of dealing with things are not acceptable in a given country. It is quite difficult, because on one hand one needs to stand up to these people, and on the other hand one is aware that if one opposes one needs to give an alternative method, and this is costly. [...] In real terms [...] we tell our bosses 'listen this is going to cost more than you thought'. [...] One has to say to oneself 'I musn't do this, I do not agree, I will not sign this, we need to change [this], we can achieve this target but using a different method'. These are always stressful situations, because often there is a lack of understanding from the other side, because as I said, it is only a small piece of let us say a global strategy of this corporation, it is only a part of its tactics (H2_PL).

As shown in the statement above, having a lot of autonomy in a global organisation could prove to be negative aspect in the view of the Polish managers. This could be related to the self-

perception of the Poles, who considered themselves to need authority, and clearly set rules to follow, which was discussed in more detail in German and Polish contrast in Chapter 5.

The fact that company was run by the Poles also received some positive reaction, as the Poles were claimed to know their own mentality the best:

Everyone identifies themselves with this company, because the image of this company is what is sold to the outside. It is a company that adjusts very well to the Polish specific, and mentality. Our management is very well prepared and educated. They are Poles, who understand our mentality. I can say that in this respect we have overtaken the competitors. Our advantage is big capital and human potential (F3_PL).

Again as we can see in this quote that the British were seen as not knowing much about Poland and the Poles.

6.4.5. Benefits of working for a British company.

Polish executives working in British owned companies readily drew comparisons between British and Germans, with the first ones being very relaxed and informal, and the latter displaying slightly opposite features. In this context a specific term ‘English proverbial sense of humour’ was also mentioned (e.g., C1_PL). Several of the interviewees pointed out that they much preferred working for a British company than a German one, the reasons being the following:

[...] I much prefer companies with an Anglo-Saxon profile. It is because although there is a subtle language difference, in reality there is a very big difference as far as the possibilities of participating in decision making and internal company relations are concerned. Firms from Anglo-Saxon area are very internally friendly. There is a strong concentration on tasks, and very small on following the procedures. [...] Task is everything, and procedure is something supplemental. In companies from German-speaking area, because these are the ones I am talking about, it is exactly the opposite – a task is not as important as procedure. [...] Another point here is also internal atmosphere in the company. Undoubtedly the advantage of Anglo-Saxon companies is enormous here. Atmosphere in German companies is very rigid and very formal (H2_PL).

Moreover, Polish managers were very pleased with working for British companies that are very well known in the world, with a good reputation and a well established position (e.g., P_F2_PL, I1_PL). These companies were also presented as providing training for them and organising

social meetings, which served to strengthen the integration between the employees. Being associated with this type of a company also 'increases the prestige' of the affiliate (e.g., P_H1_PL, P_F2_PL, F2_PL, F5_PL). On the other hand, it was argued by the managers that entering merger with a local company, brings certain benefits to the investor. As stated by one of the managers, it leads to the situation where the foreign companies working with a Polish partner were more highly regarded on the Polish market than similar ones working on their own (e.g., F3_PL). Consider the following quotation describing a joint venture situation in 'Company F':

I can only be pleased that two very prestigious firms ['Company X' and 'Company Y'], well recognised on international markets, decided to co-operate. [...] Although currently 'Company F' is only involved in a distribution of insurance policies of 'Company X', 'Company Y' is perceived by 'Company X' itself as, let's say, a bit more prestigious than representative offices of 'Company X' themselves [operating in Poland]. This is because we have a direct partner from Great Britain, and also on the other hand we have a bank, which is well known here, and also a bit abroad. This is also a partnership listed on the stock exchange, which is a certain symbol of being renown (P_F2_PL).

The executives from Polish companies acquired by British investors, took pride in the fact that the standing of their companies prior to acquisition was good (e.g., I1_PL, H2_PL, F5_PL, J2_PL). They saw it as one of the main factors influencing investor's decision to acquire their company in a first place. Polish managers claimed that British multinationals became interested in them because they recognised this good standing. Consider the following quote:

It is, or it was, surely the best Polish pharmaceutical company, which was capable of functioning well in market conditions. We were achieving very good results as far as profits were concerned, which served to finance our current activity. [...] At the same time we were creating a company in which possibly a big, western partner would express its interest. We succeeded in that during our process of privatisation (I1_PL).

What is more, the good standing of previously Polish companies was perceived as one of the main reasons behind the success of the presently British owned companies. According to the interviewees, foreign investors 'inherited' this good performance together with the Polish companies they acquired. They added that only the time would show what would be the real input of British investors in these companies (e.g., I1_PL). A similar attitude towards foreign

involvement in a company was represented by another interviewee, who when asked if it would function in a different way if it was 100 per cent Polish owned, gave the following answer:

It is difficult to say if it was 'Company X' for example, a very good computer company this could be, but would it have enough money? We are working with a very expensive computer system. We are using the experience of a western company and trust [people have] in 'Company F'. What counts is capital and know-how. Knowledge is very important. We have great specialists here (F3_PL).

This quote also reveals financial motives, as one of the most frequently mentioned reasons for entering business co-operation with British companies (and foreign companies in general) by Polish companies. According to the interviewees, although their companies were generating profits, they had problems with cash-flow, and foreign capital seemed to be a good 'remedy' for that (e.g., P_F2_PL, F4_PL). Consider the following quotes:

We needed access to technology and financial means. We could not afford to modernise ourselves, we also had to face competition [...]. Although we were a company generating profits we lacked the money for current activity. Moreover, big owner would give us more credibility when we would apply for credits (J2_PL).

I was not here when this decision was taken, but I believe that the objectives were rather obvious, they were financial [objectives]. [...] At the moment we derive financial benefits from this co-operation, and from taking the right decision in the right moment. I believe that someone simply thought about it strategically. Surely, it also had to do with the fact that 'Company X' is a well known firm in the world, with one hundred years of experience in this sector, and this, I believe, also increased a prestige of 'Company Y'. But this is my private opinion (P_F2_PL).

Polish managers from British companies warned however, that if companies sought only financial gains from selling their strategic shares, they should not follow that path, but should try to obtain financial means from other sources. In case of interviewed executives, improving their companies' cash-flow was not the only reason behind selling them. Other reasons behind working together with British mentioned by Polish managers were gaining access to their technology (e.g., I2_PL, J2_PL), achieving synergy, and economies of scale (e.g., P_H1_PL). Consider the following quote:

However, both product portfolio and challenges the company might be facing when Poland joins the EU, were indicating the necessity of merging with a big partner. [...] From the side of development we were interested in what the partner has got to offer as far as technology was concerned, technology that would somehow be complementary with our needs. At the same time we wanted it to be a strong partner, having a clear position on the pharmaceutical market. This was most important for us. And I believe our expectations were fulfilled. Both the size of investment, technology, and products, which were to be implemented in our company is satisfactory.

[...] Mergers are unavoidable. Co-operation are unavoidable, especially in the areas demanding a lot of resources for research, development and marketing. Very soon there will be perhaps 5-10 giants left on the pharmaceutical market. We can observe the same in automotive or computer industry. There is no other way, this is the only chance of functioning. Resorting to some kind of national phobias does not make sense anymore. We are nowadays a global village, and of course we do carry with us the tradition coming from our place of birth, but in these international corporations people do work in various parts of the world. I very well know people who worked let's say 2 years in Tajwan, 3 years in Belgium, and 4 years in Canada, and then in Brazil, [...], well the world has already ceased to be closed (I1_PL).

It is also connected with the profile of our activity. British parter contributed to development and enlargement of the company, [it gave us] new technologies, new products, and the access to the market, although in the following order: first technology, and then new products (I2_PL).

Gaining access to know-how was seen as another advantage of working with the British, but there were also some critical voices in this regard. Consider the following quote, coming from the same executive who strongly emphasised the financial motives for Polish-British co-operation:

In 1992 one realised our technological backwardness, the loss of 20 years, and this was a result of the faith placed in the genius of our rationalisers from the previous times. The history of our co-operation with 'Company X' is a bit longer. We received know-how from them previously, which basically was all about someone coming here, charging a lot of money for telling us that it was necessary to move a machine to another place. However nowadays we have new equipment from 'Company X', but I am not really sure whether their technology is really so good, I would say ours is better (J2_PL).

In general, the Polish managers from British owned companies represented much more clear reasoning behind entering into business co-operation with the British than those from the German companies discussed in Chapter 5.

6.4.6. *Working for a British company and competition.*

The more rational approach to business co-operation with the British is also visible in the Polish perceptions towards the level of competition on the market. They seemed to be much more aware of the competitors than their counterparts connected to the German companies. Consider the following quotes:

Competition is very strong, especially when it comes to the OTC confections (without prescriptions), which do not fall under the government control. In this case all the rules of market game are applied here. In other cases the prices are controlled by the government and other methods are applied here, e.g. lobbying (I2_PL).

Competition is very strong, this means that the market is developing, and also that the demand on fuel increases, and it happens very quickly. Practically, the development of this market is not really based on the development of competition market, but on the emergence of new markets and new clients. This means that if someone used coal to heat now they will be switching to liquid gas, they have to switch, otherwise it would not be ecological. Therefore we can say that it is a different competition. It is a competition with firms, which [firstly] are trying to offer different types of fuel, and secondly it is a competition with firms which offer the same fuel as we do (P_H1_PL).

Competition on the insurance market has definitely increased. There are definitely more and more firms and competition will become even stronger (F4_PL).

As demonstrated in the quotations above, the interviewees viewed competition on the Polish market as very strong, but they saw it as a natural phenomenon connected to development of the market. Similar in this respect to some of their Polish counterparts in German affiliates, they mostly feared international companies present in the Polish market. Polish managers also emphasised that in order to be competitive in the market they needed to offer good quality of products and services (e.g., F2_PL, F3_PL, F4_PL, F5_PL).

6.4.7. *They are different from us.*

An interpretation of the empirical data reveals that Polish executives regarded their British colleagues to be different from them. This issue appeared in interviewees' statements in various contexts which have already been outlined in the previous sections of this chapter. The issue of difference however requires a bit more attention here.

Polish managers believed themselves to be much more creative, and spontaneous than the British, who were seen as scrupulously following their list of tasks, and taking a long time to take any decisions. Although similar to their perceptions of Germans, these differences were presented as virtues of the Poles, there was a strong tendency among the interviewees to connect the characteristics of the British with their high professionalism. They were described by the Polish managers as phlegmatic, and seemed to 'split the hair into four', but this was seen as what made them do their job well. British professionalism was often contrasted by the Polish managers with the lack of it on the Polish side, which was readily explained by them with the long presence of communist system in Poland (e.g. H4_PL). Polish managers pointed out that this system did not encourage a professional approach to work, as there was 'no unemployment', and the payroll system was not connected to the job performance. This situation was summarised by one of the executives who cited a popular Polish saying:

Whether one stands up, or one lays down [at work], a bonus is still one's due (E1_PL).

It is interesting to note here that in general Polish interviewees referred to their communist past as readily as their British colleagues while constructing their vision of the Poles.

6.5. 'Self' and 'other' - Polish interpretation.

Let us take a look at the Polish interpretation of Chapman's (1992a) framework. Figure 6.2 represents a summary of oppositions constructed by Polish managers with reference to their British colleagues and themselves.

Figure 6.2: The British/Polish comparison, as perceived by the Poles.

British	:	Poles
need a list of tasks to work	:	creative and imaginative
cold and reserved	:	warm and open
take a long time to decide	:	spontaneous
professional	:	evade responsibility
phlegmatic and patient	:	chaotic
relaxed and informal	:	need authority
work comes first	:	family comes first

In Chapman's set of basic oppositions (Figure 3.3 in Chapter 3) the left-hand column of the figure, 'self', was good, and 'other' was bad. We have also seen a romantic reappraisal of these

oppositions where 'self' was now bad and 'other' displayed positive characteristics (Figure 3.5 in Chapter 3). One can see a strong presence of this romantically influenced set of oppositions in Polish managers perceptions of the British and also in their self-perceptions. In this context the British were seen as cold and phlegmatic people who took a long time to decide things and needed a list of tasks in order to be able to work. This was contrasted with the Poles who saw themselves as warm, spontaneous, and full of imagination. There is also a presence of the basic set of opposition on Polish managers statements and it pertains to British professionalism and Polish evading responsibility and need for authority.

One needs to look at this duality in Polish perception from the perspective of the FDI relationship. It is British investors who are buying Polish companies, who dictate the rules, and who employ Polish staff. This places them in a superior position, which Poles do not want to acknowledge. Therefore they reinterpret British characteristics as negative, and glamorise normally negative self-characteristics. However, they also admit that they could learn from the British, by acknowledging their positive features, and contrasting them with Polish weaknesses. In general the whole set of oppositions constructed by the Poles was much smaller than in case of their perceptions of the Germans, which is understandable considering the lack of strong historical ties between the two countries.

