

# The Perceived Differences in Interdepartmental Communication Regarding Organisational Formalisation: a Case Study of an International Company

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## **Abstract**

*The goal of this paper is to study differences in communication between two cultures that are believed to belong to a low-context pole and represent "old" and "new" European. It is achieved in the context of the German-based MNE by investigation of the perceived differences between Estonian and Bavarian-based production units. An exploratory qualitative case study with ethnographic techniques proved that the reason for dysfunctional outcomes originated in how knowledge of norms was transferred and in differences in cultural orientations. It concludes that prior to organisational learning and development activities MNE managers should get training in intercultural communication.*

## **Key words**

*Intercultural communication, formalisation, low-context communication, Schwartz's cultural directions model*

**JEL Classification:** F23, M53

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## **Introduction**

Cultural differences in the communication process have received significant attention by scholars. Most of the studies followed the tradition of Hall (Hall, 1981; Hall, 1990) and involved examination of polar communication styles such as those of the Japanese, Chinese and Koreans versus those of the Germans, Americans and Northern Europeans (Würtz, 2006); Indians versus Germans (Fleischmann, 2013) and Estonians versus Italians (Pruvli & Alas, 2012). There were more investigations of Japanese-American interaction than between any other cultures (Rogers, Hart & Miike, 2002; Zakaria & Cogburn, 2010).

However, there has been little research into the communication between same context pole cultures that originate from "old" and "new" Europe. It is a trend to study the problems of "old" and "new" European business partnerships from a perspective of an "old" partner, who relates the problems to East-European "behaviour and thinking associated with the communist era" (Pauleen, Rooney & Holden, 2010, p. 391). To get a reflection from "new" European representatives this study is conducted from a perspective of Estonian managers working in medical engineering MNE with headquarters in Germany. It investigates the perceived differences in communication with regard to

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organisational formalisation between Estonian and Bavarian-based production units. According to Hammerich & Lewis (2013, p. 46) cultural agility is a sustainable competitive advantage for an international company. Clarity about organisational formalisation that means about rules and regulations inside the company is important for maintaining sustainability. This paper attempts to demonstrate how "deep and often invisible natural programming" (Hammerich & Lewis, 2013) affects communication between departments.

Production in the case company is based on bespoke orders from its international clients, and human resources are highly qualified. This choice of perspective and case company helps to reduce the other existing bias. Collinson and Rugman (2010) proved that case studies of MNEs in management are biased towards US-based mass production manufacturers that are widely known for "phony" brands. Clarifying the nature of communication problems in a chosen case company will help consultants and trainers to understand the interdepartmental communication of the "average" MNE.

## **1 Theoretical framework**

This part of the paper consists of two sections that link the researched phenomena with existing body of literature. First, it shows the connection of organisational formalisation with organisational culture and introduces four dimensions that influence organisational formalisation. Next section describes culturally affected communication styles and related studies. Current research is focused on communication related to organisational formalisation and it is important to discover the process of how knowledge about managerial roles, rules and regulations is transmitted within international organisation.

### **1.1 Organisational formalisation as a part of organisational culture**

Within the organisation the organisational culture is to a large extent created. The culture as a concept with important functions is to clarify and reinforce the norms of behaviour (Greenberg, 2003); and to facilitate communication in its different forms (Islam & Zyphur, 2009). Organisational formalisation is a mix of shared and learned rules and regulations; it is communicated in a formal environment and is related to business knowledge (Fink & Holden, 2010). Rapert and Brent (1998) define the formalisation as establishing the distinguished positions and roles for the members of an organisation. It is a created and developed part of organisational culture.

Business culture of the managers is influenced by the main-stream national culture in which they were raised. National cultural values are organically absorbed whereas organisational cultural values are formally taught and expressed (Hampden-Turner & Tromenaars, 1993), and according to Hammerich & Lewis (2013) organisational national culture is embedded in the organisation through the founders and leaders. The system of values and working communicative practices is transferred through every day work practices by the management and is learned through working experience (Smircich, 1983; Barsoux & Lawrence, 1997). Communicative practices involve interpersonal relations and are influenced by national culture of the managers. It is

