THE IMPORTANCE OF CULTURAL DIFFERENCES IN THE ERA OF INTERNATIONALISATION OF SERVICE ENTERPRISES

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ABSTRACT

Moving an enterprise’s activity beyond the borders of its home country, under the conditions of expanding globalisation and European integration, creates a need to analyse the specific cultural conditionings of business activity as well as a need to deal with cultural diversity, because cultural differences affect business operations, including those activities consisting in providing services. The aim of the article is to draw attention to the importance of cultural differences in the era of internationalisation of service enterprises. The presented research findings point mainly to the difficulty arising from the broadly perceived language gap and the barriers resulting from misinterpretation of gestures and body language, and different behaviours, norms and standards in the working environment as well as stereotypes and prejudice. All the above factors influence business activity, building interpersonal business relations at various levels, and marketing activities such as product promotion.

Key words: cultural differences, internationalisation, service enterprises

JEL codes: F2, F44, Z1

INTRODUCTION

The development of the service market in an international dimension should contribute to an increase of competitiveness and innovativeness of enterprises, promotion of balanced and sustainable social and economic progress, the increase of integration of countries as well as wider access of societies in particular countries to the services provided by both domestic and foreign enterprises. The increase in the share of services in GDP clearly indicates the increasing servitisation of economies. In 2017, among the EU Member countries, the highest share of added value created by the service market was recorded in Luxembourg – 86.9%, Cyprus – 84.7% and Malta – 85.1%. Services represent a large share in the added value of the entire economy in countries such as: Greece (79.0%), the United Kingdom (79.2%), France (78.8%), and the Netherlands (78.5%). For the sake of comparison, in the Czech Republic the share was estimated at a level of 60.7%, in Poland 63.9%, and in Latvia 73.8% [GUS 2018].

Enterprises making decisions about entering the markets of other countries encounter different types of barriers, such as: bureaucratic obstacles related to registration and conducting service activity, obstacles in providing cross-border services, obstacles to access the licensing system, etc., barriers in delegating employees, restrictions in advertising services, differences in legal regulations concerning insurance, differences in professional liability or restriction of access to finance [Dąbrowska 2018]. However, in the era of globalisation and European integration, more and
more frequently, researchers pay attention to cultural differences, which can have a significant impact on the functioning of an enterprise in the environment which is associated with a different culture.

As Zenderowski and Koziński rightly observe, it is essential that, apart from the general economic, legal, financial and social conditions of functioning on a foreign and international market, entrepreneurs planning to enter or operate in a foreign market take into account also the general cultural context [Zenderowski and Koziński 2016].

In this article, the problem is addressed both in a theoretical and empirical dimension. The authors refer to the two studies carried out as part of the research project Liberalisation of market services in the EU as a factor increasing innovativeness and competitiveness of Polish service enterprises (Liberalizacja usług rynkowych w UE jako czynnik zwiększający innowacyjność i konkurencyjność polskich przedsiębiorstw usługowych, December 2015/17/ BHS4/02750, funded by the National Science Centre (NCN), Project Manager: Prof. dr hab. A. Dąbrowska), as well as the authors’ own research carried out in cooperation with the Research and Knowledge Transfer Centre at the University of Economics in Katowice (Centrum Badań i Transferu Wiedzy Uniwersytetu Ekonomicznego w Katowicach).

The first study was conducted with the application of a survey questionnaire among 400 Polish service enterprises that provide services in other EU countries, mainly: Germany (64% of indications), France (29%), Italy (29%), the Czech Republic (28%), the Netherlands (23%), the United Kingdom (22%) and Spain (21%). The objects of the study were services included in six groups covered by so-called the Services Directive: commercial services; construction services; craft services; specialised and business-related services; tourism, accommodation and catering services; training, educational and information services [Directive 2006/123/EC]. The study was conducted in the second half of 2016 with the application of a survey questionnaire. The authors used a snowball-sampling method in the research.