6.6. Summary and conclusions.

The aim of this chapter was to present the perceptions between British and Polish managers. It was argued that the interviewees to some extent constructed ethnic oppositions between themselves as the representatives of another culture. These perceptions were likely to influence the perceived managers' role in the business co-operations under investigation. The chapter consisted of the narratives based on the analysis of the qualitative data coming from the British and Polish managers respectively, and relating to their perceptions of business co-operations they participated in. Based on cross-tabulation of these narratives with the organisational setting one can observe that in some cases there seems to be a linkage between managerial perceptions and the form of FDI represented by the interviewees. This is true for example in

case of British perceptions of centralised structures in Polish companies, and also in case of Polish perceptions of British professionalism. However, this linkage did not take place on all occasions, for example in case of British perceptions of Polish evading responsibility, and in case of Polish perceptions of British lack of familiarity with Poland. Similarly as in case of perceptions between German and Polish managers this seems to indicate the need for further research.

The British managers who were interviewed tended to see modern Poland as having been defined in most important respects by the experience of fifty years of communism. Moreover, the British interviewees who openly admitted their unfamiliarity with Poland and the Poles, could only go back in history as far as to the communist times there and base all their opinions on the belief that this period was been the only one to shape the Polish psyche. Therefore they emphasised, for example, centralised structures in Polish owned companies, lack of specialists in Polish government, or bureaucracy. They also acknowledged however, that the country and its inhabitants had made enormous progress in terms of economic and mental transformation, and that this progress was being maintained. Despite acknowledging all these positive changes though, they did not see Poles and Polish – owned companies as their equals yet.

The British managers saw Poles as very different from them. Although some positive characteristics referring to Poland and Poles were mentioned by the interviewed executives on this occasion (e.g., warmth, hospitality, knowledge of foreign languages, good economic progress), the main points made by them were their negative characteristics. They would point out the Polish tendency of evading responsibility, and of being reluctant to take decisions. Polish employees were also seen as the ones who do not question any decisions of their superiors, and what is more who need authority in order to perform their job well.

Quite an interesting aspect of British perceptions was their agreement on the issue of the safety of the Polish market. They would always refer to it as relatively safer than the markets located further to the East (e.g., Russia, Ukraine).

One of the interesting issues arising from the analysis of empirical data was the Polish observation of the British being different from them. These differences were presented as particularly apparent in the work attitudes of the investing nation. The Polish interviewees described themselves as being much more creative, spontaneous and versatile than the British, who were described as performing routine tasks, and having to plan everything in advance.

Although the characteristics of the Poles reported by the interviewees were presented as their virtues, they also admitted to some negative aspects of 'Polish mentality', like for example evading responsibility and having a chaotic approach to work. These negative aspects of the Polish character were justified by the Polish managers as being a direct consequence of the communist system in Poland, and were contrasted with British professionalism.

It is interesting to note that while British executives were described as setting very high requirements and standards at work as well as being presumptuous, they were also praised by the Polish interviewees for giving them a surprising degree of autonomy at work. Moreover, British companies were seen as good organisations to work in.

From the analysis of qualitative data one can see that the perceptions between British and Polish managers display a certain oppositional logic, however it is to a much smaller extent than in case of the German/Polish contrast. Nevertheless these perceptions still need to be considered within intercultural encounters between the representatives of British and Polish culture. This is especially true when it is argued that these ethnic oppositions found in national perceptions are likely to influence the corporate perceptions of the executives. The precise comparison of these differing perceptions and their influence of the perceived role in the business co-operation under investigation will be presented in the following chapter.

Chapter 7: Close Neighbours and Distant Friends - National Characteristics and Corporate Managerial Perceptions.

7.1. Introduction.

The previous two chapters of this study pertaining to the analysis of the qualitative data have dealt with the mutual perceptions of German and Polish managers, and British and Polish managers respectively. It was argued that the managers from each of these countries construct certain ethnic oppositions towards each other, and that these oppositions influence how they see working together in a business organisation. These perceptions of the managers have been influenced by the fact that the relationship between Germany and Poland had been very different from the one between United Kingdom and Poland. This is due to historical interaction (or lack of it) between these countries. The aim of this chapter is to outline and summarise the main differences between German and British perceptions of the Poles, and also the main issues pertaining to Polish managers' perceptions towards their German and British colleagues. This will be achieved by first discussing the major points of similarity and difference between German and British perceptions of Polish national characteristics and how they are mirrored in the corporate characteristics constructed by the managers. This will be followed by a comparison of Polish perceptions towards national characteristics of Germans and British, and their influence on corporate characteristics identified by the Polish managers. Moreover, a short comparison of German and Polish, and British and Polish perceptions will subsequently be conducted. The chapter will end with a short summary.

7.2. German and British perceptions towards Poles compared.

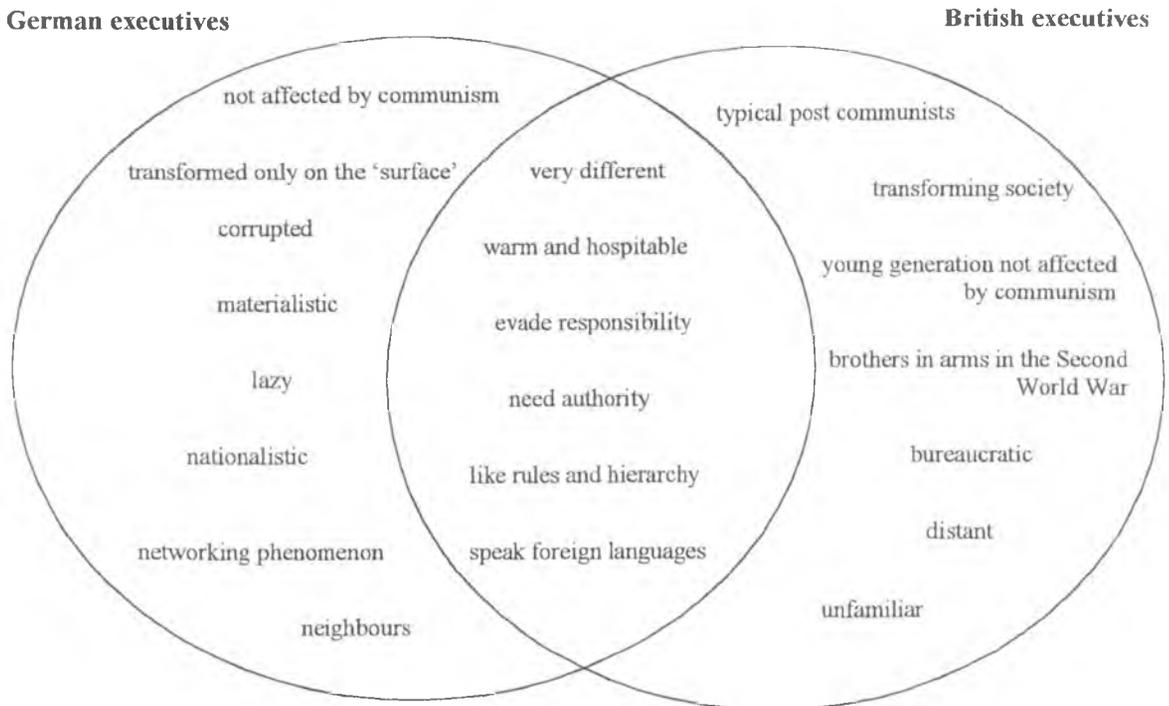
7.2.1. National characteristics of the Poles.

As already argued earlier in this study, the relationship between Germany and Poland is very different from that of the United Kingdom and Poland. This difference has also been reflected in the German and British perceptions towards Poles and their business environment, however several points of similarity have also been observed. Although these opinions have already been discussed in detail in the previous sections, a short summary is required, as they are the

basis of the comparison being conducted here.

Figure 7.1 presents a summary of national characteristics of the Poles as identified by the German and British managers.

Figure 7.1: A Summary of German and British perceptions towards Poles – national characteristics.



Based on the figure above, one can argue that there were quite a view points of difference between German and British perceptions towards their Polish colleagues. In the context of these differences let us depart from the issue of the influence of communism on the Polish psyche. The German managers who were interviewed tended to see the communist period in Poland as only a minor event in a much longer story; the U.K. managers, by contrast, saw modern Poland as having been defined in most important respects by the experience of fifty years of communism.

These quite opposite views presented by German and British interviewees are very important as they influence the whole set of further oppositions and differences in their perceptions. In this way the Germans saw the Poles as being corrupt, materialistic, nationalistic, and a lazy nation,

which had been this way since a long time ago. They did not observe any significant changes in the mentality of the Polish nation. German managers often referred to the Poles as people who worked in a networking system, where the 'right contacts' were indispensable in any circumstances. They saw Poland and the Poles as their well known Eastern neighbour, which despite of all these 'superficial' reforms did not change at all.

By contrast, the British interviewees who openly admitted their unfamiliarity with Poland and the Poles, could only go back in history as far as to their common participation in the Second World War. Most importantly however, they often referred to the communist times in Poland and based all their opinions on a belief that this period had been the only one to shape the Polish psyche. For the British executives Poland and the Poles appeared to be only one of many post-communist countries and societies, with typical post-communist problems. They did not seem to differentiate between the individual countries from the 'Eastern' bloc, but set a clear division between 'the western' and 'the communist' way of doing things instead (e.g., Polish bureaucracy).

British managers also acknowledged however, that Poland and its inhabitants have made enormous progress in terms of economic and mental transformation, and that this progress was being maintained. Moreover, contrary to the German interviewees, the British managers expressed their preference towards the young generation of Poles who were well educated, skilful, and free from the burden of communist ideology.

Let us move to the similarities now. The first and the most striking one was the fact that both German and British managers saw Poles as different from them. However it is important to differentiate here, that in the case of the German interviewees it was 'very different', and in the case of the British ones it was just 'different'. While the German interviewees strongly objected to any intimation of similarity between themselves and the Poles (e.g., Wielkopolska mentality), the British managers tended to acknowledge that Poles were simply different from them. The German insistence on being very different from their neighbours from the East can be explained

by the ethnic oppositions already discussed in Chapter 5 of this study. This set of oppositions consisted of the 'self' which was doing the writing and whose picture was recorded, and of the 'other' which was constructed through this series of oppositions and which was almost entirely negative. The analysis of qualitative data has shown that the German managers tended to eliminate any possibility of being associated with the right hand side column of the basic set of oppositions identified in Figure 3.3 in Chapter 3, i.e., 'the other', which as shown above, displayed mostly undesirable characteristics.

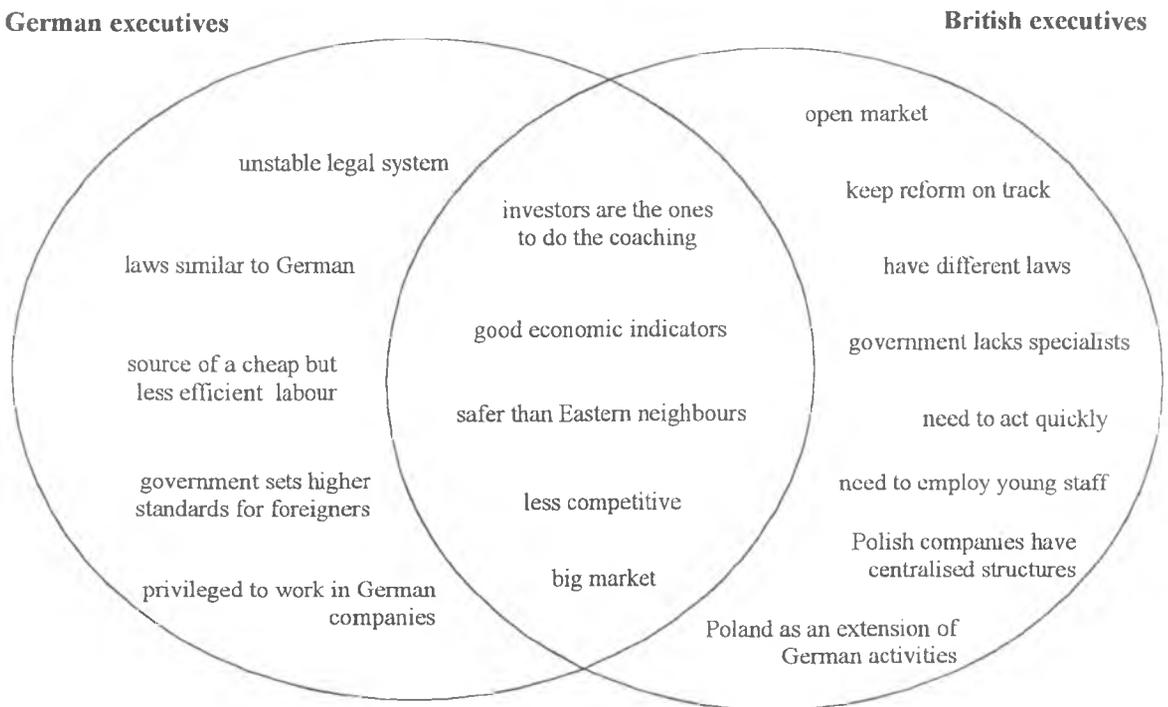
In case of the relation between British and Polish one could expect this contrast not to be so strong. Indeed, there was no relation between the 'self' and 'other' as the circumstances facilitating these oppositions simply did not exist. The relationship between Poland and the United Kingdom is much less close, and much less intense than the one between Poland and Germany. In the view of the British managers Poles were 'different' because they were 'distant' and 'unfamiliar', as opposed to the German view of Poles being 'very different' because they were 'too familiar'.