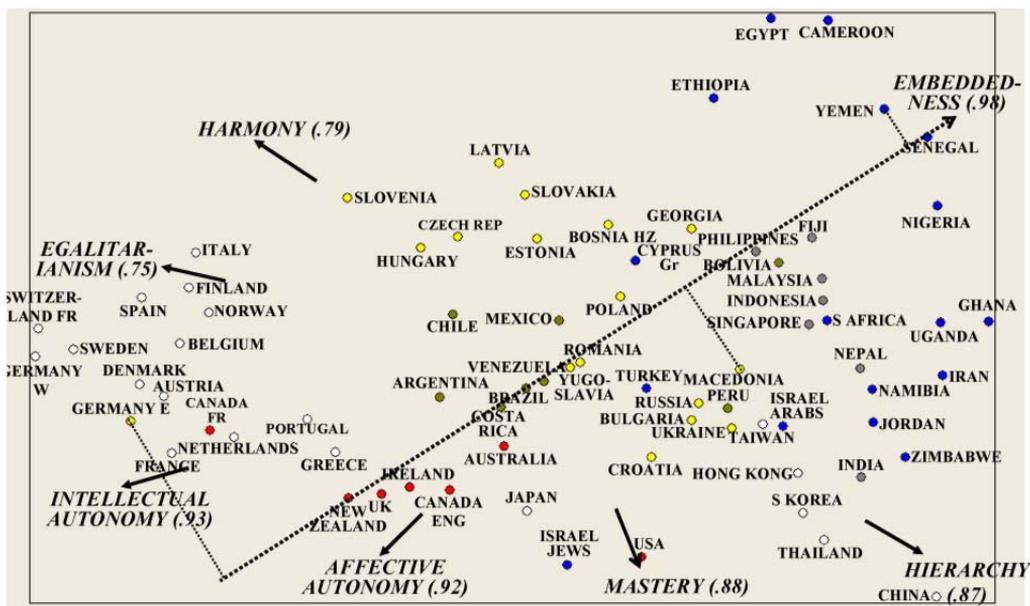
proved by Hammerich & Lewis (2013, p. 1) that “national culture, through its influence on corporate culture, has a powerful but often-invisible impact on the success of global companies”.

Organisational formalisation helps to organise the functions in an organisation where work activities are defined formally by administrative rules, policies and procedures (Baligh, Richard & Borge, 1996). Schwartz introduced such dimensions of the national cultures as hierarchy, egalitarianism, intellectual and affective autonomy, they are related to work discipline of the researched national groups and have influence on organisational formalisation in the local companies.

Schwartz (1999) argues that the hierarchy dimension refers to unequal distribution of power and roles in organisations that are likely to stress chains of authority and to assign well-defined roles in a hierarchical structure. Egalitarianism (Schwartz, 1994) dimension refers to equality and social justice. Organisations in highly egalitarian cultures are likely to appreciate the importance of cooperative negotiation among members who influence organisational goals (Sagiv & Schwartz, 2007). Intellectual autonomy dimension is related to the pursuance of an independent intellectual development of a person. Affective autonomy is equivalent to the pursuance of hedonistic, enjoyable experiences (Schwartz, 1994).

According to Child and Yan (2001) “German companies tend to be flatter, with more integration between technical and managerial roles, and having formalized systems for participation (Maurice, Sorge & Warner, 1980; Child, Fores & Glover, 1983)”. It is argued by Hammerich & Lewis (2013) that *Ordnung* (order) is a core of a German firm.

**Figure 1** Map of 76 national groups on seven cultural orientations



Source: Re-printed with permission from Sagiv & Schwartz, 2007, p. 181.

The most knowledgeable manager is at the top of the administrative ladder and hierarchy is complemented by many rules and procedures. Schwartz claims that Estonia is higher in intellectual autonomy and egalitarianism and lower in hierarchy than the rest of Eastern Europe (Sagiv & Schwartz, 2007, p. 181). However, Germany (shown as Western and Eastern) is relatively high for its own cluster in hierarchy, but shows higher positions compared to Estonia in intellectual and affective autonomy as shown on figure 1.