The purpose of the second study was to assess the importance of the entities with foreign capital in the development of the services sector in Poland and to examine the conditions of their functioning. The study, carried out with the application of a survey questionnaire, covered 153 service enterprises with foreign capital which undertook business activity in the territory of the Republic of Poland. The study was conducted in the second half of 2017 using a face-to-face method to survey managers, business owners or people indicated by them as potential respondents meeting the study criteria. The selection of the sample was a case of purposeful sampling.

**CULTURAL DETERMINANTS IN THE ERA OF INTERNATIONALISATION**

Internationalisation in the literature on the subject is defined in various ways [Witek-Hejduk 2010, Jędralska et al. 2013]. According to Hollensen [2011], internationalisation is mainly understood as conducting business activity in many countries around the world but frequently limited to one specific region, e.g. Europe. Internationalisation is a tool which allows to increase sales through improving competitiveness and easier access to new resources, ideas, markets and technologies.

Internationalisation of business activity, including services, requires understanding of the culture of a country where the enterprise intends to provide services. The influence of cultural differences on the results achieved by enterprises with foreign capital was presented and discussed, among others, by Gatignon and Anderson, Gomes-Casseres, and Kogut, [Gatignon and Anderson 1988, Kogut and Singh 1988, Gomes-Casseres 1989, Sitko-Lutek 2004]. The perceived cultural barriers may cause a feeling of insecurity in the behaviour of managers and employees, as pointed out by Hammerich and Lewis [2013]. Moreover, the authors emphasise that some values, convictions and assumptions, which have a significant impact on the culture and activity of an organisation, are frequently invisible or difficult to notice. These are often concepts and behaviours that are seen as obvious to people from a particular culture; they are not debatable, and they are not subject to change or negotiation. This may lead to errors in understanding and interpretation, and simultaneously the creation of false ideas and simplifications consistent with people’s own cultural models and patterns.
The dissimilar behaviours of individuals coming from different cultural backgrounds are defined as cultural dissonance. It is important to note that in the conditions of progressing internationalisation, the problems become more and more important.

Due to the combination of a headquarters’ organisational culture and the culture of a host market, enterprises with foreign capital are particularly vulnerable to cultural dissonance [Sikorski 2002]. That is why communication, verbal and non-verbal behaviour, proper interpretation, understanding, the way of communicating and motivations are so important, because they can be the main source of cultural misunderstandings [Adler and Gundersen 2008].

Analysing the issues of differences and cultural barriers in the context of communication, it is worth citing the typology created by Gesteland [2000]. The author distinguished four opposing groups of cultures: (1) pro-transactional (direct way of communicating, focusing on activities and clear message, verbalising expectations and needs) and pro-partner (the most important aspects are building relations with other people as well as interest in matters going beyond business-related topics); (2) monochronic (time of the project completion, deadlines and punctuality are of crucial importance) and polychronic (considerably more relaxed approach towards time and schedules); (3) non-ceremonial (social status, circumstances and context do not have to be relevant) and ceremonial (social differences are more visible, ceremonialism in interpersonal relations is seen as an expression of respect, more formal way of communicating); (4) expressive (freely expressed feelings, frequently interlocutors speak loudly, interrupt each other and feel uncomfortable when there is silence) and restrained.

In view of the above, individuals from cultures which represent opposing values and traits may have difficulty communicating due to entirely different expectations regarding communication or building relationships. As Budzyński emphasises, when negotiating with a foreign partner, it is necessary to take into account his or her cultural identity and specific ways of conducting business negotiations resulting from that identity [Budzyński 2014]. Conversation on topics not connected with a negotiated transaction may be interpreted as behaviour characterised by a lack of professionalism. In turn, for a representative of a pro-partner culture, concentrating only on matters related to cooperation or agreement will be regarded as reserved and restrained.