Moreover, although both groups of executives agreed on some positive characteristics with reference to Poland and the Poles (e.g., warmth, hospitality, knowledge of foreign languages), the main points uniformly made by them were Polish negative national features. Both Germans and British pointed out the Polish tendency to evade responsibility. Polish employees were also seen as the ones who did not question any decisions of their superiors, and what is more, who needed authority in order to perform their job well. The British managers also pointed out that although strongly encouraged by them, Poles were reluctant to take any decisions, and again related it to their 'communist past'. In the German managers' view also there was a tendency of the Poles to evade responsibility. German respondents did not see these issues as related. Rather, they considered that in order to produce good work, Poles needed to be well managed and motivated. This was because they have great respect for authority, and do not question the decisions of their superiors.

7.2.2. Corporate characteristics of the Poles.

Let us take a look at the corporate characteristics of Poles now, as described by the executives from Germany and the United Kingdom. The analysis of qualitative data has shown that as in the case of national characteristics, there were several points of agreement and disagreement on the issue between the executives from these two investing countries. A summary of these German and British views has been presented in the Figure 7.2 below.

Figure 7.2: A Summary of German and British perceptions towards Poles – corporate characteristics.



Based on the figure above, let us first discuss the issues of the openness of the Polish market and reform in Poland. While the Germans would not mention these at all, the British executives would state them as the main incentives for entering the Polish market. One can also observe that while the British saw Poland as transforming, the Germans only agreed with the statements of progress that refer to present economic indicators like, for example, good economic growth and a low level of inflation.

Furthermore, both groups of executives, while talking about their Polish counterparts made it clear that the Germans and the British were the best ones to do the coaching, and to show the

Poles 'the right way' of doing things. Their entitlement to do so was explained by the executives using the fact that they were 'big players' on the market, with lots of experience that the Poles did not have. German managers also saw these Poles working for their companies as the privileged ones, and also as a source of cheap labour. British managers in turn emphasised the importance of employing young Polish staff in their companies, as they were not affected by the communism. British interviewees complained about the centralised structures in Polish owned companies they encountered or acquired.

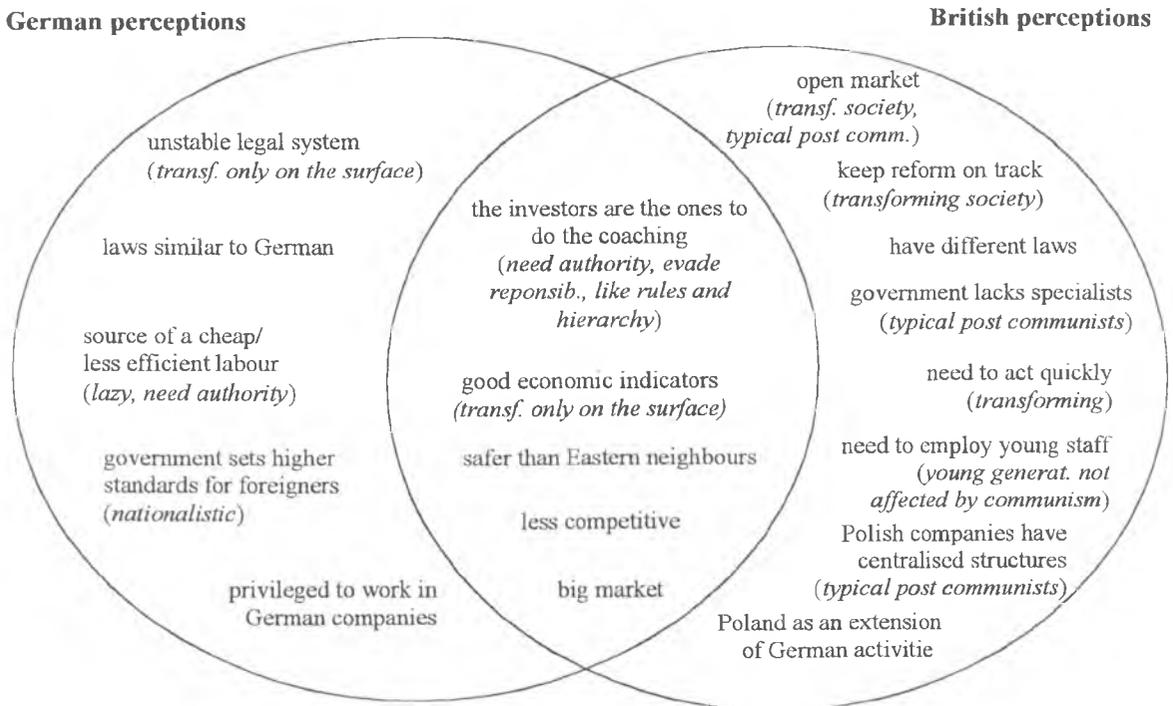
An interesting aspect of German and British perceptions was their agreement on the issue of the safety of the Polish market. They tended to refer to it as relatively safer than the markets located further to the East (e.g., Russia, Ukraine), however they still emphasised the amount of preparation and research they had to do before they actually entered this market. This perception of the lower level of safety in the East coincides with the images of civilisation attributed to the West, which have been often produced in Central Europe, as already discussed in detail in Chapter 3 of this study.

Although both groups of executives recognised the high pressure of competition experienced by their companies in international markets, they did not observe a similarly high level of competition in the Polish market. They perceived the competition in Poland as less keen, and stated this as one of the main incentives for entry. They did not see Polish owned companies as their equals. Their views were not shared however on the issue of the legal system in Poland. While the Germans emphasised that the legal system in Poland was unstable, although based on the laws similar to German ones, the British presented the Polish and British legal systems as fundamentally different, with the first one transforming. Polish government was seen by the German managers as setting higher standards and requirements for foreigners. The British managers also complained against the government in Poland, which in their view lacked specialists.

7.2.3. National and corporate characteristics of the Poles.

The analysis of qualitative data has indicated, that the perceptions of national characteristics of the Poles by the German and British executives were mirrored in their opinions pertaining to corporate characteristics. The precise way in which this was identified in the data has been presented in the Figure 7.3 below.

Figure 7.3: National characteristics and corporate managerial perceptions - German and British perceptions.



One of the most striking issues here seems to be the insistence of both groups of interviewed executives on them being the best ones 'to do the coaching' of the Poles. This issue seems to be very much overlapping with their perception of the Poles as irresponsible individuals who need authority, and who like rules and hierarchy. One might assume that people who display such characteristics need to be shown 'the right way' by those who are responsible, and capable to work and to take their decisions independently. These virtues although not stated directly by the interviewees, were implied here as oppositions to the vices of the Poles.

As far as the main points of difference are concerned, the openness and reform of the Polish market stressed by the British managers, seems to reflect the British perception of Poland and

Poles as post communist, as a transforming country and society. The lack of reference to the openness of the Polish market on the side of the German executives, can perhaps be related to their vision of the Poles as a nationalistic nation. The latter was also mirrored in a German statement that the Polish government tended to discriminate against foreigners, and to set higher standards for them. British executives did not observe a similar phenomenon, however emphasised that the government lacked specialists, but this was seen as a common imperfection in a typical post communist society. We should note that the 'communist heritage' of the Poles seemed to serve as an instant toolkit for explaining quite diverse problems in organisation by the British, including the observed centralised structures of Polish companies.

As in the previous section, we can observe again that while the British saw Poland as transforming, the Germans only agreed with such statements in connection with present economic indicators like, for example, good economic growth and a low level of inflation. This could have been influenced by the German view that Poles and Poland has not really changed significantly. The same may apply to the German statement pertaining to the unstable legal system in Poland, a country without long term democratic traditions.

And finally, let us take a look at the statements of both groups of executives pertaining to the Polish staff. The Germans saw them mostly as cheap labour, which can be explained by the fact that they also observed Poles as being lazy and needing authority. British managers in turn emphasised the importance of employing young staff in Poland, as they were the only ones not affected by communism.

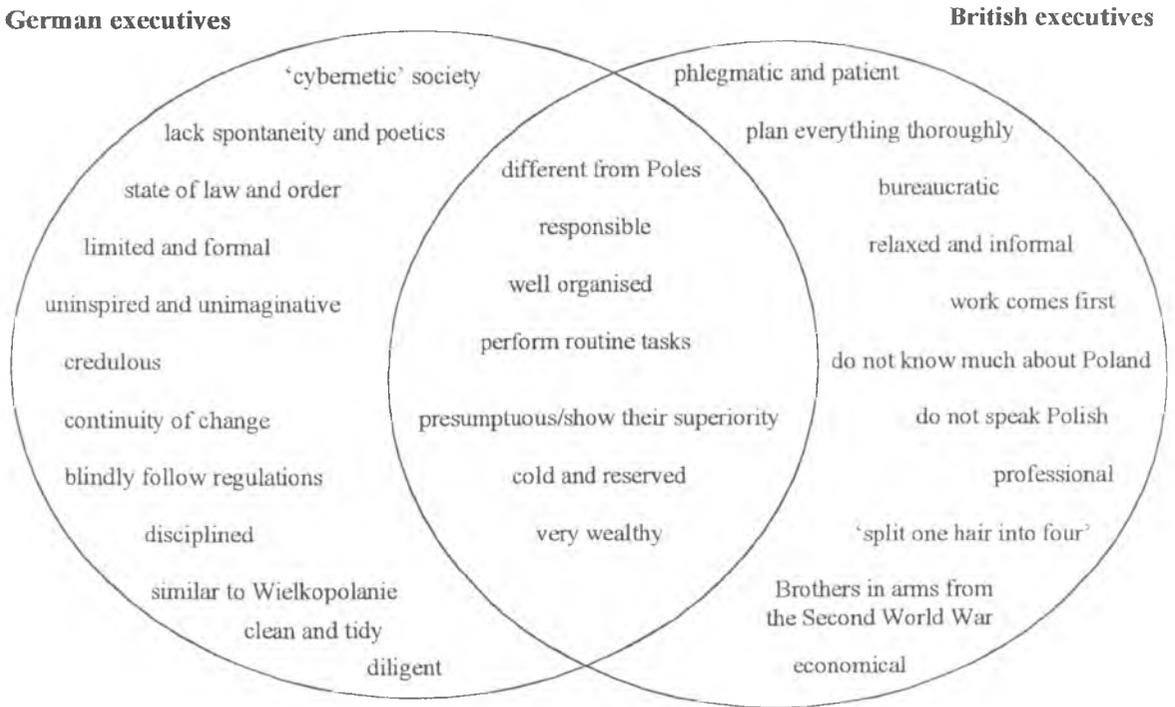
7.3. Polish perceptions towards Germans and British compared.

7.3.1. National characteristics of Germans and British.

In the previous section of this chapter the perceptions and attitudes were discussed of German and British managers towards their Polish colleagues from within business co-operation in Poland. In this section I will summarise the national characteristics of the Germans and the British according to the Polish managers. The analysis of qualitative data reveals that there are

differences in perceptions of executives from Poland towards Germany, and Great Britain. The discussed differences and similarities have been summarised in Figure 7.4 below.

Figure 7.4: Germans and British as Reported by the Polish Managers – national characteristics.



One of the most striking issues arising from the analysis of empirical data was the Polish insistence on Germans and British being different from them. These differences would be particularly apparent in the work attitudes of these two nations. The interviewees described Poles as being much more creative, spontaneous and versatile than Germans and British, who were pictured as performing routine tasks, down to earth (Germans), and having to plan everything in advance (British).