## 1.2 Studies of communication styles

Communication researchers Hall and Hall (1990) supported the view that culture is a mix of shared and learned behaviours. According to Halls' classical model (1981) culture is operating on formal, informal and technical levels. Hall (1981) introduced his concept of the "main divide" on the example of Western-Eastern (American-Japanese) communication. The members of what he defined "high-context cultures" rely on their shared meanings, previous relationship history and common experience. The rules of communication are quite complex and the main sense is very much around the verbal message, rather than in the meaning of used words. The polar dimension introduced by Hall (1981) is low-context communication, when the people make the messages as direct, explicit, plainly coded and linear as possible. The members of low-context cultures are trying to reduce all the omissions to a minimum and to present all the information in the most verbal way, so that it can be understood without any additional contextual clues. Scollon, Scollon and Jones (2012) also focused on Western-Eastern interactions and indicated differences in patterns of discourse as the main reason of miscommunication. They used the broader concept of discourse and defined it as a system of communication within the particular group. According to Scollon, Scollon and Jones (2012) the corporate discourse system of the multinational corporation is a background to corporate culture. Scollon and Scollon (2003, p.182) described organisations as the goal-directed discourse systems, where professional communication is performed within the clearly shaped discourse systems. The major types of such systems are the corporate culture, the professional group, the generational discourse system and the gender discourse system.

Zakaria and Cogburn (2010) confirmed, that "main divide" exists in online intercultural communication (Cunha & Cunha, 2001), and defined high context as "content independent" and low context as "context independent". When managers belong to the same pole of the "main divide" tracking the differences is more complex. Gudykunst et al. (1996) made an attempt to measure differences in communication styles and developed a survey with 32 questions. However this approach has serious limitations. It is based on self-reporting and not related to organisational setting, when managers belong to the same business organisation and are united by economic goals. An inductive interpretative approach that is bound to a clearly defined environment (Cassell & Symon, 1994) is more traditional in communication studies. Ethnographic qualitative research offers the possibility to address the questions of perception when the aim of the study is to have a deeper insight into the process of communication. A researcher becomes a tool (Eisner, 1998) that develops a structure and selects what is important for understanding the process. The research structure in our case study is shaped by Schwartz's cultural directions (Sagiv & Schwartz, 2007, p. 181) related to

organisational formalisation. The communication episodes as perceived by the Estonian managers are analysed.

## **2 Methodology**

### **2.1 Research approach and setting**

Ethnographic techniques as recognised methods of organisational studies are used in exploratory research (Hammersley, 1990). Atkinson and Hammersley (1994, p. 248) claim that ethnographic methods make it possible to explore "just one case, in detail" and to perform "analysis of data that involves explicit interpretation of the meanings and functions of human actions, the product of which mainly takes the form of verbal descriptions and explanations". In order to understand and explain communication between two departments in question from the perspective of Estonian managers we have used an exploratory qualitative case study. According to Atkinson and Hammersley (1994, p. 248) ethnographic research has "a tendency to work with data that have not been coded at the point of data collection in terms of a closed set of analytic categories." This study was focused on communication related to organisational formalisation. Ethnographic techniques have been implemented to access content-based data.

The case company has its headquarters in Germany and operates in the field of medical engineering in 38 countries worldwide. It was one of the "earliest birds" to open a production unit in Estonia. The Estonian production unit has the closest contacts with its USA-based production unit, with the department in Switzerland (near the German border) and with the Bavarian production unit in southern Germany. In the context of this study we use "Bavarian" and "German" as synonyms.

### **2.2 Sample and data collection**

There were 16 managers who were involved in communication between the departments in question. All of them were included in the research sample. 100% are men, 92% are Estonian by origin, and 8% are Russian speaking, but very fluent in Estonian and are integrated into Estonian culture. The age of the managers was 27-58 with a mean age of 36. All the managers have higher education in engineering, 32% had attended advanced studies in management that includes the director of operations, project managers and quality control managers. Professional communication between 16 Estonian managers and the Bavarian managers is performed within clearly shaped types of discourse system. These types according to Scollon and Scollon (2003, p. 182) are: the corporate culture (they all worked for the same company), the professional group (they shared an educational background), the generational discourse system (Estonians and Bavarians had similar age characteristics) and the gender discourse system (they are all male).

The research was conducted to comprehend the main differences and the nature of problems in communication between Estonian and German managers from the perspective of the former. Data was collected in stages.

The goal of the first stage was to get a general overview of the most frequent and recent intercultural experiences of the managers with their foreign colleagues. Managers have been involved in frequent communication with the Bavarian-based unit because of their working responsibilities but they could share information about other recent contacts, for example with the colleagues from American and German-Swiss production units. An open-ended interview was constructed in the Estonian language and sent by an e-mail to the managers. We asked the respondents to describe in detail their intercultural experiences: length in time, segments involved, hierarchical levels and nature of the contacts. A translation of the interview into English is presented in Appendix 1. We had a 100% response, all by e-mail.

