Barriers to Shared Belief: The role of strategic interest, managerial characteristics and organisational factors

by

Lívia Anna Markóczy

Dissertation

Submitted to The University of Cambridge

in Partial Fulfillment

of the Requirements

for the Degree of

Doctor of Philosophy

St Johns College

The University of Cambridge

December, 1994

Barriers to Shared Belief: The role of strategic interest, managerial characteristics and organisational factors

Abstract

Lívia Anna Markóczy

St Johns College, The University of Cambridge, 1994

Supervisor: John Child

Managerial beliefs have been a matter of interest in the management field since the importance of managers in organisational adaptation has been recognised. Inquiries have been conducted in several directions to see whether there are managerial and/or contextual characteristics which might account for the business related beliefs of managers, but these were mostly constrained to some singled-out factors. Empirical studies which consider the influence of multiple factors simultaneously are still missing. This thesis contributes to filling the gap.

For finding the relative importance of managerial characteristics and contextual, situational factors international mixed management organisations (IMMOs) where managers with different national/cultural backgrounds work together are investigated. Data were collected in Hungary from 111 managers in five IMMOs.

Causal maps (CMs) are used to compare managers' beliefs. Causal maps have been widely applied to asses managerial beliefs, but their systematic and reliable comparison had not been fully resolved, thus requiring some refinement CM techniques. Using this refined method, I measured and compared managerial beliefs in each of the five investigated organisations and measured the relative importance of the national backgrounds and other managerial characteristics which might account for the similarities and differences in managerial beliefs. Findings then were compared across organisations to asses the effect of similarities and differences in contextual and situational factors of these organisations on the findings. Similarities and differences between organisations were extracted from interviews and archival data.

Within each company the strongest factor influencing similarities in beliefs was some functional area, while, if nationality showed up at all, it was fairly far down the list of influential factors. Which functional area played a role in which organisation appears to have depended on the nature and situation of the particular organisation, and particularly on the organisation's **strategic interest**.

Oh, East is East and West is West and never the
twain shall meet,
Till sky and earth stand presently at God's great
Judgment Seat;
But there is neither East nor West, Border nor
Breed, nor Birth,
When two strong men stand face to face, though
they come from the ends of the earth!

The Ballad of East and West,
Rudyard Kipling

Contents

List of Tables

List of Figures

Preface

This thesis constitutes my major work over the past three years while a student of the Judge Institute of Management University of Cambridge and also a member of St John's College. Both the data and the ideas presented here are original for which I bear full responsibility. The work was not carried out in a vacuum however, and where contributions or suggestions by others have influenced the final result I acknowledge that contribution through proper citation in the text referring to an entry in the bibliography which begins on page 299. Where there is no particular work to cite, I include a textual note or footnote. Where contributions have been either too numerous or general for specific mention (such as the comments on drafts and discussions with my supervisors), a note is included in the acknowledgement section below. All work herein which is not explicitly attributed to others is strictly my own.

The title of the thesis 'Barriers to shared beliefs: The role of strategic interest, managerial characteristics and organisational factors' differs from the title of my 1991 thesis proposal 'Measuring managerial beliefs about business in international mixed management organisations (IMMOs) located in Hungary'. However the change in the title does not reflect a change in method, sample, or basic research question. The new title reflects the results of the study which naturally were unknown when the research was first proposed. The Management Studies Degree Committee has acknowledged this change in the title as not constituting a change in subject matter.

The thesis is approximately 98,738 words long, including tables, figures, appendix, bibliography, footnotes, and this preface; but excluding title page, copyright notice, abstract, epigram, table of contents, list of tables, list of figures, and page numbers. The Management Studies Degree Committee has granted prior approval for the exceptional length of this thesis.

The thesis contains 22 tables, a list of which begins on page xiii, and 28 figures, a list of which begins on page xv. The number of tables and figures fall well within the limits set by the Management Studies Degree Committee and the Board of Graduate Studies.

This thesis is the first to be completed by a student of the Judge Institute of Management Studies. While it is my sincerest expectation that future generations of students will produce theses which exceed the level of quality that I could achieve, I also hope that they will look back upon this and consider it a good start.

Acknowledgements

No work of this nature is produced in isolation, and my interactions with a large number of people over the past three years have contributed to it. I would like to thank and acknowledge their contributions.

First there is the contribution of hundreds of people, many of whom I have never met, their names are listed in the bibliography and their contributions are cited in the text. In addition to these, I benefited from seven types of contributions during the past three years working on this thesis. I, and I believe this thesis as well, have benefited from those who I discussed various ideas with and argued with about many of the issues and claims mentioned here; from those who took the time to read drafts of chapters and provide me with comments on both substance and form; from those who provided encouragement and "spiritual" support; from those people and institutions which provided material support; from my examiners; and from those people and organisations who participated as subjects; and from the person who provided technical support for both the physical production of the thesis and for the many computational tasks involved in in the research reported here as well.

I have had useful discussions about many of the questions and issues contained in here with John Child, Jeff Goldberg, Márton Gyombolai, Matthew Jones, Erzsébet Kovács, Mauri Laukkanen, and Kari Lilja.

I would like to give very special thanks to those who read and reread drafts of chapters. These include my supervisors, John Child and Matthew Jones, as well as my husband, Jeff Goldberg.

A number of people have provided me with encouragement and were there to remind me that I can and should see the project through to completion exactly when I needed that reminder. These included John Child, Betty Glasser, Jeff Goldberg, Gerry Johnson, Yuan Lu, Jone Pearce, and Janet Spitz.

I was granted a World-Bank scholarship for two years of my study at Cambridge, without which I would not have had to opportunity to pursue a three year project with all the support provided by Cambridge University, St Johns College and the Judge Institute of Management Studies. For the research conducted, I was provided with a grant from the Centre for International Business in the Judge Institute of Management Studies at Cambridge and a grant from the Hungarian National Science Research Fund (OTKA). The Business Economics Department of the Budapest University of Economics provided me with office support both during the data collection and the writing of the thesis. Cranfield University has allowed and encouraged me to dedicate my first few weeks of employment there to the completion of this thesis. During the course of the research I also received travel grants from the Soros Foundation and from Cranfield University.

I am grateful to the five organisations and the 111 individuals who took part. I am also grateful to István Bartók, Jeff Goldberg, Péter Nagy, Tibor Tamás and Ferenc Tóth for their participation in various reliability tests.

The thesis examiners, Peter Grinyer and Max Boisot, made a number of comments which necessitated minor modifications of the thesis. These minor modifications have lead to major improvements. I offer many thanks for the work you put into reading the thesis as thoroughly as you did.

Jeff Goldberg assisted with the typesetting of the thesis and also wrote all of the specialised software used for the thesis work (see Appendix F).

Finally it should be said that while many individuals made suggestions and in one way or another contributed, I did not always follow their advice, and so all errors should be taken as my own; and I am sure that none of the people listed above agree with all of the opinions and claims herein.

Lívia Anna Markóczy

St Johns College
The University of Cambridge
December 1994

Chapter 1

Introduction

One of the 111 managers interviewed in the course of my fieldwork expressed the following view about differences between managerial beliefs on business.

> The mentality was completely different [between host-country and foreign managers] than what I experienced earlier. [Local] people are less business minded, perhaps we [foreigners] are extremely business minded. We want to have factual results as quick as possible. They are more oriented to a lot of talking. I felt in the start and still feel a lot of escaping behaviour which I can judge because of the history. So it means that we have to check everything, have to follow up everything, have to push everything.