It is possible to distinguish three groups of factors related to cultural barriers which have a negative impact on the process of managing and operating an enterprise. The first group is strictly connected with biological and cultural conditions of a given individual. The factors which mainly determine the appearance of a cultural dissonance include perception errors resulting from the tendency to be selective (the selection of convenient and rejection of inconvenient information), the so-called Pygmalion effect (self-fulfilling prophecy) stereotypical thinking and attribution (explaining the reasons for someone’s behaviour by applying one’s own cultural filter). It is also necessary to mention cultural intelligence, understood as the ability to adapt to different conditions using the skill of reading and interpreting cultural differences and applying the obtained information in practice. Cultural intelligence leads to the effective application of knowledge on culture in a multinational environment, which in effect helps to reduce the problem of barriers despite existing cultural differences [Kurkliński 2016]. An important factor impacting the level of cultural intelligence is international experience that is the result of contacts with individuals from different cultures, which in turn contributes to overcoming cultural barriers [Barkema et al. 1996, Rozkwitalska 2011].

The second group of elements which create intercultural barriers include organisational factors. Barkema et al. [1996] distinguish the following three groups of factors:

- the characteristics of the headquarters of a foreign company, in particular, the level of institutional ethnocentrism, their strategic approach to the role of a subsidiary, limited international experience, applied practices in the so-called soft areas of management, like, e.g. personnel issues, ways to communicate;
- characteristics of a local branch connected with the level of ethnocentrism, xenophilia, auto-stereotypes, lack or limited international experience;
- the size of the cultural gap between the head office and its subsidiaries.
In his work, Kurkliński also refers to the importance of human resources management being adapted to local cultural and market conditions, as well as the motivational and appraisal systems (awards, bonuses, promotions). Imposing the principles and rules functioning in the headquarters, detached from local practices and conditions of employment, can lead to discomfort and dissatisfaction of the staff, which in turn has a negative impact on the functioning of the enterprise and its performance. Another essential aspect related to organisation is fluent and fully communicative use of the language known to all involved parties. Language gaps (lack of knowledge on the meaning of words, idiomatic expressions or colloquial language) cause misunderstandings among the parties and make it difficult to freely present arguments and views. They cause contacts between employees, partners and clients to be limited or hampered [Kurkliński 2016]. This issue will be further discussed in the section presenting the research findings.

The third group of factors is related to national culture. Apart from the cultural distance, there are also other aspects which play a significant role in this context, such as culture-based prejudices, culture shocks as well as social ethnocentrism [Rozkwitalska 2011]. Social ethnocentrism can be defined as “a cognitive filter which has its basis in the values and practices of one’s own culture, and acts as the prism through which we perceive, interpret and evaluate cultural practices of people who are treated as foreign or different” [Brewer and Crano 1994]. Misunderstanding of a foreign culture, reluctance to learn more or adapt to the local conditions often cause intercultural conflicts and affect relations with external stakeholders [Rozkwitalska 2011].

CULTURAL DIFFERENCES IN THE OPINION OF ENTERPRISES OPERATING IN THE MARKETS OF COUNTRIES OTHER THAN THE COUNTRY OF ORIGIN

When examining the liberalisation of services and its effects for the development of enterprises, the authors tried to pay attention to whether Polish enterprises entering the markets of EU countries experience the effects of cultural barriers. The survey responses are presented in Table 1.

Among the surveyed service companies operating in the area of other European countries, 66% of respondents do not perceive any cultural barriers. It can be hypothetically assumed that within this group there are respondents who chose this answer due to the fact that they were embarrassed by their own or others’ ignorance. The percentage of indications decreases with the size of the enterprise, which is determined by the number of employees. The fewest difficulties were experienced by tourism enterprises providing services related to accommodation and catering (80% of indications choosing the ‘not applicable’ responses), which may be explained by the specificity of this kind of activity.

Focusing on barriers, the greatest problem is poor knowledge of a foreign language (27% of responses), which affects the quality and possibilities related to communicating with the environment. Most frequently such problems were indicated by large enterprises (45% of responses), in contrast to small enterprises (18% of indications). Taking into consideration the examined types of services, the smallest share of responses concerns tourism, accommodation and catering services (17% of indications), training, education and information services (19% of responses) and commercial services (22% of indications), while the greatest share was related to specialised and business-related services (44% of responses).