It is interesting to note in this context, that there was a tendency among the Polish managers to identify similar characteristics of their German and British colleagues, but then give them totally different interpretations depending whether they were related to Germany or United Kingdom. For example, the performance of routine tasks by the Germans was seen as demonstrating their lack of imagination and creativity; the same characteristic identified in the British character was interpreted as a sign of high professionalism.

Although the characteristics of the Poles reported by the Polish interviewees were presented as their virtues, they also admitted to some negative aspects of 'Polish mentality', like for example evading responsibility and having a chaotic approach to work. These negative aspects of Polish character were justified by the Polish managers as being a direct consequence of a communist system in Poland, and were contrasted with German and British responsibility towards work and their good work organisation.

Other national characteristics as observed by the Polish managers in both the Germans and the British were their perceived wealth, being cold and reserved, as well as being presumptuous and showing their superiority. This was again contrasted with Polish warmth and hospitality, as well as openness.

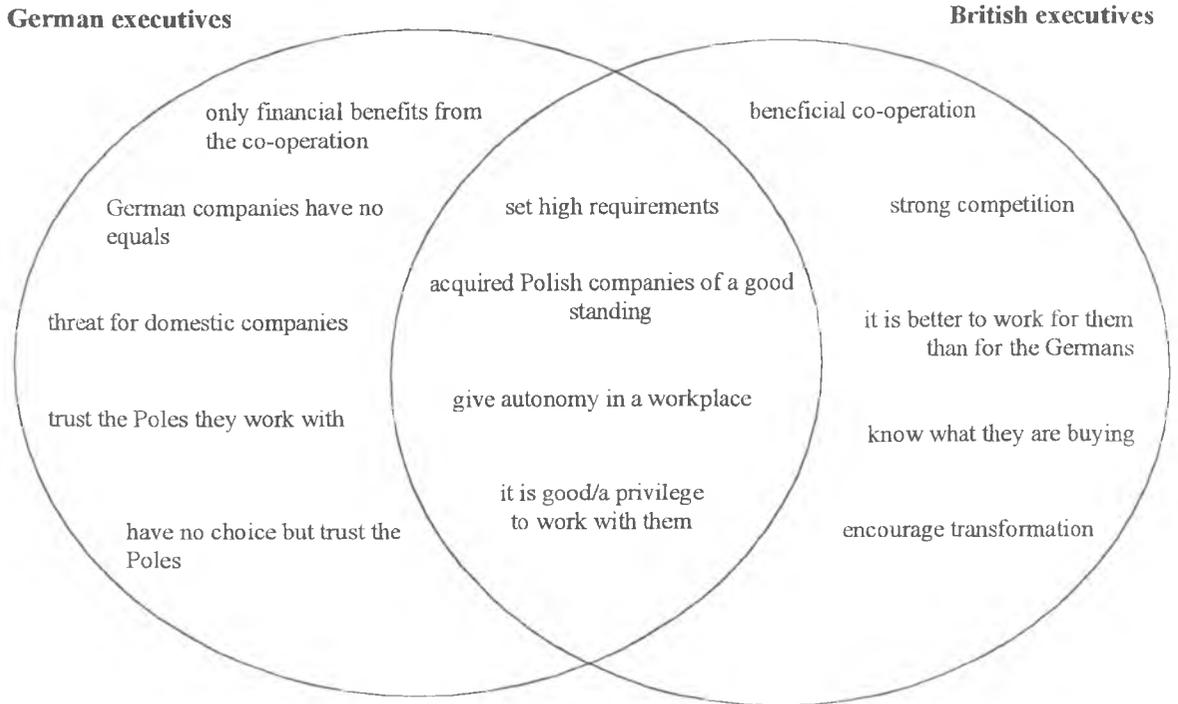
An interesting aspect of the Polish vision of the Germans was the *Wielkopolanin* mentality. On this occasion Polish managers originating from *Wielkopolska* proudly stated that they displayed German like features, namely: diligence, discipline, cleanliness and tidiness. These characteristics, originally attributed to their Western neighbours, were claimed to be present in the Polish psyche. Polish managers also referred to the German continuity of change, which meant that they were never complacent, no matter how good was the result. However, the Germans were also seen as credulous.

The Polish vision of the British was a construction based on the fact that the two nations were unfamiliar to one another. Although common participation in the Second World War was mentioned, Polish managers emphasised that the British did not know much about Poland, and that they did not speak Polish. They were perceived as phlegmatic and patient bureaucrats, who prioritised their professional life over the personal one, and who were economical. Moreover, although they were seen by the Polish interviewees as the ones who 'split one hair into four', they were also perceived as relaxed and informal.

7.3.2. Corporate characteristics of Germans and British.

A summary of German and British characteristics has been presented in Figure 7.5. below.

Figure 7.5: Germans and British as Reported by the Polish Managers – corporate characteristics.



Based on the figure above, it is interesting to note that while both German and British executives were described by the Poles as setting very high requirements and standards at work, they were also praised by the Polish interviewees for giving them a surprising degree of autonomy at work. The latter was interpreted by the Polish executives as a proof of their good job performance. In case of the German companies it was seen by the interviewees as a sign of trust the investors had in them, and that in fact the Germans had no choice but to trust the Poles, as they did not know the Polish reality.

Similarly as in the case of national characteristics, there was a tendency among the Polish managers to identify similar characteristics in their German and British colleagues, but then to give them totally different interpretations, depending whether they related to Germany or the United Kingdom. This applies, for example, to the issue of the perceived benefits of working

with or for a foreign company. In case of Germany, Poles tended to ignore all the soft skills transfer to their company, but in case of the United Kingdom, they stated that finance was not the only reason they worked with the British, presenting a long list of other benefits at the same time. It was also mentioned that British managers strongly encouraged transformation in the Polish companies, i.e., from the communist way of doing things to the way in a market economy. This was seen as a positive influence.

It is important to note that the Polish perception of German corporate characteristics contains a certain degree of contradiction. On the one hand the Polish interviewees failed to acknowledge the benefits of working with the Germans other than financial ones and, on the other hand, they had a strong belief in the power of the investors while discussing the level of competition in the Polish market. In this respect of competitiveness many of the Polish interviewees claimed that German companies had no equals; however we should also mention another large group of Polish interviewees which claimed that competition was very strong.

The perception of the Poles who worked in British companies, were much more uniform in respect of their views on competitiveness, all of them emphasising the strength of competition in the market. This group of Polish interviewees also pointed out that they preferred to work for the British than for the Germans. When compared with the Polish perception of working for the Germans, we can observe that both groups of executives claimed to feel privileged to work in such good companies (both German and British). It is important to note however, that while this opinion, while applied to British companies, was undisputed, the same opinion when expressed pertaining to German companies, was immediately followed by a sense of guilt on the part of the Polish managers, as if the company they worked in would pose a threat to domestic Polish-owned ones.

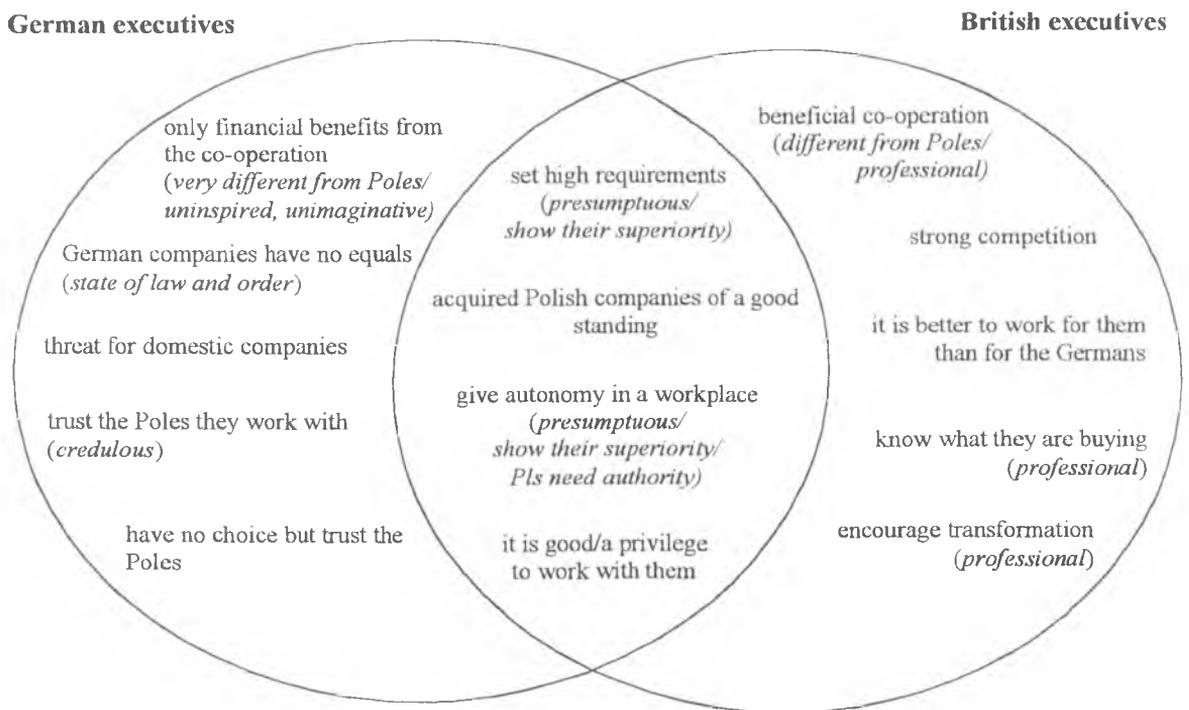
Both groups of Polish interviewees claimed that their companies prior to acquisition were of a good standing, and the British investors were referred to as the ones who knew exactly what

they were buying. There was no reference to this kind of fore knowledge existing on the German side.

7.3.3. National and corporate characteristics of Germans and British.

Let us now examine to what extent the national characteristics of Germans and British identified by the Poles link with Polish corporate perceptions of these two nations. A summary of this is presented in Figure 7.6.

Figure 7.6: National characteristics and managerial corporate perceptions - Polish perceptions.



One of the main links between national and corporate perceptions can be identified in the perceived benefits of working with or for a foreign company. In case of Germany, Poles tended to ignore all the soft skills transfer to their company, and in case of the United Kingdom, Polish managers stated that finance was just one among many reasons they worked with the British. The analysis of qualitative data has shown that this view was reported by those interviewees who also strongly emphasised themselves to be different from the Germans. These particular respondents stressed that these differences were to the Polish advantage. Also those Polish

managers who dwelled on British professionalism similarly stressed the degree of differences from the British.

The Polish perception of British professionalism seemed to have influenced several other corporate characteristics constructed by the Poles. It is therefore on account of their professionalism that the British were thought to know exactly what they were buying, as far as acquisitions of Polish companies were concerned, and to be the ones who encouraged transformation in Polish companies.

Another interesting point already identified in the data was Polish astonishment with the amount of autonomy given to them by the foreign investors, both German and British. This is itself a reflection of the Polish perception of German and British being presumptuous and showing their superiority- if the foreign investors are so superior it is all more surprising that they should devolve a high degree of autonomy to the Poles. Therefore Poles could reasonably expect foreign investors' behaviour to be defined by exactly these same characteristics. This opinion also mirrors the self - perceptions of the Poles that they needed authority, and needed to be shown the right way. Consequently they expected the investors to fulfil these needs. The self - explanation by the Polish managers of the fact that they were given a lot of autonomy by the German investors because they trusted the Poles, might also be linked to the Polish perception of their neighbours as being credulous.

In some respect almost contradictory with the previous statements relating to corporate autonomy, Polish managers working in German and British companies pointed out that the foreign investors were setting very high requirements and standards. This also rises the question of whether Poles felt they were meeting these - perhaps wishing to invite the conclusion that they were, i.e. in support of Polish self-esteem. This perception of high standards also links to the Polish perception that the Germans and the British were presumptuous and showed their superiority, i.e., the latter did so through setting standards that might be expected of a superior economy.

And finally, we can note one more parallel of national and corporate characteristics attributed to the Germans. The fact that German companies were often perceived as having no equals as far as the competition was concerned might be linked to Polish fascination with, and admiration of, the German state of law and order.

7.4. Close neighbours and distant friends - perceptions and self-perceptions of the Poles.

After presenting how the respective perceptions of Germans and British towards Polish national characteristics relate to one another, and to what extent they are reflected in the corporate characteristics of the Poles, it is time now to take a closer look at how these characteristics relate to the self-characteristics of the Poles themselves. Table 7.1 below is a summary of agreements and disagreements on the key national characteristics of the Poles, as identified by the managers from all three countries under investigation. The agreements on the issue have been marked with the symbol '+', and disagreements with the symbol '-'. Empty cells mean that no reference was made to a given characteristic.