Another expressed a somewhat different view.

> It is obvious that where I sit determines what I see and think. So, for example, I am in the production area as my organisational place is concerned. This area has its special tasks, so it is obvious that I will consider other organisational issues from this point of view.

A third had yet another opinion.

> [Managers in the production and R&D areas think alike, because] these are the two areas which are based on clear disciplines. These disciplines have developed not only for decades but for centuries... The whole topic is covered if we notice that these are based

> on *the* sciences or in other words on the natural sciences. These areas do not deal with the human side, like finance, marketing or other areas do... they are more objective than those. For example, there have been lots of changes in financial systems during the last decades and lots of different systems formed as a consequence. But a mathematical formula, or a physical law, could not be changed this way, since it is more objective.

A fourth stressed the similarities.

> Our [the foreign and the Hungarian managers] way of thinking is roughly 95% the same since we are all human, but that remaining 5% still means a lot.

Who is right? All of them? None of them? Not only do the managers not know the answer, but researchers don't know either (see chapter 2), nevertheless there is no shortage of hypotheses about what sorts of managerial characteristics may contribute to what they believe about business and business success (again see chapter 2). I submit that just to ask what managerial factors matter in this regard is the wrong question. It is more important to ask which factors matter the *most.* After looking at which factors matter the most in five organisations in Hungary with mixed foreign–Hungarian management teams, I have come to the conclusion that which factor or factors matter the most depends on the situation of the organisation (see chapter 11), but in a clear and predictable way.

This research has its roots in studies which go back several years in time. The first study in the series was conducted to identify existing cultural differences between managers in five international mixed management organisations (IMMOs) in Hungary and is described in Markóczy (1993b). That study was based on the assumption that the basic differences in the business beliefs and knowledge state between managers must be along cultural/national lines, therefore concentrated on those differences and on learning to overcome them. This work was followed by a serendipitous discovery by John Child and myself. John Child had conducted an independent study in Chinese IMMOs and after comparing the findings in Hungary and China we found striking similarities in the attitudes and way of thinking between Hungarian and Chinese managers. After exploring several alternative arguments we concluded that similarities in the past system of industrial governance in Hungary and China might account for the similarities (Child and Markóczy, 1993). The novelty of this study was that it recognised similarities among managers with different cultural backgrounds and did not start with the assumption of differences as many other studies did before. Next, a new research project was launched by John Child and myself which aimed to identify the major internal and external issues in IMMOs in Hungary and China. This work included 30 interviews in Hungary which various colleagues and I conducted in 15 IMMOs with one Hungarian and one foreign senior managers in each company (Child, Markóczy and Cheung, 1994; Markóczy, 1993b). During these interviews I was struck both by the similarities and differences in the business beliefs of managers which sometimes seemed to lie on cultural backgrounds, other times on age, other times on education, and yet other times on organisational characteristics. Furthermore, it often seemed to contradict what the managers themselves said about where differences lie. These questions and paradoxes led me to undertake a larger study aimed to find out where differences and similarities really lie between managers in an organisation.

1.1 Organisation of the thesis

Chapters 2, 3, and 4 all provide the background which is needed to fully appreciate the data presented in chapters 5 through 9. Chapter 2 surveys what other researchers have suggested about where differences and similarities might lie, why such differences might be important, and on what theory and sorts of data their proposals have been based. Chapter 3 describes the methods which were applied for data collection and also the techniques which were used to analyse the data. Chapter 3 also describes the nature of the sample and issues surrounding the applied level of analysis.

Chapter 4 provides an overview of the situation in Hungary at the time of the study and a brief recent history. By doing so, it describes conditions that are relevant to all of the companies in the sample.

Chapters 5 through 9 describe each company with a brief history, an outline of its situation at the time of the fieldwork, changes which took place after the formation of the IMMOs and the salient issues which the organisations needed to face. For the reader who is more interested in a textual description of the organisations, it is possible to read chapter 4 and then the first sections of each of the chapters 5 through 9. However, the comparisons (chapter 10) and conclusions (chapter 11) use both the textual descriptions and the analysis of the data gathered according to the method described in chapter 3 looking at factors discussed in chapter 2.

Chapter 10 contains a comparison of the results from the five companies in order to detect a pattern. Chapter 11 discusses the pattern that emerges from the data and its implications for organisation theory and practice. These two chapters (10 and 11) are the the real "conclusion" to the thesis. A reader who wants to get right to the results and is willing to skip the data, discussion of where it comes from, and motivation for what factors were looked at, can read those two chapters alone. However, only by reading the entire work will the reader be in a position to truly evaluate my conclusions.

The thesis is relatively long, and for that I apologise. But I was left with little choice. There has been a great deal of work in the field which is relevant to this study and that has made chapter 2 the longest chapter here. Both the method used and the environment of the organisations may be unfamiliar to most readers necessitating the length of chapters 3 and 4. Each of the five organisations studied have their own unique properties and histories as well as results, thus making those chapters long as well. In order to speed the reader on his/her way to the conclusions I will provide no further introduction but allow the work to speak for itself.

Chapter 2

Previous work on the subject

A great deal of work has addressed the effect of various managerial, organisational or environmental characteristics on managerial perceptions, beliefs, values, attitudes, motivations and behaviours. The studies reviewed here fall into four broad categories from the point of view of what they have contributed in this respect: (1) works which look at the effect of national differences on managerial beliefs (section 2.1); (2) investigations of managerial beliefs in international strategic alliances (ISAs) (section 2.2); (3) those which investigates the effect of demographic characteristics on managerial cognition (section 2.3); and (4) those which concentrate on the influence of industry and sector (section 2.4). The studies mostly focused on the relationships of just one or two of these cognitive or behavioural categories and individual, organisational or environmental characteristics which affect these categories. Given that the goal of this review is to identify what factors might have potential influence on managerial cognition, studies which focused on any cognitive or behavioural phenomena are reviewed here. For example, in section 2.3 a study is discussed which has found relations between the age of managers and their level of risk aversion, while section 2.4 addresses how working in a certain industry influences strategy formation. It is not important that one of these is looking at strategy formation and the other at risk avoidance; what is important is that one raises age as a potential factor and the other industry membership.

In addition to identifying factors which might influence managerial beliefs studies on national cultural differences and on ISAs also address relevant issues and potential conflict sources in international organisations. These may be important to understand why similar or different beliefs were formed within the investigated organisations so these are also addressed.

Although those works which are reviewed here followed different lines of inquiry they all contained implicitly or explicitly the assumption that managerial beliefs, values, and attitudes and the factors which affect these should be studied because they influence the suitability of managers to a given position, their decision making and other behaviours which have consequences for the performance of organisations. In other words these works have been closer to that end of a continuum of inquiries which assume that managers are important mediators between contextual factors and organisational responses, so they exercise strategic choice (Child, 1972; Silverman, 1970), as opposed to those studies that assume an almost deterministic influence of contingency factors on the organisational performance and survival (e.g., Hannan and Freeman, 1977; Hannan and Freeman, 1989; Pugh, Hickson, Hinings and Turner, 1969; Pugh, 1981). In the tradition of the strategic choice literature, managers matter because they are the ones who identify those trends, developments and events which might have a significant influence on the future development of their organisations (Jackson, 1992; Dutton and Ottensmeyer, 1987; Dutton, Walton and Abrahamson, 1989), who assign attribution to these issues (Dutton and Jackson, 1987; Thomas, Clark and Gioia, 1993), who generate alternative solutions (March, 1988), who make decisions (Tversky and Kahneman, 1988), and who influence the implementation of those decisions. The issue identification that Dutton et al. (1989) called "strategic issue diagnosis" depends on what issues managers *believe* or *perceive* as relevant (Walsh, 1988; Markóczy, 1995), and how they see the relationship between these issues (Markóczy, 1994). Problem sensing and attribution and choice of action also depends on the values, and attitudes of managers.