The aim of the second stage was to learn the situational details of intercultural interactions of the managers and to clarify the problems they indicated in their e-mail interviews. A personal meeting with the managers was conducted for this purpose. During this meeting they explained in person where, when and how the particular misunderstanding had occurred, and additional notes were made on the printouts of the e-mail interviews. Based on Schwartz's cultural directions related to organisational formalisation we calculated out the frame for focus-group discussions. The main topics for focus-group discussions are presented in Appendix 2. The aim of the focus-group discussions was to clarify the main differences in communication of Estonian managers with Bavarian colleagues and to understand the nature of these differences. For this purpose the data collected at two previous stages were categorised according to the situational setting and the nature of the problem. The study assesses communication and interprets this process by using a theory of communication styles and discourse patterns. All of the participating managers had attended intercultural communication training. They had received detailed explanations and had agreed on the terms: hierarchy, egalitarianism, low-context, high-context and organisational formalisation. In conclusion, the Estonian managers ranked communication styles of themselves and their foreign colleagues on a scale of 1(low-context) - 7 (high-context).

### **3 Results and discussion**

In presenting the results we demonstrate how the respondents have perceived communication of the issues related to organisational formalisation.

#### **3.1 Perception correlated to the framework of Schwartz's cultural directions model.**

The group supported the following statement: it can be irritating, and is often considered being arrogant, when the Germans have stressed that they would trust only the expert opinion of the hierarchically higher positioned Estonian managers. Estonian specialists decoded it (Hall, 1981) as an attitude to the Eastern-European department and underestimating their professional capabilities rather than pursuing the hier-

archical values. Status differences during these interactions were still important (Schwartz, 1999). Estonian managers expressed the opinion that some differences in the degree of formalisation do exist, but are not accusing their partners of serious misunderstandings. Confirmation of the findings is reflected in Schwartz’s cultural directions model (Sagiv & Schwartz, 2007, p. 181). The sample quotes of the respondents, which are correlated to the Schwartz’s cultural dimensions, are presented in the table 1.

**Table 1** Communication of Estonian and Bavarian managers in the framework of Schwartz’s cultural directions model

Cultural directions related to organisational formalisation	The Estonian managers’ perception	
	Communication pattern of Bavarian managers	Communication discrepancies
Hierarchy	having strong concern about the approval of the boss	they use it as an excuse to delay with actions
Egalitarianism	ready for the discussions and negotiations when it was responding to the common organisational goals	they are very firm and rigid in their position
Intellectual autonomy	willing to investigate deeper all the details of foreign colleagues’ proposals	they use these details to build a better argument for their own point of view
Affective autonomy	seemed to enjoy the process	we were trying to find the shortest and the most efficient way to the result

Source: Own elaboration based on Sagiv & Schwartz, 2007.

The discrepancies are connected with communication episodes of a persuasive nature, when the Estonian managers failed to urge their counterparts to come to an agreement about the ideas or actions. Estonians agreed, that among all the production units of the organisation the rules, roles and regulations (Rapert & Brent, 1998) are the most valued by Germans. Respondents attached them to formality symbols and to “orderliness of social manners and working habits” (Hammerich & Lewis, 2013, p. 95). The sales and service manager explained: “When the man in a jacket and tie is coming in, I know he’s German, if he’s in a jacket without the tie, he’s Swiss, if he’s wearing no jacket and no tie he’s American.” The problems (P) recorded below reflect miscommunication from a perspective of the Estonian managers. The following sample quotes were formulated during the focus-group discussions and expressed the opinion of the group (OG).

- (P): Ignoring the questions in personal, on-line or phone contacts. (OG): In all the discussed cases the question was initially directed not to “the right” Bavarian manager. Some questions required a deeper investigation and the answer has taken more time. Estonians claimed, that they had to find out the reasons of the ignorance or delay themselves, while a clear, explicit and direct communication would save a lot of time, energy and money (for example, when international phone calls were involved).