Difficulties connected with understanding the speaker (various accents, pronunciation, specialist language) were indicated by 24% of respondents. Most frequently the problem concerned large enterprises (37% of responses as compared to 17% of small enterprises), companies providing specialist and business-related services (41% of indications) and construction services (25% of responses).

In terms of the percentage of responses, the third place was occupied by the cultural barrier related to different behaviours, norms and standards in the workplace (20% of responses). This problem most frequently affects large enterprises (30% of indications, in the case of small companies the share of responses amounted to 12%), enterprises providing specialist and business-related services (32% of responses). More than 20% of indications were recorded also in the companies offering construction and commercial services.
Table 1. Cultural barriers experienced by service enterprises

| Characteristics of service enterprises | Percentage of answers (%) |
|----------------------------------------|---------------------------|
| poor knowledge of a foreign language   | N 27 24 18 20 14 13 66   |
| difficulty in understanding the interlocutor (different accents, pronunciation, jargon) | 12 13 11 11 77 |
| incorrect interpretation of gestures and body language | 37 27 30 16 12 48 |
| different behaviours, norms and standards in work environment | 21 16 17 69 |
| cultural differences, such as customs, traditions, religion | 17 16 15 48 |
| stereotypes and prejudice | none of the above |

Source: Authors’ own work.

Incorrect interpretation of gestures and body language (18% of indications) is the biggest problem experienced by large enterprises (27% of responses compared to 12% of responses in the case of small companies), enterprises providing specialist and business-related services (28% of responses), and the fewest in the case of companies providing tourism, accommodation and catering services (9% of indications).

Cultural differences such as customs, traditions, and religion were pointed out by 14% of respondents. The problem is less frequently indicated by small enterprises (11% of responses); slightly more responses were recorded in the case of medium-sized and large enterprise (16% of responses each). This obstacle is more frequently indicated by commercial enterprises (18% of responses) and craft enterprises as well as companies providing specialist and business-related services (16% of responses each).

Stereotypes and prejudice are a cultural barrier which is indicated by 13% of the survey participants, most frequently from medium-sized enterprises (17% of indications), offering commercial services (17% of responses) and handicrafts (15% of responses).

The obstacles in communication with foreigners were also one of the areas distinguished in the study concerning the internationalisation of enterprises with foreign capital providing services in the Polish market.

For nearly 57% of the respondents taking part in the study, cultural misunderstandings did not constitute an obstacle in the implementation of important
tasks in their enterprise (e.g. signing an agreement, establishing cooperation or carrying out new investments). Approximately 14% of survey participants stated that these kinds of problems occurred in their enterprise. The remaining individuals (29.4% of indications) did not give an unambiguous response, which may be explained by reluctance to providing an answer suggesting such problems or lack of knowledge on the subject. Yet, such answers were provided by managerial staff.

The problems related to communication in a foreign language and cultural misunderstandings constituted obstacles for most medium-sized enterprises (21.6% of answers); however, in the case of micro and small enterprises, the highest share of responses were ‘it’s difficult to say’ (in total, 63.6% of answers) and in the case of enterprises belonging to section K (financial and insurance activity) – 27.8% and section N (activity in the field of administration services and supporting activities) – 22.2%.

The analysis of the relationship between the declaration regarding the occurrence of the problems with communication and cultural misunderstandings and the characteristics of the respondents showed a statistically significant relationship only in the case of the number of employees in an enterprise in Poland ($\chi^2 = 16.391; df = 6; p = 0.012$). However, the strength of this relationship was weak (Cramer’s $V = 0.231$).

Among the basic obstacles in communication with foreign branches, management or clients and contractors, the factors most frequently indicated by the respondents included: poor knowledge of a foreign language (42.5% of indications) and the difficulty in understanding of the interlocutors (35.9% of responses). Cultural differences and differences in management styles were pointed to as an obstacle by almost every fourth respondent (23.5% of responses and 24.2% of responses, respectively). Stereotypes and prejudice have hampered cooperation in the case of 17% of respondents, and different behaviours, standards and norms in the workplace were an obstacle for 18% of respondents. The least frequently experienced difficulty in communicating with foreigners was associated with incorrect interpretation of gestures and body language. This obstacle was pointed out by less than 8% of respondents (the figure).