In the following discussion, those characteristics of managers that have been hypothesised to be related to any of these cognitive or behavioural issues are listed. It is not required that the relationship has been demonstrated, but merely suggested in the literature. However, for some selected works, it is important to mention not only what was found, but what those findings were based on. When some "result" is first published it is usually read with a proper degree of scepticism; when it is cited, and then works which cite it are cited, the first tenuous result becomes part of the canon with no more consideration of the basis for the original claim. This point is largely a reiteration of Weick (1979, p. 18):

> Any discipline will rise or fall depending on the reliability and validity of the observations on which its theories are based. Few fields have made so much of so little as has organisation theory. The large number of theories, concepts, and prescriptions in this field far outdistance the empirical findings on which they are supposed to be grounded.

2.1 National background

The effect of national backgrounds on the similarities and differences in the perceptions, values, beliefs, attitudes and behaviours of various groups of people has been widely discussed (see for example the special issues on national culture in the *Journal of International Business Studies*, Fall 1983 and *Management Science* January 1994) The dominant line of investigation has been concerned to reflect on the effect of national culture on these factors (e.g., Hofstede, Bond and Luk, 1993; Hofstede, 1994b; Haire, Ghiselli and Porter, 1966; Trompanaars, 1993; England, 1967; Schneider, 1989; Hambrick and Brandon, 1988), while others explained similarities and differences based on the system of industrial governance (e.g., Child and Markóczy, 1993; Whitley, 1993) and on the level of industrialisation (e.g., Galbraith, 1967; Kerr, 1983; Harbison and Myers, 1959). There have been no clear boundaries between these types of investigations. Studies of national culture often equated national culture with a country or nation including the system of industrial governance, level of industrialisation, institutions, or other historical or political factors in national culture. This review concentrates on the studies of national culture and nations which form the bulk of the literature. Works on the system of industrial governance and on the level of industrialisation and institutions are also addressed because of the criticism they raised towards the national cultural tradition.

2.1.1 Levels of investigation

Hofstede (1994a, p. 5) described culture as "a collective programming of the mind which distinguishes the members of one group or category of people from another". This description of culture implies that culture is in fact a relative and not absolute category and it is not a characteristic of any single individual but it is a basis for comparison between individuals, groups of individuals or societies. In his description of culture Hofstede (1994a) took a simplified view because culture also includes social relationship and practices between these individuals which differentiate them from others (Kluckhohn, 1946).

National culture has been investigated at various levels and for various purposes. Several studies were conducted on the national level to identify universal value dimensions along which national cultures could be distinguished (e.g., Hofstede, 1980; Hofstede, 1994b; Trompanaars, 1993). Other studies identified relationships between national culture and the preferred types of organisational cultures (e.g., Trompanaars, 1993; Lachman, Nedd and Hinings, 1994). Others investigated the relative importance of national culture to explain similarities and differences among subjects who belonged to different national cultural groups in strategy formulation (Schneider, 1989), in attitudes and assumptions underlying management practices (Haire et al., 1966), in values (Hambrick and Brandon, 1988; England, 1967), in business related thinking (Trompanaars, 1993), in ideals (Baird, Lyles and Orris, 1993), in goals (Quinn and Holland, 1987) and in work related behaviours (Hofstede et al., 1993; Jackofsky and Slocum, 1988). National cultural studies which were conducted on different levels have different strengths and weaknesses and differential relevance to the main focus of this study as discussed below.

2.1.1.1 National level studies

Cultural studies which were conducted on a national level could not be directly applied to individual and group levels but they describe the context with which these individuals and groups have to cope. As Hofstede (1994a, pp. 253) wrote:

> The usefulness of the country scores is not for describing individuals, but for describing social systems these individuals are likely to have built. Social systems are not made for the exceptional individual, but they have to take account of the dominant values of the majority [of] the people involved.

National cultural studies at a national level have been mostly concerned to search for problems which various national, religious or ethnic groups had to face but to which different national or ethnic groups produced different solutions. In other words, they searched for cultural value dimensions which could be used to differentiate between various national cultures. The methods of these studies extends from "story telling" to rigorous investigations.

One of the major, survey types of studies in this respect was Hofstede's (1980) research which was conducted in IBM subsidiaries in various countries. His sample included 72 subsidiaries, 38 occupations, 20 languages at two points in time 1968 and 1972. For identifying value dimensions on the national level Hofstede (1980) first calculated the mean of the scores of the respondents within each country and analysed these mean scores as opposed to the scores of each individual. This means that he compared what he called "central tendencies" between nations as opposed to the value scores of individuals. For his analysis he used a simplified view of national culture equating the mean scores with the national cultures, and this needs to be kept in mind when one interprets the validity of his results. The country level value dimensions which emerged were power distance (dependence relationship between superiors and subordinates), collectivism (power of groups above individuals), masculinity (gender roles), and uncertainty avoidance (tolerance of uncertainty). Based on Michael Bond's research in China, a fifth dimension was later added to the list: long term versus short term orientation (orientation towards the future vs. orientation towards the past and present) (Hofstede, 1994a). How various nations score on these dimensions was used to provide the basis for predictions of the kind of organisational cultures which these societies are likely to form and about the values which are likely to be considered in these societies as norms as discussed in section 2.1.1.3 below.

Another notable national level study of national culture was conducted by Trompanaars (1993). He identified three categories and five dimensions to differentiate among nations. The three categories were relationship with people, passage of time, and relationship with the environment. Relationship with people was divided into five dimensions: universalism vs. particularism; individualism vs. collectivism; neutral or emotional; specific vs. diffuse; achievement vs. ascription. Given that his book was targeted at practitioners, Trompanaars (1993) did not discuss his method in his book. Instead he listed questions to which managers who participated in his consulting sessions had to answer with "yes" or "no" and listed the percentage of managers who answered either way for each country. The sample size used to calculate these percentages in the countries and the composition of the samples was not discussed. Given that the list of countries varied from figure to figure it is reasonable to assume that in various countries and various groups different sets of questions were asked which implies that systematic surveys were not conducted. Although a short chapter (Smith, 1993) in the appendix of Trompanaars's (1993) book was devoted to methodological issues, these questions were not answered there either. Smith (1993) stated that the findings were based on 14993 responses from 92 countries which were collected during consulting work and training courses. It was not made clear, but implied, that respondents did not fill out complete questionnaires but answered only various numbers of questions, given that the 14993 responses to individual questions included over 1000 responses from two countries (Britain and The Netherlands), 35 countries with over 100 responses and ten countries with 50–100 response (Trompanaars, 1993).[1] Although the lack of methodological discussion makes it difficult to draw conclusions from the results, the work provides real life stories and anecdotes on national cultural differences and their consequences which serve to illuminate the questions.