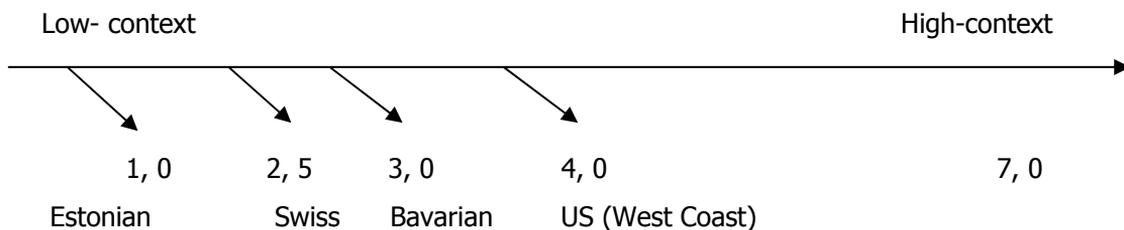
- (P): Getting rid of a problem by delegating the decision to someone else. (OG): If the problem was not in the area of a German managers' responsibility (but Estonian colleague thought that this German manager could easily fix it), the decision or approval was normally delegated to the "right one". Estonians complained of the frequent re-delegation, because they had to repeat the same information all over again.
- (P): Insisting on their own point of view without considering the opinion of Estonian colleagues. (OG): In some situations Estonian management concluded that he is not "the right person" for the particular area of competence, and therefore his opinion is ignored. Whilst 25% of respondents have explained it by arrogance, one higher-positioned manager revealed, that he has discussed this problem with the Bavarian colleagues in private. They said that there are fixed rules and defined roles in every game. One of the rules is that they want to investigate all the details of the foreign colleague's proposal in depth. They normally do that in order to build a better argument for their own point of view, because changing their own point of view is negative for the reputation of industry experts.
- (P): Estonians considered that the most difficult thing to cope with was not keeping agreements, and not even bothering when they are broken. (OG): Further discussion revealed that these promises were made in a careful conditional form, and "not bothering" was expressed in the absence of any further explanations.

### 3.2 Communication style differences

The sample quotes reveal, that miscommunication is related to less verbal, explicit and direct (Hall, 1981) communication style of the Bavarian managers and they have a stronger formalised approach versus the Estonians' personalised approach.

A study showed that communication by Estonian managers in a business setting is low-context, ranked by managers themselves as having 1 point (on a scale of 1–7). The evaluation of US and Swiss communication styles was made for comparison, and is presented in figure 2.

**Figure 2** Evaluation of communication



Source: Own elaboration.

The research has focused on the perceived differences in communication between Estonian and German-based production units regarding organisational formalisation and highlighted hierarchical, egalitarian, intellectual and effective autonomy cultural directions as explained earlier in the theoretical framework (Schwartz, 1994, 1999).

Estonian managers were consciously aware that hierarchy was more important to Bavarian colleagues and accepted it as a part of their organisational culture (Warner & Campbell, 1997; Greenberg, 2003). However they have evaluated the chain of authority in particular situations as confusing and would have appreciated if the distribution of roles and power (Schwartz, 1999) would have been more clearly explained. Scollon and Scollon (2003, pp. 27-28) proved that perfectly explicit message is not possible for the reason, that for each step of increased explicitness one would add new components and it's an endless process. The meaning of communication situation depends on knowledge of context.

Estonians were higher in egalitarianism (Schwartz, 1994). They were united by the nature of organisational tasks with the Bavarian department and preferred cooperative negotiation (Sagiv & Schwartz, 2007). Bavarians were higher in intellectual autonomy that involved fewer co-operations in decision making and a reluctance to change their initial point of view. Estonian management perceived it as lack of trust towards an East European partner (Pauleen, Rooney & Holden, 2010). Effective autonomy dimension (pursuing one's own pleasurable experience) (Schwartz, 1994) was more important for Bavarian managers. They were more process oriented (Hall & Hall, 1990; Cunha & Cunha, 2001) versus Estonian orientation on a quicker result. It correlates with Hammerich and Lewis (2013, p. 270) analysis that Germans devotion to process enables optimal procedures and structure, but they are slow or reluctant to switch.

As perceived by Estonian managers the study revealed that a researched company had integration between engineering and managerial functions and rigid organisational formalisation that confirmed earlier findings by Child and Yan (2001). The Estonian production unit had a less rigid formalisation structure compared to the Bavarian department. Estonian managers would appreciate more flexible roles and multifunctional responsibilities but they were ready to accept defined rules, norms and regulations in interdepartmental co-operation. (According to their expression it was necessary for the sake of "order in the house"). This knowledge related to organisational formalisation was transferred by Bavarians to Estonians through working communication practices (Smircich, 1983; Barsoux & Lawrence, 1997). Our study demonstrated that part of this knowledge has lost utility in the transfer process (Pauleen, Rooney & Holden, 2010, p. 384).