Table 7.1: Differences and similarities of perceptions and self-perceptions of the Polish national characteristics.

Selected national characteristics of the Poles	PL / GE	PL / UK
Very different	+	+
Wielkopolska mentality	-	
Communist influence	-	+
Young generation not affected by communism	-	+
Transforming society	-	+
Warmth and hospitality	+	+
Evade responsibility / need authority	+	+
Chaotic	+	
Well known neighbour	+	
Distant and unfamiliar		+

Based on the table above, as well as on the remaining data, one can conclude that Polish self-perceptions of national characteristics are closer to the ones constructed by the British managers than the ones constructed by the German executives. While there were virtually no disagreements between the Polish self-perceptions and the British perceptions of them, Polish and German managers tended to disagree on several key characteristics of the Poles.

Let us now have a closer look at these disagreements. Although Polish interviewees tended to strongly stress their being different from the Germans (and at this point in agreement with the German perceptions), they also stated with pride that they did possess some German-like features in a form of the *Wielkopolanin* mentality, which in short meant being conscientious and orderly. This statement when presented to the German managers was met with a strong opposition, and resulted in even stronger emphasis on the fact that Germans had nothing in common with the Poles.

Another set of disagreements was directly related to the dynamics of Polish society. The whole issue of the downplaying of the communist influence, as well as the denial by the Germans of any mental transformation of the Poles, and of no inter-generational differences between Poles, clearly indicated that the Poles were seen by their neighbours as a static nation. This was in strong disagreement with how the Poles saw themselves, and therefore with how they were seen by the British managers. These both groups of executives tended to concurrently refer to the communist period, as well as to the ongoing process of mental transformation in Poland.

The national characteristics that Poles did agree on with both German and British interviewees were evading responsibility and need for authority, plus the view that they were different from the Germans and the British. In common with their foreign counterparts, they also agreed on the familiarity between their nation and the Germans, and on the unfamiliarity with the British.

7.5. Summary and conclusions.

This chapter has outlined the main differences between German and British perceptions of the Poles, and also the main issues pertaining to Polish managers' perceptions towards their German and British colleagues. First the major points of similarity and difference between German and British perceptions of Polish national characteristics were discussed, and how these were mirrored in the corporate characteristics constructed by the managers. This was followed by a comparison of Polish perceptions towards the national characteristics of the Germans and British, and their influence on corporate characteristics as identified by the Polish managers.

Chapter 8: Summary, Conclusions, and Suggestions for Further Research.

8.1. Introduction.

The thesis proceeded by looking at the relevant literature in Chapters 2 and 3, and then by presenting the method of the study in Chapter 4. In Chapter 5 and Chapter 6 we provided an ethnographic illustration of the perceptions between executives from Germany, United Kingdom and Poland, which was then summarised and discussed in Chapter 7. The current chapter, Chapter 8, is the final chapter of the study in which the main findings, limitations of the study, and managerial as well as policy implications will be presented. The chapter will end with suggestions for further research.

8.2. Major findings.

As we set out in the introduction to this study the aim of this thesis has been to identify and explain the differences and/or similarities of perceptions between Polish and German managers, and between Polish and British managers in cross-border M&As. The current study suggests that the presence of ethnic oppositions can be a factor prohibiting firms from becoming more competitive (e.g., by restricting an effective transfer of knowledge from parent to affiliate). In this respect it is hoped that any greater understanding generated may help to improve the intercultural interaction between the representatives of the German and the Polish culture, and the British and the Polish culture in cross-border M&As. It is also hoped that the improved business integration mediated by private enterprise firms, between existing EU (e.g., Germany, UK) and candidate countries (e.g., Poland) may contribute to the improved effectiveness of EU policy in widening integration.

This thesis explored the important differences and similarities in national and corporate perceptions between Polish and German managers, and between Polish and British managers in an international business context. The rationale for this study was that failing to acknowledge these attitudes or, in other words, the non-economic factors affecting managerial decisions, was a major shortcoming in international business research (e.g., Dunning 1998, 2000). The current study aimed to fill this gap by drawing attention to the presence of ethnic oppositions in

managerial perceptions, and by arguing that they can be factors affecting decisions taken by managers. Following Buckley and Chapman (1998) the managers consciously select from among the whole set of potential transaction costs, and usually the ones avoided in this process are among the most important ones, and at the same time among the most difficult ones to measure. It is hoped that the study of managerial perceptions deriving from ethnic oppositions will facilitate the consideration of non-economic factors in the business context.

Managerial perceptions were analysed within a social anthropological framework. Although there were some examples of the application of social anthropology to business studies (e.g., Buckley and Chapman 1996, 1998; D'Iribarne 1996/97; Chapman and Antoniou 1998) application of the framework of ethnic oppositions in this context is a novelty. The concept of ethnic oppositions could be more widely applied in cross-border M&As between the representatives of cultures other than the ones discussed in the current study. It could prove to be a useful tool in identifying the nature of differences (and/or similarities) of perceptions between the managers representing those different cultures, and in explaining the origins of these differences (e.g., core/periphery relations).

The current study seems to be compatible with some of the Hofstede's (e.g., 1980, 1994a/b) five dimensions of culture²⁵, and also with some dimensions of Hampden-Turner and Trompenaars' (e.g., 1993, 1998, 2000) model of the Seven Dilemmas of Management. In this thesis, however, we did not attempt to use these models as paradigms (e.g., Hofstede (2001, p. 465) himself warns against doing so). Both these studies were questionnaire based, which could prove to be a difficulty in investigating the essence of cultural differences. What is more, the fact of not using this particular method of inquiry, but applying semi-structured, in-depth interviews was one of the main contributions of this study.

²⁵ For example, intimations of a Polish/German power distance difference, and a Polish/German uncertainty avoidance difference.

Furthermore, although there were some attempts to reconcile the issues of trust and transaction costs in the literature (e.g., Williamson 1975, Fukuyama 1995) they did not specifically mention that significance of culture for the transaction costs issues. In the current study culture was argued to be a configuration of transaction costs, as they were experienced differently across different cultures. In this respect, ethnic oppositions which were present in managerial perceptions of national characteristics were argued to be mirrored in corporate characteristics constructed by the managers (e.g., research question 5 and 6). This indicates that the perceptions of managers pertaining to current or potential transaction costs can be expected to have an impact on the managerial decision making in cross-border M&As.

Within the framework of Buckley and Chapman (1996) we argued that transaction costs theory can be used to explain both economic and non-economic factors affecting investors' behaviour, and therefore the subject area of international business as a whole demanded a multidisciplinary approach. In order to achieve this we applied concepts from a variety of academic disciplines, namely the theory of European integration, the theory of FDI, cross-cultural management, and social anthropology. The current study applies these different theoretical frameworks in order to explain the issues arising at the corporate interface of different national cultures.

The research was based on the empirical data collected during 63 face-to-face and in-depth interviews with managers in Germany, the United Kingdom, and Poland. The study adopted a qualitative, interpretive methodological approach, and used managerial perceptions as a tool of the analysis - an approach that is becoming increasingly important in business and economic research (e.g., Buckley and Chapman 1998). The method applied in the current study proved to be useful, and it was supported by the outcome of the research. The use of qualitative data provided us with an in-depth understanding of the issues under investigation, and gave us an opportunity to discover unexpected ones. Such benefits are not available through quantitative, questionnaire based methods, which represent the standard approach in international business research.

This thesis sought to answer several research questions, and we will discuss its main results with reference to these questions.

1. What are the differences/similarities in perceptions between German and Polish managers in cross-border business cooperations?

The analysis of qualitative data has shown that there are similarities and differences in perceptions between German and Polish managers engaged in cross-border business cooperations. It is important to note however that the similarities in interviewees' perceptions were much weaker than the differences between them. In general there was only one issue that German and Polish executives agreed on in their perceptions of one another, and it was the issue of difference. The representatives of both nationalities strongly emphasised that they were very different from one another in terms of their national characteristics. This brings us directly to the issue of the actual differences as pointed out by the interviewees.

The qualitative data has shown that the statements of German and Polish managers describing one another displayed certain oppositional logic. In social anthropology, as argued by Chapman (1992a), the presence of such ethnic oppositions (expressed in imagery, metaphor, writing and actions) was typical in a situation of the meeting of colonisers with their own periphery. The author discussed this problem on the example of the English and Celtic contrast, however he also pointed out that his framework could be applied to other core/periphery relations, for example between the Germans and the Poles. As we demonstrated in Chapter 3 of this study, historically, Germany was in a position of dominance towards their Eastern neighbours, and Poles were typically recorded from the perspective of the Germans, not the other way round. If we look at the current setting of this study, this situation still holds as it is the German companies that are establishing themselves in Poland, and taking over the control of Polish companies and industry, and not the other way around. Therefore this framework has a particular relevance to cross-border M&As.

According to Chapman (1992a) in a situation of ethnic meeting, people in a position of power have a tendency to characterise themselves as orderly, civilised and properly human, and to

regard others surrounding them as failing to achieve these virtues. Based on his earlier empirical study Chapman developed two sets of ethnic oppositions consisting of 'self' and 'other', in which 'self' represented a defining power, the core, and 'other' referred to its periphery. In the first, basic set of oppositions (Figure 3.3 in Chapter 3) 'self' was characterised by positive features and 'other' by negative ones. In the second set of oppositions (Figure 3.5 in Chapter 3), which we may call romantic, as it was influenced by this intellectual revolution, the whole balance of virtue shifted and 'self' was now characterised by vices and 'other' by virtues.

The main perceptions of German managers towards themselves and their Polish colleagues with reference to ethnic oppositions have been summarised in Figure 8.1 below.

Figure 8.1: German and Polish national characteristics, as perceived by the Germans.

Germans	:	Poles
'do the coaching'	:	need authority
set the rules	:	need rules and hierarchy
responsible	:	evade responsibility
(tolerant)	:	nationalistic
orderly	:	(disorderly)
disciplined	:	(undisciplined)
(diligent)	:	lazy
(controlled)	:	warm and hospitable
(work individually)	:	work in a networking system
(altruistic)	:	materialistic

One can see from this German characterisation of themselves contrasted with the one of the Poles, that there was a strong presence of the basic 'self' and 'other' oppositions in the interviewees' statements. The same was also found in the secondary sources cited in this study (e.g., the propaganda leaflet from Upper Silesia, and press cuttings of the present). In this context German managers saw Poles as individuals who needed authority and rules, who evaded responsibility and who were lazy. This was presented in contrast with German virtues which were placed on the left-hand side of the column. It is important to note that these negative characteristics of the Poles were not attributed to the presence of communism in Poland, but were seen as originating in the much more distant past. In general German interviewees saw Poland and the Poles as their very familiar Eastern neighbour which, despite of all the 'superficial' reforms, had not changed at all.

Polish perceptions towards themselves and German managers with reference to ethnic oppositions are presented in Figure 8.2 below.

Figure 8.2: German and Polish national characteristics, as perceived by the Poles.

Germans	:	Poles
'cybernetic' society	:	imaginative
lack spontaneity and poetics	:	spontaneous
perform routine tasks	:	creative
down to earth	:	romantic
limited	:	versatile
cold and reserved	:	warm and open
uninspired	:	intelligent
credulous	:	smart
presumptuous	:	(modest)
responsible	:	evade responsibility
well organised	:	chaotic
disciplined	:	need authority
very wealthy	:	(poor)
clean and tidy	:	(dirty and untidy)
diligent	:	(lazy)

Based on the above figure one can see that the ways in which the Polish characterisation of themselves contrasted with the Germans bears a strong resemblance to 'self' and 'other' set of oppositions reinterpreted in the Romantic reappraisal. The Polish managers tended to describe their German colleagues as conforming with a 'cybernetic' society, performing routine tasks, being down to earth, cold and reserved, presumptuous and showing their superiority. They contrasted these characteristics with their own, according to which they were much more creative, spontaneous and versatile than the Germans. Certain similarities were observed with the basic set of oppositions in Polish managers' statements. More precisely they tended to characterise Germans as responsible, well organised, disciplined, diligent and clean and explicitly or not, their self characteristics displayed opposite features. This, we argued, reflects the mental transformation that Polish managers have been undergoing. They no longer wanted to be on the 'other' side of ethnic oppositions in the 'periphery', as some of them, in contradiction with their criticisms of Germans, at the same time claimed to possess positive German-like features (e.g., Wielkopolska mentality). The negative features that Poles admitted to possess were readily explained by them as due to the influence of the communist system on the Polish psyche.