2.1.1.2 Cultural studies at the national-level

As the above works suggest, studies on national cultures at the national level have focused on finding national level differences, and have therefore not been concerned with individual variations within nations. They have also neglected those issues which might reflect similarities as opposed to differences among all nations from the cultural dimensions they addressed. Subjects were categorised on the basis of their nationalities only and not in terms of what other groups or categories these subjects were also members of, such as gender, profession, generation etc. To control for individual, or group variations (other than nationality) these inquiries either applied matched samples across nations (Hofstede, 1994a) or used large enough random samples such that individual variations within the sample would not influence the results substantially (Trompanaars, 1993). They also used for country level comparison means of scores or percentages as opposed to data drawn from individuals. As these studies were looking for differences they were not concerned with the effect of human nature which is likely to produce universal characteristics. One can never conclude from these sorts

[1] By the same counting method the author of this thesis could claim, if she were so inclined, a pool of 15429 responses in the present study. However, such numbers whether describing this sample or Trompanaars's (1993) are of little use.

of studies that differences are more important than similarities between human subjects who belong to different national cultural groups. These studies also do not address the question of whether the major differences and similarities between subjects are along the line of national differences – although they tend to imply that they are (e.g., Trompanaars, 1993; Lachman et al., 1994; Baligh, 1994). What they do say is that national differences exist, but the question of whether these are large or small compared to other differences remains not only unanswered but unasked.

It has been a surprisingly frequent mistake in the literature that national level differences have been directly treated as individual differences between subjects who belong to different national groups. Attributing national cultural differences to individuals is a problem addressed by various authors. Triandis (1989) found it necessary to explicitly distinguish the societal and the individual level of analysis because he recognised that individual members of collectivist societies do not necessarily hold collectivistic values. Hofstede et al. (1993) referred to the problem as the "ecological fallacy". According to Jackofsky and Slocum (1988, p. 69) the "ecological fallacy occurs when the researcher does not stipulate whether the level of analysis of variables is individual, group or organisational". Hofstede (1980, p. 253) warned researchers that national cultural research looks for "central tendencies" which should not be interpreted as individual differences. He provided an example of why it is necessary to be careful about the "ecological fallacy" (Hofstede, 1994a, p. 253):

> American IBM respondents tended to score much more individualist than Japanese respondents. However, some Japanese respondents gave quite individualist answers: they scored more individualist than the average for the Americans. Some Americans scored quite collectivist, more collectivist than the average for the Japanese IBMers.

In his analysis, Earley (1994) found it necessary to separate the national cultural and individual level aspects of the cultural value dimensions which he investigated (collectivism vs. individualism). Although in Earley's

(1994) study the differences between the two levels did not turn out to be strong, other studies should also consider that differences in this respect might exist.

The above arguments explain why the results of national level studies could not be directly used at the organisational, group or individual levels. They provide a good source to develop a theoretical basis for designing studies at group and individual levels, for example, to see whether these dimensions are also differentiating factors among certain groups (like managers, students or workers) with different national backgrounds (e.g., Baird et al., 1993), or to see, by comparing individuals, what proportion of individual differences could be explained by national cultural differences (e.g., England, 1967; Haire et al., 1966).

2.1.1.3 National cultures and organisations

Studies concerned with the relationship between national and organisational culture provide indications of the types of organisational culture and ways of organising that could be expected to be preferred by various national cultures.

Trompanaars (1993) argued that the national cultural preferences of the participants of organisations shape the organisational culture they create. He distinguished four types of organisational cultures along two dimensions: equality vs. hierarchy and person vs. task orientation. The four types of organisational cultures were the family (hierarchical, person oriented), the Eiffel tower (hierarchical, task oriented), the guided missile (egalitarian, task oriented), the incubator (egalitarian, person oriented). He argued that subjects with different national backgrounds tended to prefer different organisational cultures. For example, in the U.S.A., Canada and UK organisations were more likely to have guided missile cultures, while the Swedish organisations had more incubator cultures. In Germany, Denmark and The Netherlands the Eiffel tower culture was preferred while France, Belgium, India, Spain and Japan tended to develop organisations with family cultures.

Hofstede, Neuyen, Ohayv and Sanders (1990) established the dimensions of corporate (or unit), cultures based on an extensive study. They looked at 20 units in ten organisations (five in Denmark and five in The Netherlands). First they examined the unit's cultures through in depth interviews (9 people were interviewed per unit) then they constructed a questionnaire based on these interviews to measure unit culture. They based their analysis on the 1295 completed and returned questionnaires. They found the following dimensions which could be used to distinguished between corporate cultures: (1) process vs. results oriented (concern with means vs. concern with goals); (2) employee oriented vs. job oriented (concern for people vs. concern for completing the job); (3) parochial vs. professional (identity largely from the organisation vs. identification with the job); (4) open system vs. closed system (open vs. closed towards outsiders); (5) loose vs. tight control (rules and codes should be strictly followed); (6) normative vs. pragmatic (mission towards outside word vs. market orientation). Among these 6 dimension three were found to resemble the cross-national dimensions (1, 3 and 4) while 1, 3, 5, and 6 related to the type of work the organisational unit does (the dimensions partially overlapped.) (Hofstede, 1994a, p. 192).[2] The dimensions which were related to the type of work of the unit "partially reflect the *business or industry culture*" (Hofstede, 1994a, p. 192 [italics original]). This suggests that the business and industry culture is at least as important a differentiating factor among corporate cultures as national culture itself.

Hofstede (1994a) also argued that certain national cultures prefer certain organisational structures. He showed a connection between the five types of organisational structure identified by Mintzberg (1983) and two of the national culture value dimensions: uncertainty avoidance and power distance. According to Mintzberg there are five types of organisational configuration (adhocracy, simple structure, professional structure, full bureau-

[2]Dimension 2 was not put into any of these categories.

cracy and divisionalised form), which apply different coordination mechanisms (mutual adjustment, direct supervision, standardisation of work processes, standardisation of outputs, standardisation of skills) and key parts (the operating core, the strategic apex, the middle line, the technostructure, the support staff) and these are likely to occur in five combinations. Hofstede (1994a) argued that these five types of configurations correspond to the uncertainty avoidance and power distance preferences of nations. He argued that nations with low uncertainty avoidance and low power distance, like Britain prefer to have adhocracy (where the coordinating mechanism is mutual adjustment and the key part is the support staff), and nations with high uncertainty avoidance and high power distance, like France prefer to have full bureaucracy (standardisation of work process, technostructure). Moreover, nations with low uncertainty avoidance and high power distance, like China prefer simple structure (direct supervision and strategic apex), while those with high uncertainty avoidance and low power distance, like Germany prefer to have professional bureaucracy (standardisation of skills and operating core). Those nations which scored relatively low in both cultural dimensions, like the US prefer divisionalised form (standardisation of outputs and middle line management).

Like the national level studies, studies investigating the relationship between national cultures and organisations have mostly been concerned with finding differences rather than similarities. As they were concerned with differences they have not been interested in whether similar contingency factors lead to similar organisational characteristics independent of the national cultural backgrounds as is argued by the "culture free" approach of the contingency theory (Pugh et al., 1969). It might be the case that differences and similarities between organisations and between nations exist at the same time, and whether one finds similarities or differences depends on the focus of the study and on the level of abstraction one applies. The studies in question have also tended to attribute any national differences to cultural differences in the way of organising and not to consider whether national level differences could be attributed to institutional differences (e.g., Maurice, Sorge and Warner, 1980) or differences in the system of industrial governance (Child and Markóczy, 1993).