A number of comparative communication studies that omitted an Estonian sample (Graham, 1988; Onkvisit & Shaw, 1993) evaluated German communication style as verbal, explicit and having the lowest context among the sample (Hall, 1981; Hall & Hall, 1990). These findings had a generalised nature and did not consider regional differences in Germany but a generalisation that "a German relies more on the verbal message" (Morrison, 1994, p. 128) was supported by cross-cultural training practitioners (Storti, 1999). The study by Pruvli (2014) proved that in persuasive business communication the Estonian managers present ideas in a structured way and express them verbally and clearly. They are message-centred, rather than other party centred.

The reason for dysfunctional outcomes at the case company was originated mainly in differences in discourse patterns (results - versus process orientation), in communication styles (less versus more context) and in cultural orientations (egalitarianism - versus hierarchy).

## Conclusion

The paper highlights the impact of differences in communication styles and cultural orientations on how organisational formalisation is communicated between departments of the same international company. We have suggested that this impact is often missed when cultures in question belong to the same low-context dualistic pole and when the partner from "old" Europe expects to hold a higher position in the hierarchy. The current study analyses communication episodes of a persuasive nature and reveals that differences in hierarchy and egalitarianism influence the results of such interactions.

Through an awareness of these differences the managers can manage anxiety/uncertainty and increase mindfulness (Gudykunst, 2005, pp. 305-307) in intercultural communication on both personal and organisational levels. MNEs operating in "new" Europe should be aware of the impact of differences in communication styles and hierarchy-egalitarianism cultural orientations. Prior to other educational programs the employees should be trained in this field to be able to examine, explain and predict how knowledge of norms within an international company is transferred. According to Rennstam (2012, p. 1085) the knowledge of norms is expected to lead managers indirectly to engage in knowing processes that are useful for organisation. It is important not only for the technological process, but also for the company identity (Islam & Zyphur, 2009).

The investigation considers the environment of a MNE and highlights the formative role that communication styles play in organizational self-structuring (McPhee & Zaig, 2009). The department of an international company can be handled as a single corporate discourse system within another larger system. The paper can contribute to the theoretical and empirical foundation of CCO (communication as constitutive of organizations) model (Nicotera & Putnam, 2009; Cooren et al., 2011; Cooren, 2012) by analysing one of the four main organisational communicative flows (McPhee & Zaig, 2009) in the intercultural context. It can provide the findings that are particularly interesting for the OaC (Organisation as Communication) network of scholars. This network was created recently with the support of the German Research Foundation and unites the researchers from German Universities.

As the single inductive interpretative investigation this case study can be generalised only to similar selected contexts (Cassell & Symon, 1994). For example, the contexts involving the managers from "old" and "new" Europe and the same dualistic communication pole (Hall, 1981). The findings might be relevant to intercultural communication in MNEs operating in some other industries. Additionally they could be further validated by investigating a perceived communication from the perspective of a Bavarian-based production unit. Furthermore, the current research was focused on organisational formalisation limited to the four interdependent dimensions: - hierarchical, egalitarianism, intellectual and effective autonomy (Schwartz, 1994, 1999). Future research could broaden the scope and elaborate more on organisational communication between two departments.

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## Appendixes

### Appendix 1 E-mail interview questions

1. Name:
2. Position:
3. Field of responsibility and the nature of communication involved:
4. In the company since:
5. Gender  
( ) male ( ) female
6. Age  
( ) 18-25 ( ) 26-35 ( ) 36-45 ( ) 46-55 ( ) 56 – 65
7. What is your experience in another cultural environment? Please, provide the details including the length, location and the sub-cultural characteristics of the cultural segments involved.
8. Where and how you obtained the information about intercultural communication?
9. What is important for you in intercultural communication? What kind of problems you have experienced? Please, include the problems that you may not even relate to communication.

### Appendix 2 Focus-group discussion outline

Main topics of discussion	Planned time for topic
INTRODUCTION of manager (additional details about the nature of communication and working experience)	MAX 5 min
Issues related to hierarchy and egalitarianism	MAX 10 min
Other issues related to organisational formalisation	MAX 10 min
Perceived gaps in communication: details, nature, context and feedback	MAX 40 min
Summary of discussion: Evaluation of communication on scale of 1(low-context)-7(high-context)	10-15 min