Poor knowledge of a foreign language was the greatest obstacle in communication in the case of micro- (up to 9 employees) and large (more than 250 employees) enterprises (40% of responses and 47% of responses respectively). Among small enterprises (10–49 employees) the most frequently mentioned problems included: poor knowledge of a foreign language (46.2% responses) and difficulty in understanding interlocutors (48.7% of indications), and among medium-sized enterprises (50–249 employees), the responses were rather evenly distributed: 34.3% of indications – poor knowledge of a foreign language, 31.4% responses – difficulty in understanding interlocutors and differences in management styles as well as different behaviours, norms and standards in the workplace (28.6% of indications) – Table 2.

**Fig.** The obstacles related to communicating with foreigners (% of responses)

Source: Authors’ own work.
Poor knowledge of a foreign language and difficulty in understanding the interlocutor were the biggest problems in communication among enterprises belonging to section G (wholesale and retail trade, repair of motor vehicles) and section H (transport and storage) (Table 3). In the case of section K (financing and insurance activities), the greatest obstacle was the poor knowledge of a foreign language, a factor indicated by as many as 61% of respondents. In the remaining examined sections, the responses were rather evenly distributed. In enterprises belonging to section N (activities in the field of administration and supporting activities), 35% pointed to poor knowledge of a foreign language, difficulty in understanding of the interlocutor, different behaviours, norms and standards in the workplace; differences in management styles and cultural differences were just as important problems for less than 30% of enterprises.

CONCLUSIONS

International business areas, such as international management, international trade or international marketing, are to a large extent determined by cultural factors [Bartosik-Purgat 2010].

At least two types of national cultures: the culture of the country of origin (capital owner culture, parent company culture, the culture of managerial staff from home country) and host culture (individual culture of native employees, managerial culture of the host country) influence a company’s activity [Rutka and Czerska 2008].

The ongoing globalisation and freedom to establish business activity in another country contributes to the development of entrepreneurship in the services market of individual countries, but decisions made by both larger or smaller service companies need to be

Table 2. Obstacles to communication with foreigners and the number of employees in Poland (%; \( N = 153 \))

| Size of enterprise | Poor language skills | Difficulty in understanding interlocutor | Misreading gestures | Different behaviours | Differences in management styles | Cultural differences | Stereotypes |
|-------------------|----------------------|------------------------------------------|--------------------|---------------------|-------------------------------|---------------------|-------------|
| Up to 9           | 40.0                 | 20.0                                     | 0                  | 30.0                | 30.0                          | 20.0                | 20.0        |
| 10–49             | 46.2                 | 48.7                                     | 15.4               | 12.8                | 20.5                          | 20.5                | 12.8        |
| 50–249            | 34.3                 | 31.4                                     | 2.9                | 28.6                | 31.4                          | 17.1                | 14.3        |
| 250+              | 47.0                 | 34.8                                     | 7.6                | 15.2                | 22.7                          | 30.3                | 21.2        |

Source: Authors’ own work.

Table 3. Obstacles to communication with foreigners and type of activity (%; \( N = 153 \))

| Section | Poor knowledge of the language | Difficulty in understanding of the speaker | Incorrect reading of body language | Different behaviours | Differences in management styles | Cultural differences | Stereotypes |
|---------|--------------------------------|--------------------------------------------|------------------------------------|---------------------|-------------------------------|---------------------|-------------|
| G       | 47.8                           | 37.0                                       | 13.0                               | 10.9                | 21.7                          | 15.2                | 19.6        |
| H       | 46.7                           | 33.3                                       | 6.7                                | 26.7                | 26.7                          | 33.3                | 20.0        |
| K       | 61.1                           | 38.9                                       | 11.1                               | 27.8                | 11.1                          | 16.7                | 5.6         |
| N       | 35.3                           | 29.4                                       | 5.9                                | 29.4                | 29.4                          | 29.4                | 23.5        |
| IPORS   | 35.2                           | 38.9                                       | 3.7                                | 16.7                | 29.6                          | 29.6                | 16.7        |

Source: Authors’ own work.
supported with knowledge and skills concerning cultural conditionings.