2.1.1.4 National differences between groups and individuals

A limited number of studies in the national cultural literature have investigated how much of the differences in the beliefs, assumptions, values and norms of subjects could be attributed to national cultural differences. This is closely related to the research this study addresses.

In an excellent study Haire et al. (1966) measured whether the attitudes and assumptions behind management practices, beliefs about the role of managers, and the needs and need satisfaction of managers were similar or different across nations. They used a multi-item questionnaire which was limited to three areas: leadership, role of managers in their culture and the motives of managers. They applied this questionnaire in 14 countries to a sample of 3641 managers. Using their questionnaires they calculated the means and standard deviation for the whole sample. Then they calculated the mean and standard deviation of the country means. Next they calculated a ratio between the two standard deviations: standard deviation of the whole sample and standard deviation of the country means. This ratio could vary between 1 and 0, where 1 would mean that nationality completely accounted for the found differences while 0 mean that nothing was explained by country differences. The following ratios were shown to be accountable by national differences (Haire et al., 1966, p. 8):

> Attitudes and assumptions underlying management practices, .32; cognitive descriptions of the managerial role, .26; needs and need satisfaction, .27 – an average of .28. This means that of all the variation observed, about 28% was associated with national groupings; the differences among individuals are about 2 1/2 times as great as the differences among countries.

Unfortunately, these authors did not investigate the relative importance of the functional backgrounds, experience, education specialisation, education level or the gender of the individuals in contributing to individual differences which were found, and which may have answered to the question whether the large variation between individuals could be attributed to their affiliation to various groups (professional, gender etc) or if these were truly individual differences. They made a limited investigation in this respect by calculating the influence of age (they differentiated old (> 40), and young managers), size of the company in which the managers worked (large (> 500), and small) and position (higher (top third), and lower). Interestingly, they did not find any of these factors to be influential to the similarities and differences of the managerial attitudes, motivations or perceptions. One of the strengths of this study was that the authors were not only looking for differences but also similarities between the beliefs of managers who belonged to different nations. They found, for example, that in all investigated countries "to direct" had better connotations than "to persuade" which suggest similarities in the values of managers with different national backgrounds in this respect. ""To direct" has more "prestige", "activity" and "firmness". It is close to "decide". "To persuade", on the other hand, is closer to making a mistake and cheating." (Haire et al., 1966, p. 171).

In a series of studies (England, 1967; England and Lee, 1971; Whitley and England, 1980) England and others also investigated the relative influence of national culture on managerial cognition: in this case on the personal values of managers. They applied a "Personal Value Questionnaire" (PVQ) to measure and compare the value system of managers from different countries. The PVQ was originally developed to measure the personal value systems of American managers. England (1967, p. 54) viewed a personal value system "as a relatively permanent perceptual framework which shapes and influences the general nature of an individual behaviour". The PVQ consisted of 66 items in five categories: goals of business, personal goals of individuals, groups, views on people and on general topics. Respondents had to rate the 66 items on an importance scale (high, average, low importance) and indicate why they saw these as important (either because they were associated with success, rightfulness or with pleasantness). He found that American managers were more pragmatical than ethically or affect oriented because they attached high importance to constructs which they related to success. Using the PVQ questionnaire England and Lee (1971) compared the value systems of American, Japanese and Korean managers. They chose these three countries because these differed in national culture, economic development and applied technology. They selected 1600 managers matched by organisational size, level of managers in the organisation and the function of the managers. They found that Korean and Japanese managers were more similar to each other in their value system than to the American managers. They concluded that relative similarities in the national cultural background influenced the similarities in the personal value system of managers. They also implied that national cultural background had relatively greater influence on the similarities of value systems compared to economic development and to applied technology. In another study England (1975) compared the personal values of 2000 managers from the U.S., Japan, Australia, Korea, and India. He found that country differences explained 30 to 45 percent of the variation in managerial values which was higher than was found by Haire et al. (1966), but still left 70 to 55 percent of the variation unexplained. One of the criticisms which could be raised against the PVQ was that it was originally developed for American managers. Hofstede (1994a, p. 254) argued that "cross-cultural research should only be done with cross-culturally designed instruments for which the content was collected in a number of different countries, culturally as different as possible".

From the above studies it could be concluded that national cultural differences were found to explain only some of the similarities and differences between managers but at the same time left a large part of individual differences unexplained. Unfortunately, studies such as the above have been in the minority compared to studies which have investigated issues about which managerial groups with different national backgrounds seem to think differently. The literature has been dominated by studies which divide up subjects by nationality (or some similar dimension) and then looked for the nature of differences between these groups as opposed to the relative importance of these differences in terms of what proportion of the similarities and differences between the thinking or action of the subjects these differences might explain.

One of the better of these types of studies was Schneider (1989). She argued that national cultural differences between managers were likely to influence the way these managers perceive, think, feel and evaluate alternatives and she speculated that therefore national cultural differences would influence the strategy formulation process. She looked at the dimensions found by previous studies to differentiate between nations (e.g., Hofstede, 1980; Ronen and Shenkar, 1985) and made a large jump in assuming that those who make strategic decisions and practice control within organisations were likely to be distinguishable along the same value dimensions as their nations. She also assumed that these managers would select, interpret and validate information, establish priorities, consider certainty and urgencies influenced by these values.

The relationship between the values of managers and the value dimensions of nations, however, is not as straightforward as she assumed. Hofstede et al. (1993), for example, showed that the value dimensions along which individuals could be differentiated are different from the dimensions along which corporate cultures could be distinguished and that only the latter show resemblance to national level value dimensions. He reanalysed the responses to the 1295 questionnaires which had been used to identify dimensions of corporate cultures (and which were partially similar to the national level value dimensions as discussed in section 2.1.1.3) on the level of individuals controlling for differences between organisations. He identified 12 dimensions, along which individual values could be distinguished. Six of these reflected individual values while the other six were the individual perceptions of practices. These former were personal need for achievement, need for supportive relationships, machismo, workaholism, alienation, authoritarianism, professionalism, distance from management, trust in colleagues, orderliness, hostility, integration. It is notable that the value dimensions along which individuals differed were clearly different from those found at the corporate level. His study is a clear example of why it is important to be careful not to assume that country or corporate levels differences will be directly applicable at the individual level.

It must also be kept in mind that managers who make strategic decisions are not representative of their nation in terms of their values. Managers are a selected group of individuals with special types of education and opportunities. Haire et al. (1966, p. 9) for example were struck by the similarity of managerial responses to their questionnaire and suggested that they offered some support for the universality of managerial philosophy, although it must be noted that they did not check whether individuals other than managers would also have given such similar answers or not.

Hambrick and Brandon (1988) realized that executive values should be differentiated along a core set of values that need to be identified first. They considered among the factors which might influence the value formation of managers the personality of the managers their socialisation and cultural backgrounds. For identifying values of executives they crystallised their core value dimensions from dimensions independent of whether they were developed to differentiate between nations (Hofstede, 1980), between managers with different national backgrounds (England, 1967), or between personalities (Allport, Vernon and Lindzey, 1970; Rokeach, 1973) without worrying about the problem of ecological fallacy. With this method they identified six major executive values: collectivism, duty, rationality, novelty, materialism, power. Given that these core executive values were derived from value dimensions which were established with respect to various reference groups (nations, managers, different subjects) it is highly questionable whether the authors were in fact able to identify true core executive values. Although Hambrick and Brandon (1988) were referring to studies in the national cultural tradition to establish their core executive values, they were not concerned to establish a relationship between the core values of executives and national cultural differences between executives.