This duality in Polish perceptions can be analysed from the perspective of Polish history and Poland's FDI relationship with the Germany. In the past it was the Germans who were always in a position of power, and who were dictating the rules. The present situation bears a strong resemblance to the past to the Poles. It is German companies that are investing in Poland, buying Polish companies, and employing Polish staff. Polish interviewees did not want to acknowledge this position of power again, and therefore they reinterpreted German characteristics as negative, and glamorised normally negative self-characteristics. However they were also beginning to perceive that they could learn something from the Germans, at the same acknowledging their virtues (as in the basic set of oppositions), and only tacitly implying their own lack of them.

2. *What are the differences/similarities in perceptions between Polish and British managers in cross-border cooperations?*

The analysis of qualitative data has shown that there are similarities and differences in perceptions between British and Polish managers engaged in cross-border cooperations. In general there were more differences than similarities between the perceptions of managers from these two countries, however these contrasts were not as strong as in case of the German and Polish interviewees. As we have seen in Chapter 3 of this study, although the United Kingdom and Poland do share some common history its nature is totally different from that between Germany and Poland. Nevertheless as far as the FDI relationship is concerned, as it was in the German case it is British companies that invest in Poland, and this puts them in a position of power towards their Polish colleagues.

British perceptions of themselves and their Polish colleagues with reference to ethnic oppositions are summarised in Figure 8.3 below.

Figure 8.3: British and Polish national characteristics, as perceived by the British.

British	:	Poles
'do the coaching'	:	need authority
set the rules	:	need rules and hierarchy
responsible	:	evade responsibility
(controlled)	:	warm and hospitable
decentralised	:	with centralised structures

This list of oppositions can to some extent be compared with the framework presented by Chapman (1992a), which we applied to the German/Polish contrast. One can see that characteristics attributed to the Poles by the British managers, bear some resemblance to the basic oppositions of 'self and 'other', e.g., the need for authority, rules, centralised structures, and evading responsibility. Similarly to this set of oppositions, Poles were attributed with possessing the vices, whereas the British were self-characterised with virtues. It is important to note that the negative features of the Poles were linked by the interviewees with the earlier period of the communist system and this was interpreted as a major factor influencing the Polish psyche.

As we have seen, the oppositions drawn by the British managers were much less numerous than in the case of German perceptions towards the Poles. In marked contrast with the Germans, British interviewees strongly acknowledged the process of Polish mental transformation. In the context of Chapman's (1992a) framework British managers were to a small extent also willing to partially place Poles on the 'self' side of the basic ethnic oppositions, with the 'self' side displaying the positive features (e.g., 'They are moving from a "write me a rule" society').

The remaining characteristics of the Poles constructed by the British were not mentioned as specific features of contrast between them and the Poles, but rather as neutral statements, for instance 'typical post communists', 'transforming society', 'young generation not affected by communism', etc. The British interviewees also tended to describe Poles and Poland as 'unfamiliar', which could perhaps explain the existence of such neutral statements.

Let us move now to the Polish perceptions of themselves and their British colleagues. They have been summarised in Figure 8.4 with reference to ethnic oppositions.

Figure 8.4: British and Polish national characteristics, as perceived by the Poles.

British	:	Poles
need a list of tasks to work	:	creative and imaginative
cold and reserved	:	warm and open
take a long time to decide	:	spontaneous
professional	:	evade responsibility
phlegmatic and patient	:	chaotic
relaxed and informal	:	need authority
work comes first	:	family comes first

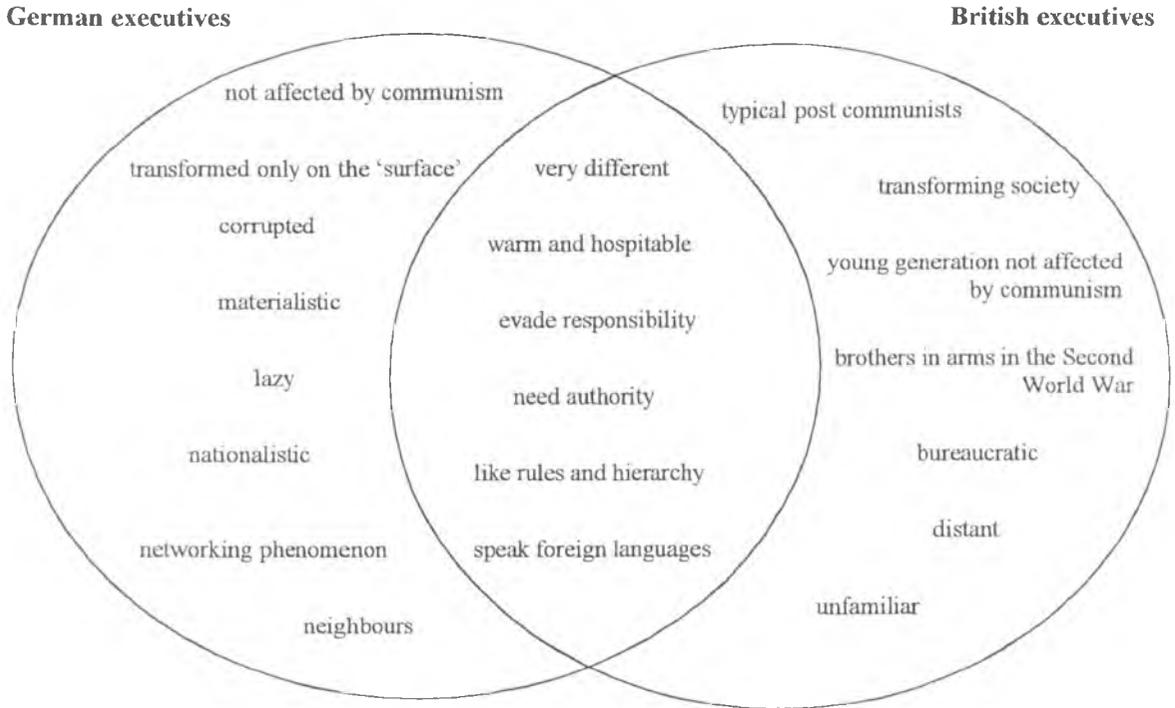
One can see, based on the figure above that Polish perceptions of themselves and the British displayed a certain similarity to the oppositions of the romantic reappraisal from Chapman's framework (1992a). In this context the British were seen as a cold and phlegmatic people, who took a long time to decide things and who needed a list of tasks in order to be able to work. This was contrasted with the Poles who saw themselves as warm, spontaneous, and full of imagination. One can also observe the presence of the basic opposition in Chapman's (1992a) framework in Polish managers' statements. They emphasised, for example, British professionalism and the Polish evasion of responsibility and need for authority. These negative aspects of the Polish character were justified by the Polish managers as being a direct consequence of the communist system in Poland.

The presence of both sets of oppositions in Polish managers' statements can be linked to the nature of the FDI relationship with the British. In Polish eyes it was British investors who bought Polish companies, who dictated the rules, and who employed Polish staff. Polish interviewees tended to construct oppositions as in the romantic reappraisal, as they did not want to acknowledge this British position of power. On the other hand however they saw the possibility of learning from the British, and therefore they also acknowledged their positive features, contrasting them with Polish vices. However, the whole set of oppositions was much smaller than in case of Polish perceptions of the Germans, due to the very much weaker historical ties between Poland and the UK.

3. *What are the differences/similarities in German and British perceptions of the national characteristics of the Poles?*

The analysis of qualitative data has indicated that there are differences and similarities in German and British perceptions of Polish national characteristics. In order to summarise these perceptions we reproduce below Figure 7.1 from Chapter 7:

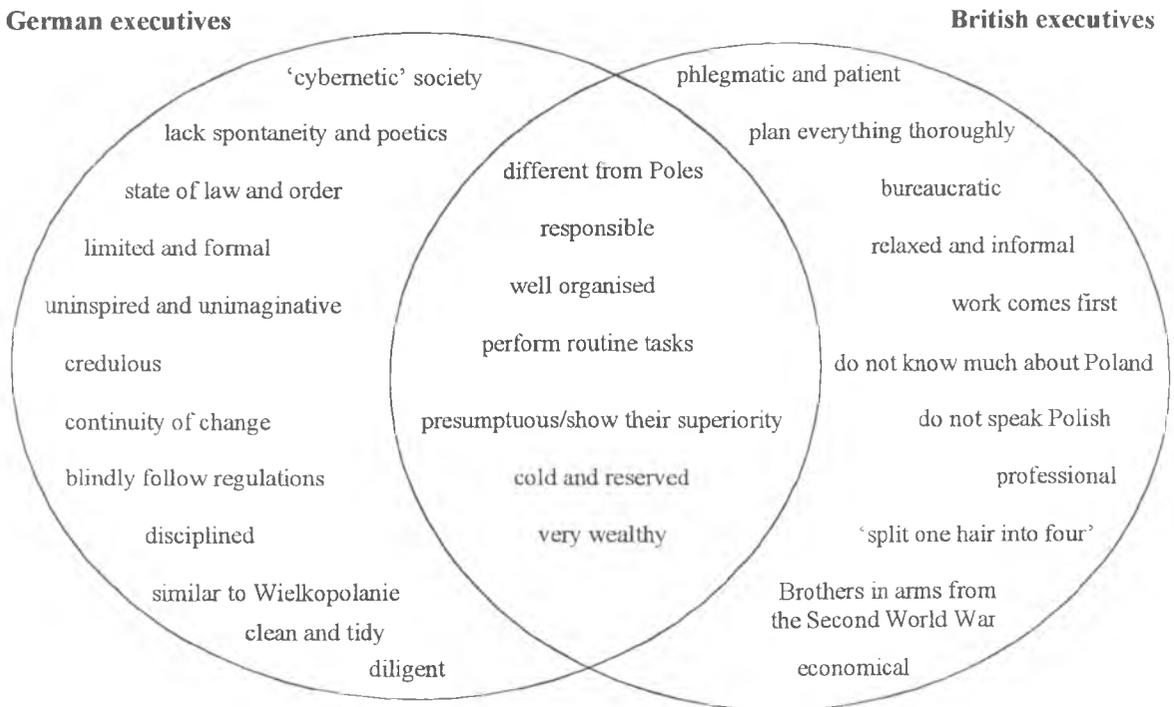
Figure 7.1: A summary of German and British perceptions towards Poles - national characteristics.



4. *What are the differences/similarities in Polish perceptions of the national characteristics of the Germans and the British?*

The analysis of qualitative data has indicated that there are differences and similarities in Polish perceptions of British and German national characteristics. Below we reproduce Figure 7.4 from Chapter 7 to present a summary of these differences and similarities:

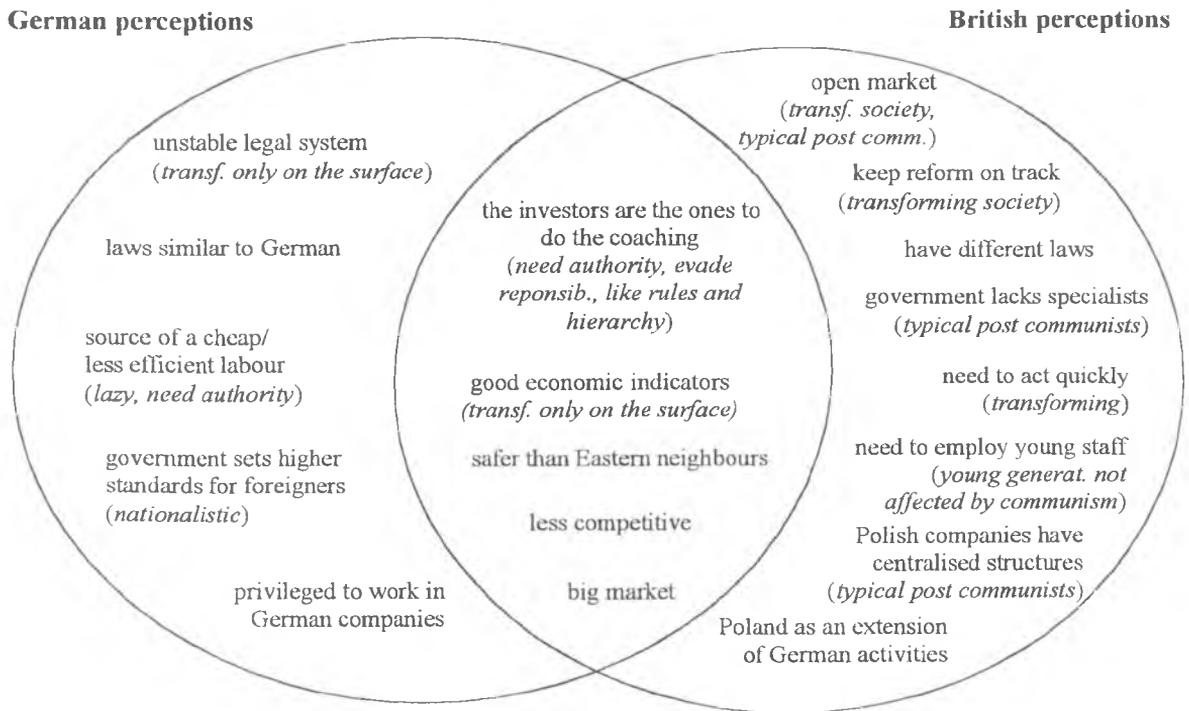
Figure 7.4: Germans and British as Reported by the Polish Managers – national characteristics.