Despite the fact that a relatively large number of respondents, operating in the Polish market as service enterprises with foreign capital or functioning in the services market of other EU countries, have not experienced culture-related problems hindering the implementation of important tasks, the cultural aspect still constitutes an obstacle to the functioning of these enterprises. The most frequently mentioned obstacles included poor knowledge of a foreign language and difficulty in understanding interlocutors. Insufficient knowledge of the language of an organisation’s home country is still a large obstacle for local enterprises. In spite of the high level of foreign language skills of the employees of international organisations in Poland, few of them speak a foreign language fluently and proficiently. This leads to the emergence of misunderstandings and limitations in contacts between colleagues.

In communicating with foreigners, the obstacles included also the differences in management styles, cultural differences as well as different behaviours, norms and standards in the workplace. These issues are most frequently analysed from the point of view of cultural barriers influencing the functioning of an international organisation. Cultural factors – just as with economic, political or legal factors – should be considered in such a way so as to reconcile a global approach of enterprises with the specificity of local enterprises in hosting countries.

Taking into account the presented research findings, we can draw specific conclusions and present recommendations for managers and marketers.

The decision to enter a foreign market should be well-considered. Also, it is necessary for the service enterprise owners and employees to have knowledge of the country where the business intends to provide services. This is very important in communicating with the environment as well as building marketing activities, including promotional initiatives. In both studies, reference is made to organisational culture-related differences. It appears that language gaps are the greatest problem. Lack of knowledge of the language of a country where service enterprises want to develop their business may cause misunderstandings of the cooperating parties (B2B) and lack of understanding of communicated messages (B2C).

The surveyed enterprises (both businesses which entered the markets of other EU countries as well as those which decided to enter the Polish services market) assigned less importance to stereotypes, prejudice, customs, traditions and religion. However, these features cannot be underestimated, because they may lead to serious misunderstandings in business talks and dealing with clients or creating advertising messages.

As the authors emphasise, in both studies a high percentage of respondents stated that they do not notice cultural differences. However, the researchers support the thesis that, due to the sensitivity of the question suggesting a certain degree of ignorance, the existence of cultural barriers may affect a much larger share of enterprises than the recent study suggests. Therefore, it is recommended to undertake further research on the subject.

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ZNACZENIE RÓŻNIC KULTUROWYCH W DOBIE INTERNACJONALIZACJI PRZEDSIĘBIORSTW USŁUGOWYCH

STRESZCZENIE

Przenoszenie działalności przedsiębiorstw poza granice krajumacierzystego w warunkach rozszerzającej się globalizacji i integracji europejskiej rodzi potrzebę poznania specyfiki działania w różnych obszarach kulturowych oraz radzenia sobie z różnorodnością kulturową, bowiem wywiera to wpływ na efekty działalności, w tym usługowej. Celem artykułu jest zwrócenie uwagi na znaczenie różnic kulturowych w dobie internacjonalizacji przedsiębiorstw usługowych. Przedstawione wyniki badań wskazują głównie na trudności wynikające z szeroko pojętej luki językowej, ale występują także bariery wynikające z mylącego odczytywania gestów i mowy ciała, odmiennych zachowań, norm i standardów w środowisku pracy, stereotypów i uprzedzeń. Ma to swoje konsekwencje dla prowadzonej działalności gospodarczej, budowania relacji międzyludzkich na różnych poziomach kontaktów czy dla działań marketingowych, w tym promocji.

Słowa kluczowe: różnice kulturowe, internacjonalizacja, przedsiębiorstwa usługowe