Baird et al. (1993) conducted a study in this respect in which they aimed to compare managerial perceptions of managers in Joint Ventures (JVs) with different national cultural backgrounds. They used a "Joint Ventures Survey" instrument which contained statements on the management of JVs, and subjects had to state on a five-point scale how much they agreed or disagreed with the statements. The survey was divided into sections in which questions were asked on how managers saw the success of a JV, how they conceived an ideal type of JV and what they thought were the main issues in JVs. The sample of managers who filled out this questionnaire included a matched sample of 38 Chinese, 24 Hungarian, and 43 American middle-level managers. The authors found that Hungarian and American managers were closer in their thinking about JVs than to the Chinese managers. The validity of their findings however was questioned by Markóczy (1993a) who pointed out that differences in the answers of the Hungarian, American and Chinese managers might not refer to differences in their thinking but differences in what they were thinking about. In a Chinese context JV success, an ideal type JV and the main issues in JVs might be different because the institutions, the political and economic situation, and the roles to which companies are assigned are different. These differences could not therefore be directly tied to national cultural differences between managerial thinking. Baird et al. (1993) were also mainly concerned with the nature of differences between national groups without considering whether the investigated managers could be grouped in any other way than by their nationality based on their beliefs or values.

Unlike the above studies, Earley (1993; 1994) did not divide up his subjects automatically into groups based on their nationalities but divided them up after measuring their values. In one of his studies, Earley (1993) conducted an experiment with the participation of 45 Israelis, 60 Chinese and 60 Americans to examine the implications of a cultural dimension: individualism vs. collectivism on the relationship between group membership and individuals' performance in group settings. In another study Earley (1994) examined the theoretical and empirical relationship of training and individualism–collectivism to self-efficacy (a person's estimate of their abilities to do a job) and performance in a laboratory experiment and a field experiment. His laboratory experiment contained 67 Hong Kong Chinese, 96 Chinese and 87 American managers while in his field experiments he used 62 American and 46 Chinese managers. In neither of these studies did he assume that managers with a certain nationality would automatically be individualistic or collectivist, but he measured individualism–collectivism on a scale first for each individual and divided up the subjects based on the result of this measurement. To see the differences between individualism–collectivism and national grouping he conducted a two-way ANOVA in which country was crossed with group condition. "A main effect for country ($F_{2,156} = 32.28$, $p < .01$, $\overline{x} = 3.72$, 3.65, 2.69, for Israel, China, and the United States, respectively) demonstrated that collectivism was higher among Israeli and Chinese subjects than among the US subjects" (Earley, 1993, p. 337). The strengths of Earley's studies compared to other studies was that he also considered situational factors which were not present in the other studies we have reviewed. He found, for example, that subjects behave differently if they work in an ingroup as opposed to an outgroup. An ingroup is "an aggregate of people sharing similar trait and background characteristics. Ingroup people may identify with each other via common interest, values and beliefs, or heritage" (Earley, 1993, p. 321). It was pointed out by Triandis (1975) that the effect of situational factors (differences in goals, interest, access to resources, group membership) are often neglected in the national cultural literature or confused with the effect of the real national cultural differences which are internal to the subjects (which form the basis of misunderstandings, disconfirmed expectations etc).

Research on national cultural differences at individual and group levels may be summarised as follows. Only a limited segment of the literature makes an effort to try to establish the relative importance of national culture compared to other factors in influencing similarities and differences in the beliefs, values, perceptions and decisions of individuals (e.g., Haire et al., 1966; England, 1975). These studies found that individual variation is in fact much higher than national cultural background is able to explain. Unfortunately these studies did not go further to investigate what accounts for this variation – the area where this work is intended to contribute to our knowledge. Most of the studies were more interested in looking for the nature of national cultural differences without considering its relative importance (e.g., Schneider, 1989; Baird et al., 1993) or without separating the effect of these from situational factors. These latter studies have often been guilty of the ecological fallacy in assuming that the same dimensions that were found to distinguish between nations will be relevant dimensions to distinguish between individuals with a certain national background, or that individuals from particular nations independent of whether they are managers or not are likely to hold more similar values compared to those who belong to other nations.

2.1.2 Other perspectives

2.1.2.1 System of industrial governance

Child and Markóczy (1993) found similarities in the behaviours of Hungarian and Chinese host-country managers in international JVs. These similarities could not be explained by similar national cultural backgrounds, history or level of industrialisation. They argued that the similar system of industrial governance might account for these similarities. This study differed from the studies reviewed above in that it was looking for explanations for similarities as opposed to differences in managerial behaviours and was trying to find explanations for these similarities. Had they, however, been looking for differences they probably would have found them as with the national cultural studies. Their argument therefore could not be used to decide whether similarities or differences are what characterise managerial behaviours across nations.

2.1.2.2 Level of industrialisation

Those who have investigated the effect of industrialisation argue that modernisation and technical development requires well-educated management who share a technical rationality. As a consequence of their similar education, managers, increasingly resemble each other in their way of thinking independent of which country there are from (Galbraith, 1967; Clark, 1968; Kerr, Dunlop, Harbison and Myers, 1960). This view was labelled by the theorists as "managerial revolution". From this perspective managers in modern industrial societies should show more similarities in their business thinking compared to other members of their nations independent of their national backgrounds. This similarity of thinking should be especially evident among managers educated in the technical area.

Studies on the system of industrial governance and industrialisation mostly considered explanations for possible similarities in the thinking of managers as opposed to differences. In this sense they provided alternative considerations of why certain similarities could be found in the beliefs, thinking or behaviour of subjects with different national backgrounds. These studies however stayed at the level of prediction, or speculative explanations, for certain phenomena as opposed to measuring whether these connections between managerial beliefs, and system of industrialisation or level of industrialisation exist or not. They also did not assess the relative importance of these factors in influencing managerial beliefs compared to the national cultural backgrounds of these managers.

2.2 International Mixed Management Organisations

Another line of studies which investigated the effect of contextual and individual factors on the beliefs of subjects were works on international hybrids (Borys and Jemison, 1989). These include studies on international strategic alliances (ISAs), mergers and acquisitions. **International strategic alliances** were defined by Parkhe (1991, p. 579) as "relatively enduring interfirm cooperative arrangements, involving cross-border flows and linkages that utilise resources and/or governance structures from autonomous organisations headquartered in two or more countries, for the joint accomplishment of individual goals linked to the corporate mission of each sponsoring firm". They range from licence agreements to joint ventures (JVs) (when a new organisation is formed by the partners). "*Mergers* are the complete unification of two (or more) organisations into a single organisation. *Acquisitions* involve the purchase of one organisation by another." (Borys and Jemison, 1989, p. 235 [italics original]).