5. *To what extent do German and British managers' perceptions of Polish national characteristics influence Polish corporate characteristics constructed by these managers?*

The analysis of qualitative data has indicated, that the perceptions of national characteristics of the Poles by the German and British executives were mirrored in their opinions pertaining to corporate characteristics. We repeat Figure 7.3 from Chapter 7 here to summarise these perceptions.

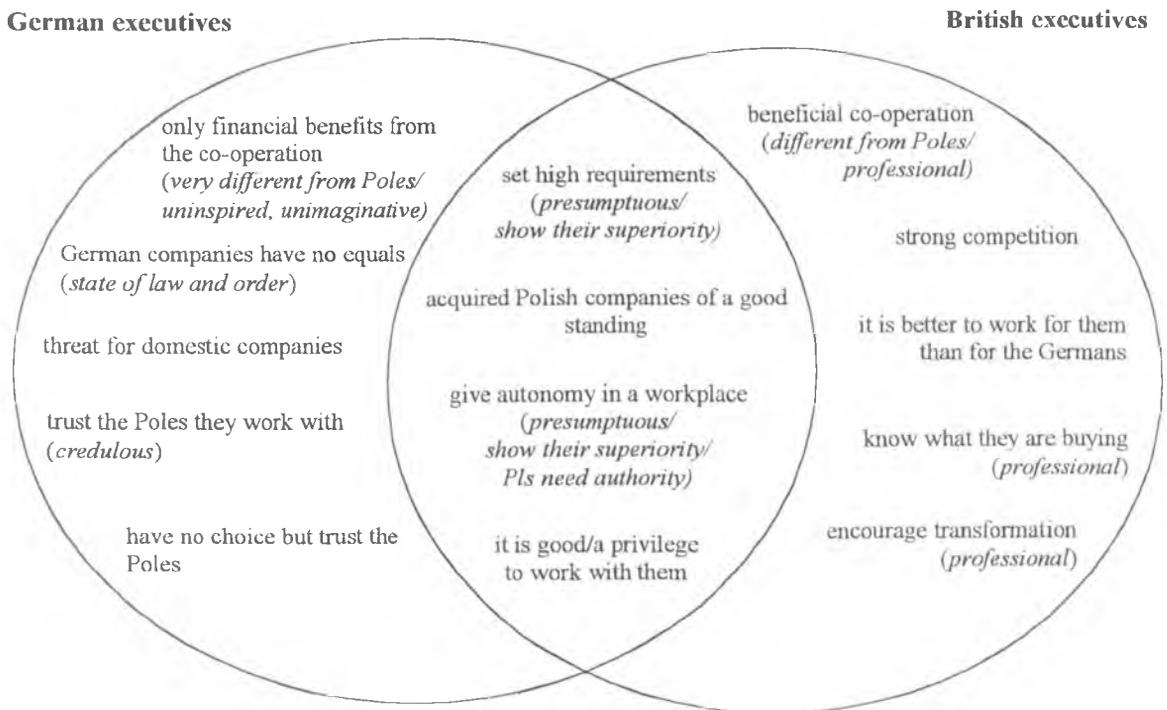
Figure 7.3: National characteristics and corporate managerial perceptions - German and British perceptions.



6. *To what extent do Polish managers' perceptions of German and British national characteristics influence German and British corporate characteristics constructed by these managers?*

The analysis of qualitative data has shown that the national characteristics of Germans and British identified by the Poles link with their corporate perceptions towards these two nations. We summarise these perceptions in repeated Figure 7.6 from Chapter 7.

Figure 7.6: National characteristics and the managerial corporate perceptions - Polish perceptions.



8.3. Limitations of the study.

Firstly, the current study adopted a qualitative, interpretive approach, with a small number of interviews (a total of 63). It may be argued that this small number of interviews is a factor limiting the generalisability of this research. Although qualitative research does not aim to generalise the findings, but rather at forming a unique interpretation of events (Creswell 1994) some limited generalisability of this study was ensured by using an interview guide during data collection. Secondly, using only one researcher could be considered to be a limiting factor in this investigation. A single researcher could be seen as a potential source of bias in data interpretation. The risk of this was however reduced by the use of multiple sources of information (e.g., press cuttings, corporate information, etc) and verification of the identified themes by colleagues. The employment of only one researcher had also a disadvantage with respect to the sensitivity of the topic under investigation. This issue was discussed in detail in the methodology chapter (Chapter 4). Thirdly, the focus of the study was narrowed down to only one region of Poland. Fourthly, companies approached in the study were from different industries, this was a concession made in order to meet all the remaining selections criteria.

Ideally intra-industry case research, of one or several industries, might be preferred to reduce the impact of industry-specific effects. And finally, the language of the interviews could be considered a limitation of this study in case of interviews in Germany and in the United Kingdom. Again this topic received attention in Chapter 4.

8.4. Managerial implications.

The current study demonstrates that there are differences in perceptions between German and Polish managers, and between British and Polish managers. It also shows that the national perceptions of the executives are mirrored in their corporate perceptions. The findings of the current study have therefore a particular relevance to managers in cross-border M&As. As it was argued in Chapter 2 that cultural distance is one of the reasons for the failure rate of acquisitions being greater than the failure rate of greenfield investments (Barkema et al. 1996). This could be related to a lack of knowledge about the main characteristics of different cultures, and a lack of knowledge and awareness that perceptions of individuals vary across cultures. It may also be agreed that lack of self-knowledge is an impediment. As views are systematic by nationality, self-awareness of the existence and dangers of these views, as well as their origin, may be a distinct advantage. Therefore it is recommended that managers considering or participating in such deals make a particular effort to understand these issues. Equally, education may be advisable. Proper understanding of these concepts by the managers can positively influence the co-operation between representatives of different cultures and therefore positively affect company's efficiency. Efficiency is intended to mean personal satisfaction, and the purpose for the German and British companies establishing themselves in Poland (Worm 1997). As international business expands, cross-cultural issues naturally arise with greater frequency. Our research has shown that these can differ markedly by nationality of the investor. Therefore it should not be expected that any 'one size fits all' solution is available.

Furthermore, the framework from social anthropology presented here has wider applications than between only Germanic and Slavonic managers. We believe it can be applied to other situations of ethnic meeting in a business context, as managers representing other core/periphery

cultures/nationalities from other geographical locations can experience similar relationships, and potential problems. Their awareness that such problems are likely to exist could enhance both negotiation and integration process in cross-border M&As.

8.5. Policy implications.

The findings of this thesis have particular implications for policy makers in the European Union. They are relevant to the area of economic and competition policy, as the issues this study deals with, namely differences in managerial perceptions, are the factors that prohibit firms from becoming competitive. With the prospects of future enlargement of the EU the issue of integrating candidate member states on a business level is becoming increasingly important. Poland, as one of the applicant countries is currently an attractive target for foreign investors. For the Polish affiliates to become competitive an effective transfer of knowledge (in its broadest sense) is needed from the parent to affiliate, and managerial perceptions are among the factors that prohibit firms from achieving this goal, as how the management operates in affiliates affects the efficiency of FDI process. The presence of these differences, as suggested by the current study, indicates the need for an effective competition policy that can be extended to the candidate countries in order to ensure that cross-border M&As there are efficient. Within the scheme of Jacquemin et al. (1989) and also Hansen and Nielsen (1997) we are looking for 'Group 3' type mergers where the prospect of efficiency gains is maximised, and that of reduced competition is minimised. Such mergers are most likely to bring about pro-competitive effects, but clearly rely on the degree of internal integration, compatibility, and congruence.

For the policy-makers the current study offers a new insight into firms' M&A behaviour during the market integration of Eastern European countries with the EU. The results of this thesis may facilitate understanding of internal firm efficiency, the creation of efficient competition policy, which recognises the differences between the countries as affecting firms' behaviour. The study offers a new tool of analysis in that context - managerial perceptions. It is hoped that this research will contribute to the competitive success of international business ventures, and of Polish-German, and Polish-British ventures in particular.

8.6. Suggestions for further research.

There are several issues arising from this research that would deserve further attention. Firstly, as multinational corporations continue to expand into areas of the world that were previously 'out of bounds', the oppositional framework applied in this study may find further applications in other international business contexts. Further research could encompass a comparison of North European versus South European perceptions in a business context, or indeed further comparison of Germanic and Slavonic perceptions using other Eastern European countries (e.g., Russia, Ukraine, Czech Republic, Slovakia). It would also be interesting to look at the original Anglo-Saxon and Celtic contrast from Chapman's (1992a) framework in a business context (e.g., England versus Ireland).

Secondly, with the fall of communism, the opening up of the economy, and Polish candidacy for EU accession, as well as the existing Association Agreement, the presence of foreign investors is increasing in Poland. Polish managers, as well as foreign investors currently have much more experience of working together than was the case when this research was started (in 1997). Therefore it would be very interesting to follow up this study with a second round of interviews with the same respondents to see to what extent the situation of working together has influenced their attitudes, i.e., the dynamics of cultural interaction in management, and also to follow up the linkages between the patterns of managerial perceptions and organisational setting (e.g., M&As, greenfields). It would be particularly exciting to see how Polish attitudes towards foreign investors have changed, especially that in the current research the Poles demonstrated dual, sometimes contradictory, views of working with their foreign colleagues.

Thirdly, in respect to the management theory and its debate on the issue of convergence or divergence of managers' behaviour (Tayeb 1994) it would be interesting to see whether Polish managers became more like German or British managers, or whether they maintained their differences. The perceptions discussed in the current study are long-lived, and one might not expect them to change significantly. Hofstede (2001) provides a support for this hypothesis by maintaining that in his IMB study 'There was no international convergence of cultural values

over time, except toward increased individualism for countries having become richer' (p. 454). The author further predicts that the phenomenon of cultural divergence will hold for the next few hundred years. The issues of cultural divergence and convergence are also very pertinent to the attitudes towards the EU process of enlargement and integration.

And finally, the effects that different perceptions might have on the processes within the parent - affiliate relationship, and within the affiliate itself, are also worthy of future research (e.g., on the effective transfer of knowledge). As we have seen in our discussion of the mental transformation of Polish managers, their aspirations are strongly related to their perceptions. This in turn may enhance the transformation and competitiveness of the affiliate within the FDI relationship.

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Appendix 1. FDI in the world economy.

Over the period of the last twenty years, several changes in geography of FDI can be observed, both within developed and developing countries (Dunning 1998a). According to Hill (1997), there are several facts characterising recent trends in FDI. As one of them he lists a significant increase in the total volume of FDI, as well as changes in the sources of FDI. There has been a decline in relative importance of the USA in comparison with the situation in 1960s, when U.S. firms accounted for most of foreign investment in the world economy. At the same time one can observe an increase in share of total FDI outflows by other countries e.g. Japan. There are also changes in the recipients of FDI due to the collapse of the 'Iron Curtain', and the move towards free market economies in China and Latin America (increased share of FDI directed at the developing nations of Asia and Eastern Europe, USA has become a major recipient of FDI). Finally, he lists a significant increase in the amount of FDI undertaken by small and medium-sized enterprises.

A summary of the most significant changes in geography of FDI (according to Dunning 1998a, p. 65) has been listed below:

1. The emergence of China as the fourth largest recipient of FDI;
2. Changes in the distribution of North/North and North/South flows;
3. Enormous investment interest in Eastern and Central Europe, while in case of Africa it remains very low;
4. Decrease of FDI inflows in Canada and Australia (traditional resource-based recipients) in favour of faster growing industrialised countries;
5. Only marginal increase of FDI going to Japan;
6. A slight fall in the geographical concentration of FDI among developed countries, in favour of developing countries.

Dunning (1998a) argues that while explaining the changes in geographical composition of FDI one has to take into consideration the main changes in the global political and economic

scenario. In his view 'the dividing line between the two eras of FDI' could be the beginning of administrations of Margaret Thatcher in the UK and Ronald Reagan in the USA (p. 49) as well as the collapse of the command economy system in the Central and Eastern Europe.

Appendix 2. Profile of the companies.

The profile of the companies of the current study has been presented below. In order to ensure confidentiality of the companies their names were replaced with the letters from 'A-L' each of them representing one company. The table provides information on the industry, country, year of foundation, number of employees, and equity share in a Polish company (where applicable).

Company	Industry	Country	Year of foundation	Number of employees	Equity share in a Polish company (%)
Company A	media & distribution services	Poland	1994	255+500	-
		Germany	1835	57000	100
Company B	food processing	Poland	1993	210	-
		Germany	1927	1250	100
Company C	construction	Poland	1945/91	900	-
		Germany	1850s	-	46-95,5
Company D	waste utilisation & recycling	Poland	1992	250	50,3 (PL)
		Germany	1960	10000	49,7
Company E	food processing	Poland	1991/98	703+200	-
		Germany	1948	17	100
		United Kingdom	1926		
Company F	insurance	Poland (UK)	1993	8+400	60 (PL)/40 (UK)
Company G	electrical engineering & electronics	Poland	1890/ 1989	9	-
		Germany	1846	280000	100
Company H	gas distribution & storage	Poland	/95	100	53 - 47(PL)
		United Kingdom	1910	55000	47 -53
Company I	pharmaceuticals	Poland	/98		20 (PL)
		United Kingdom		2400 (CEE)	80
Company J	metal packaging	Poland (UK)	1945/92	-	40 (PL)
					60
Company K	home credit	United Kingdom (PL)	1880s (1996-PL)	-	100
Company L	glass packaging	Poland (GE)	1992	100	100

Appendix 3. Samples of field research correspondence.

«Title» «FirstName» «LastName»
 «JobTitle»
 «Company»
 «Address1», «Address2»
 «City» «PostalCode»
 «Country»

Leeds,

Dear «Title» «LastName»,

Re: Managerial Perceptions on Mergers and Acquisitions.

The Centre for International Business, University of Leeds (CIBUL) is currently pursuing a research project supported by the European Union's Phare ACE Programme 1996 and 1998. This project is an investigation of managerial perceptions of strategic issues for German, British, and Polish companies regarding mergers and acquisitions within and between these countries.

With reference to your experience in the industry we would very much welcome your contribution to this project. In this respect we would kindly ask for your collaboration by agreeing to an interview, regarding general issues facing your company and its environment. The interview should take no more than half to one hour of your time. Moreover, we would appreciate if you would also be able to suggest 2 other senior colleagues, who would be appropriate persons for the interview (preferably, involved in Eastern European, or international operations in general).

All information contributed will be treated in strictest confidence, and I should add that this research is completely impartial, with no commercial interests whatsoever. No reference to your company will be made other than by consent.

If you have any queries in regard to the research, please do contact me at the address or telephone above. Thank you for your attention. We look forward to your collaboration in this important European research.

Yours sincerely,

Hanna Gajewska

«Title» «FirstName» «LastName»
«JobTitle»
«Company»
«Address1» «Address2»
«PostalCode» «City»
«Country»

Leeds,

Szanowny Panie/Pani,

Centre for International Business, University of Leeds (CIBUL) przeprowadza obecnie badania wspierane przez Phare ACE Programme 1996 i 1998 z Unii Europejskiej. Dotycza one stosunku managerów do procesu fuzji i połączeń przedsiębiorstw w Polsce, Wielkiej Brytanii i Republice Federalnej Niemiec, oraz jego wpływu na decyzje strategiczne przedsiębiorstw.

W związku z tym bylibyśmy bardzo wdzięczni za wyrażenie zgody na przeprowadzenie z Panem/Panią wywiadu trwającego od pół godziny do godziny. Dotyczył on będzie kwestii ogólnych związanych z Pana/Panią firmą, jak i środowiskiem, w którym ona funkcjonuje. Bylibyśmy również zainteresowani rozmową z dwiema wskazanymi przez Pana/Panią osobami z zarządu firmy, które mogłyby udzielić nam odpowiedzi na pytania w ramach naszego projektu.

Wszystkie informacje uzyskane podczas tej rozmowy będą traktowane jako poufne i zostaną wykorzystane tylko i wyłącznie do celów naukowych.

Bardzo liczymy na Pana/Panią pomoc w tym bardzo ważnym europejskim projekcie i już teraz serdecznie dziękujemy.

Z poważaniem,

Hanna Gajewska

«Title» «FirstName» «LastName»
«JobTitle»«Company»
«Address1», «Address2»
«City» «PostalCode»
«Country»

Leeds,

Dear «Title» «LastName»,

Re: Managerial Perceptions on Mergers and Acquisitions.

I would like to express my sincere gratitude for your participation in the interview on It was a real pleasure to talk to you and the information you provided was very helpful for the fulfilment of the objectives of our research project.

If you have any queries in regard to the research, please do not hesitate and contact me at the address or telephone above. In the meanwhile, I would like to inform you that the executive report of our findings will be sent to you on the completion of the project.

Thank you very much for your attention.

With kind regards,

Hanna Gajewska

«Title» «FirstName» «LastName»
«JobTitle»«Company»
«Address 1», «Address2»
«City» «PostalCode»
«Country»

Leeds,

Szanowny Panie/Pani,

Chciałabym Panu/Pani serdecznie podziękować za bardzo interesujące spotkanie w dniu ...
Pana/Pani udział był bardzo cennym źródłem informacji niezbędnych dla sukcesu naszego projektu.

Jeżeli miałby Pan/Pani jakies pytania dotyczące naszego projektu, to z przyjemnością na nie odpowiem. Jeszcze raz pragnę zapewnić, że wszystkie informacje uzyskane podczas naszej rozmowy będą traktowane jako poufne i zostaną wykorzystane tylko i wyłącznie do celów naukowych. W międzyczasie pragnę Pana/Panią poinformować, że raport zawierający główne wnioski z tego projektu zostanie Panu/Pani przesłany na jego ukończeniu.

Jeszcze raz bardzo dziękuję za współpracę.

Serdecznie pozdrawiam,

Hanna Gajewska

Appendix 4.

A4.1. Pilot study interview guide.

INTRODUCTION:

- Note the time (beginning and end)
- Confirm confidentiality
- Explain the objective and relevance of the research
- Starting question: Can you tell me a few words about your company?

QUESTIONS:

Company's background.

- Year of foundation:
- Number of employees:
- Ownership form:
- Legal form:
- The initial source of company's capital:

Company's activities.

- What are the main activities of your company?
- Do you operate in many locations?
 - If YES, is your site headquarters or subsidiary?
 - Please state locations of other sites.
- What are your main markets?

International activity.

- Who are your main competitors?
- Do you experience a pressure from international competition?
 - If YES, how do you plan to face it?
 - If NO, do you expect to experience this pressure in the near future?
- Has your company previously merged with or acquired another company?
 - If YES, what were the criteria for selecting your target/partner?
 - What were the main objectives and have they been realised?
 - Have you encountered any difficulties during that process?
 - What have you learned from that process?
 - If NO, do you foresee this possibility in the future?
 - What is the nature of your international activity?

A4.2. Fieldwork interview guide.**GERMANY AND THE UNITED KINGDOM****INTRODUCTION:**

- Note the time (beginning and end)
- Confirm confidentiality
- Explain the objective and relevance of the research
- Biographical Data Questionnaire
- Starting question: Can you tell me a few words about your company?/What has happened in the company since we last met?

GUIDING QUESTIONS:

- What is your role in the company?
- How did your firm get where it is internationally? (first international activity, when, how, main markets)
- Could you tell me a few words about your activities on the Polish market? (why Poland, were other possibilities in the region considered, first contact, main difficulties, legal system, main competitors, exceptional events since entering the market, advice to other foreign investors)
- What do you associate Poland with? (show the picture with symbols of Poland)
- Do you perceive Poles as a uniform nation? (description of main characteristics at national and company level, comparison with Germans/British)

POLAND²⁶**INTRODUCTION:**

- Note the time (beginning and end)
- Confirm confidentiality
- Explain the objective and relevance of the research
- Biographical Data Questionnaire
- Starting question: Can you tell me a few words about your company?/What has happened in the company since we last met?

GUIDING QUESTIONS:

- What is your role in the company?
- Could you tell me a few words about your cooperation with a foreign partner? (motives, were other possibilities considered, previous experiences, first contact, length of cooperation, main difficulties, legal system, main competitors, exceptional events since entering cooperation, advice to other Polish companies)
- Could you tell me a few words about working in a foreign owned company in Poland? (previous experiences, differences with Polish owned companies, main advantages, main difficulties, exceptional events, legal system, competition)
- What do you associate Germany/the United Kingdom with?
- Do you perceive Germans/British as a uniform nation? (show the picture with stereotypical images of Germans/British) (description of main characteristics at national and company level, comparison with Poles)

²⁶ Originally in Polish.

A4.3 Pictures used during the interviews.

POLES

SOLIDARNOŚĆ

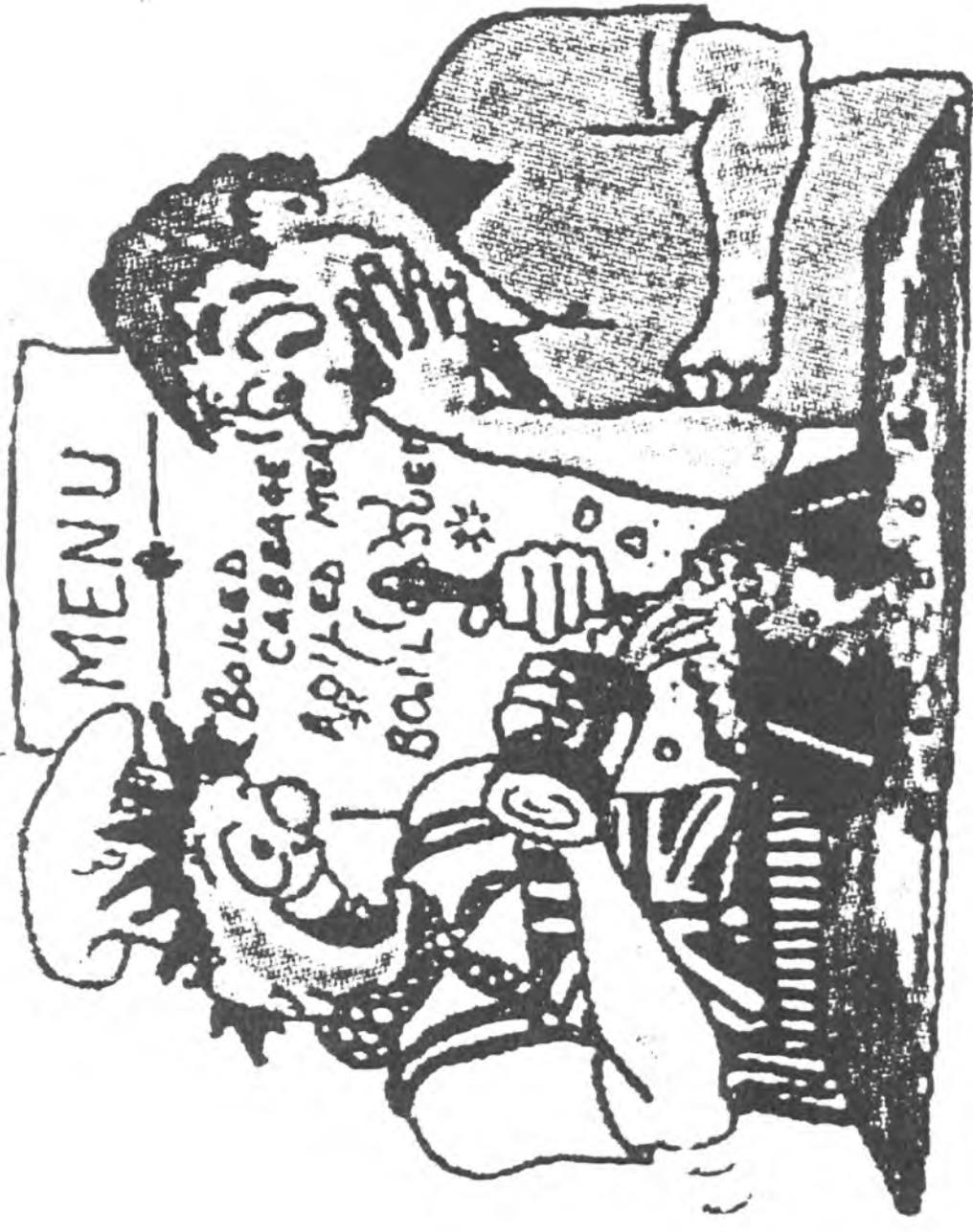


HUMOROUS...



...AS A GERMAN

COOKING...



...LIKE A BRIT