Although there has been an increasing interest in investigating the various types of international hybrids most of the studies have focused on the negotiation process between the partners or on the relationship between the partners and/or the venture (e.g., Contractor and Lorange, 1988; Gray and Yan, 1992; Geringer, 1991; Killing, 1983; Harrigan, 1988) less attention has been given to the management and personnel problems internal to the hybrids themselves (e.g., Sales and Mirvis, 1985; Shenkar and Zeira, 1987) and even less to the role of individual, group and organisational characteristics in explaining the sources of these problems (e.g., Buono and Bowditch, 1989; Park, Lewis and Fandt, 1993). Studies on international hybrids varied substantially in their research methods which extended from surveys to case studies and scenarios (Parkhe (1993) and Shenkar and Zeira (1987) discuss these methods in detail).

These studies are reviewed based on the following logic. First in section 2.2.1 studies which addressed the macro-issues on hybrids are discussed from the point of view of their influence on the types of organisations which are formed and on the potential internal conflict within these organisations. Studies which focused on the management and personnel problems are described next (section 2.2.2), especially those which looked for explanations in the managerial and organisational characteristics for these problems. The studies in sections 2.2.2.1, and 2.2.2.2 address cultural issues and personnel problems, respectively. In addition, issues which are specific to hybrids in transforming economies, like Eastern Europe will be described in section 2.2.2.3. Only issues which pertain to organisations in which full time international management team works together will be discussed here. These are called international mixed management organisations (IMMOs) (Markóczy, 1993b). IMMOs are the matter of interest because, as Killing (1983) suggests, the cultural and personnel problems are often most salient in these types of organisations.

2.2.1 Macro issues concerning IMMOs

Studies which were concerned with macro issues mostly discussed the motives of the alliance formation (e.g., Contractor and Lorange, 1988), partner selection (e.g., Geringer, 1991), negotiation (Gray and Yan, 1992), control/power position (Schaan, 1988; Oliver and Davies, 1990; Lyles and Reger, 1993), learning between partners (Parkhe, 1991; Stopford, 1993; Mody, 1993; Crossan and Inkpen, 1992), entry strategies to various countries (e.g., Hedlund and Kverneland, 1993) and the operational and performance problems within the host country (e.g., Welfens, 1992; Csath, 1991; Newman, 1992).

These studies addressed the above issues from various theoretical perspectives, such as agency theory, transaction cost theory (Teece, 1982), game theory (e.g., van den Honert and Stewart, 1992), strategic market theory (e.g., Harrigan, 1988), the resource dependence approach (e.g., Pfeffer and Nowak, 1976) and network analysis (Thorelli, 1986).

Several reasons were given in the literature as to why firms choose to cooperate or why it is advantageous to them to enter into mergers or acquire other firms. An extended list was put together on the rationale for forming cooperative ventures, for example, by Contractor and Lorange (1988). These included reducing risk, economies of scale, complementary technology or technical knowledge of the partners, co-opting or blocking competition, overcoming government-mandated investment and trade barriers, international expansion and vertical quasi integration. This list, however, could be extended with additional motives for cooperation based on other studies, like being able to learn organisation-specific knowledge which is embedded in the organisations (Parkhe, 1991; Stopford, 1993; Mody, 1993; Crossan and Inkpen, 1992; Badaracco, 1991), or to transform or renew existing organisations, or to develop market positions (Haspeslagh and Jemison, 1991).

The importance of selecting the "right" partners (Killing, 1983; Harrigan, 1985) to fulfill the objectives of hybrid formation was also recognised in the literature, but studies remained vague on what selection criteria are applied or should be applied for selecting the a partner. Even studies which looked for selection criteria for partner selection showed high disagreement in their results and did not address what weight was assigned to each selection criterion (e.g., Tomlinson, 1970; Adler and Hlavacek, 1976). Given that these studies concentrated on various samples of organisations (various countries, industries and size) the question was raised whether generally applicable selection criteria could be found. For handling this problem Geringer (1991) applied the concept of critical success factors (CSFs). He found, after conducting a survey and interviewing 81 executive managers in 81 JVs that the perceived importance of a potential success factor and the perceived difficulty of the hybrids' effort to reach a tenable competitive position influenced the relative weighting of the selection criteria associated with the given CSF.

In his work Geringer (1991) focused on the task-related selection criteria of the partners as opposed to the partner-related selection criteria. The task-related selection criteria are helpful in selecting partners with complementary skills to best achieve the benefit which is sought by the firms when they decide on forming hybrids. However, as Parkhe (1991) pointed out in a speculative paper, hybrids that are formed to exploit differences which relate to the complementarity of skills and resources also have to cope with undesirable organisational and individual differences which affect the longevity and performance of these organisations. These differences could relate to differences in the national backgrounds of the partners, and in organisational cultures, in strategic directions, and in management practices. A partner-based selection might therefore also be essential. Partners may have different attitudes towards cooperation, different views on issues of power and control, divergent strategic directions and different practices in delegation of responsibility, decision making and reliance on formal planning and control. According to Parkhe (1991) these differences need to be overcome by organisational learning which may be difficult given that the differences themselves might curb the possibility of learning.

Based on their review of the literature Gray and Yan (1992) suggested that which of the partner's practices the alliance adopts at the end highly depends on the power position of the partners. What power position each partner has and how much control they are able to exert on the alliance is shaped by their initial bargaining positions during the negotiation process (which could be based on equity, expertise, strategic importance, availability of alternatives), and by contingency factors (host country intervention, industry characteristics). The resulting control and power structure of the partners could be: that one partner dominates the hybrid; shared management; split control independent; or rotating management.

Gray and Yan (1992), however, did not address whether any of these control or power structures were preferable and under what conditions. Killing (1983) discussed the issue of control in detail. He argued that alliances with a dominant parent were likely to be more successful than a shared management because of the extra time and effort which the latter requires. He based his analysis on reviewing existing studies and on interviewing managers in 35 joint ventures and parent companies in North America and Western Europe. In another study Killing (1988) developed a model in which the division of control and the trust between partners was tied to the issues of the complexity of the task of the hybrid and the complexity of the organisation. By task complexity he understood the scope of alliance activities, the environmental uncertainties and the resources and skills of the relevant partner. Organisational complexity was dependent on the frequency of the interactions and their routine or non-routine nature. He argued that the required trust and division of control between partners was a function of organisational and task complexity. Whether this model is generally applicable still needs to be tested.

Whether one firm dominates the hybrid or whether partners apply a shared management approach is likely to influence which integration approach the parents apply. Buono and Bowditch (1989) distinguished four kinds of post-combination integration: (1) "pillage and plunder", when the acquiring organisation raids a target firm and replaces all operational, strategic, and cultural systems with its own, (2) "one-night stand", when the company is acquired and broken up into different parts, and divested or integrated according to need; (2) "courtship/just friendship", when the main goal is to achieve an effective working relationship but allowing operational and cultural differences to exist; and (4) "love and marriage", when the integration effort aims to blend and assimilate the two operations.

Haspeslagh and Jemison (1991) also distinguished four types of integration approaches, but they did it on the basis of the need for strategic interdependence of the partners and the need for organisational autonomy. They applied a "grounded theory approach" (Glaser and Strauss, 1967) and claimed that the dimensions "tentatively emerged as the most significant variables" (p:286) from their interviews with 300 managers in 10 countries on 3 continents. Among the four types of integration approaches which could be distinguished based on the above two dimensions they addressed only three in detail, namely "preservation", "absorption", and "symbiosis". Absorption (low organisational autonomy, high interdependence need) means "a full consolidation, over time, of the operations, organisation, and culture of both organisations" (p:147). The opposite to is preservation (high organisational autonomy, low interdependence need) when "the primary task of the management is to keep the source of the acquired benefits intact, because deterioration in the acquired company's ways of managing, practices or even motivation would endanger success." (p:149). "In the symbiotic acquisitions (high interdependence, high need for organisational autonomy), the two organisations first coexist and then gradually become increasingly interdependent" (p:149). The choice of different integration methods is likely to create different kinds of problems with respect to management issues and resistance to change. Unfortunately these were not addressed by the authors. Rather they discussed these issues from the point of view of which form of integration is preferable for "value creation" (Haspeslagh and Jemison, 1991).

Some authors argue that successful integration depends on the uncertainty and turbulence of the environment. Newman (1992) for example argued that in a highly uncertain and turbulent environment, such as China and Eastern Europe, highly flexible, participative and democratic management does not lead to success. Using examples from specific firms, he argued that "focused joint ventures" were preferable. These have: "(1) highly prescribed operations, (2) narrow product line, (3) sustained commitment of partners, (4) top-down motivation of the employees, (5) strict performance standards for local suppliers" (Newman, 1992, p. 67). Although this approach made rapid change, which Newman (1992) considered important for success, possible, he did not consider that foreign partners were likely to know the local context less than host-country managers, and might need their cooperation to succeed. In contrast, Lawrence and Vlachoutsicos (1993) who examined 33 joint ventures in Russia found that the successful JVs employed local managers at the top levels and encouraged them to use their familiar management methods while Western practices were introduced gradually. Given that both of these studies were mostly based on anecdotal evidence as opposed to systematic investigations further studies are needed to decide which approach is more effective.

Several studies which investigated partner relationship between international firms argued that the compatibility of the partners was highly dependent on the national cultural distance between the countries of origin and on the differences between organisational cultures (e.g., Child et al., 1994).

The degree of national differences between partners was described by some studies as "psychic distance" (e.g., Johanson and Wieldersheim-Paul, 1975; Johanson and Vahlne, 1977). "Psychic distance is defined as differences in language, level of education, business practice, industrial development and culture" (Hedlund and Kverneland, 1993, p. 107). Authors argued from case-studies (e.g., Johanson and Wieldersheim-Paul, 1975; Johanson and Vahlne, 1977) that these differences should be overcome gradually. They therefore suggested small steps for internationalisation of firms, for example, by setting up an agent in the new country, then a sales company, then forming cooperation with a local company, etc. However, based on a study of 51 Swedish companies in Japan, Hedlund and Kverneland (1993) argued that it is not necessary to learn to overcome national–cultural differences in each country. Firms which have experience in internationalisation can use this knowledge for doing business in other countries or entering into cooperation with firms from other countries. This suggests that general approaches of how to overcome national differences could be learned, and so adjusting to a new national context does not have to start from scratch.

International hybrids not only need to learn to overcome national differences but also differences between the organisational cultures of the parents. Harrigan (1988) for example argued that the success of hybrids is highly dependent on the cultural homogeneity of the partners. Other researchers did not call for homogeneity but for the cultural compatibility between organisations (Haspeslagh and Jemison, 1991). Cultural compatibility was argued to be an important issue especially in IMMOs where there was a need to merge the different cultural approaches into one way of operating. If the organisational cultures are compatible it is less problematic to develop a shared approach to management, otherwise it is very likely that the more powerful organisation will impose its culture on the hybrid which the other members resist (Sales and Mirvis, 1985).

Parkhe (1991) argued that differences among parents, based on their societal, national backgrounds and organisational cultures, were sources of different tensions and needed to be handled in different ways. Differences in societal cultures derive from differences in perception and interpretation of phenomena by the partners and they need to be dealt with by promoting training programs and informal contacts. Differences in national context derive from different home government policies, national industries, and institutions, which need to be dealt with by emphasising economic and technological imperatives. Differences in corporate cultures relate to different guiding ideologies and values which need to be coped with by encouraging learning between members of the parents. Unfortunately, Parkhe (1991) did not test these propositions nor address the interorganisational consequences of the various coping mechanisms.

To summarise the above, studies which dealt with the macro-issues of hybrids mostly concentrated on the relationships between the partners and the potential conflict sources and coping mechanisms to create successful hybrids. These conflicts and coping mechanisms are likely to have substantial interorganisational management and personnel consequences which although suggested are not fully addressed in these studies. Despite the criticism of Parkhe (1993) who argued that more theory building, qualitative studies are needed in the area of hybrids most of the studies addressed above were in fact speculative, anecdotal, or case study based, qualitative studies whose claims were untested. These studies suggested that the main differences between partners which are likely to have substantial consequences on the integration process within the hybrid relate to the relative power positions of the partners and to their compatibility in terms of their purpose, national and organisational cultural backgrounds. The integration approaches are likely to influence the internal conflicts and problems within the hybrids and through these the future success of the organisation.

2.2.2 Issues within IMMOs

Compared to studies on macro-issues there have only been a limited amount of studies which address the cultural, personnel and managerial issues within IMMOs. These studies are reviewed here, concentrating on the nature of the issues and also on the individual, group, task or organisational specific factors which were explicitly or implicitly stated to lie behind these problems.

2.2.2.1 Cultural differences in IMMOs

While some of the studies which concentrated on macro issues addressed the rationale for preferring one mode of post-combination integration to another in certain types of hybrids, these studies did not investigate the possible human consequences of the given integration approaches. Other studies, however, argued that not investigating the possible cultural and human consequences of a merger or acquisition is missing the point given that the integration process itself is primarily a culturally driven phenomenon (Sales and Mirvis, 1985). These studies suggested that in the post-combination integration process one of the main managerial challenges is to overcome the differences which exist between organisational members with different cultural values, attitudes and social norms brought together in the same organisation (Shenkar and Zeira, 1987; Gray and Yan, 1992). If the management does not succeed in this process than as Brown, Rugman and Verbeke (1989) pointed out the IJV could fail on a cultural basis. Some of these authors attributed differences between values and norms of organisational members mainly to differences in their national cultural or organisational cultural backgrounds while others also emphasised differences in such situational factors as differences in goals, interest and organisational affiliations (Gray and Yan, 1992). These studies contained different explicit or implicit assumptions concerning which groups of organisational members differ in their assumptions, values and norms from each other the most. In the most simplified view, the major division was made between host-country employees vs. the foreign employees (Child and Markóczy, 1993). Most studies on IJVs distinguished organisational members based on their country of origin and their affiliation to the parent organisations (e.g., Shenkar and Zeira, 1987). These studies usually did not even ask the question whether similarities and differences between the beliefs, norms or behaviours of managers could be stronger based on other factors. This lack of interest in this question is surprising given the vast amount of studies outside of the literature on IMMOs which suggest the influence of different managerial characteristics in this respect (see sections 2.3 and 2.4).

Park et al. (1993), for example, attributed many problems in IJVs to the ethnocentric attitudes of the venture managers who come from different national backgrounds and who had multiple loyalties to the parents and to the IJV itself. They considered: "central to the concept of ethnocentrism is the attitude or view that one's own group is the standard by which all other groups must be measured." (Park et al., 1993, p. 275). The authors suggested that ethnocentrism was likely to be present in multi-cultural environment and enhance the already existing national cultural differences between members of IJVs. Ethnocentrism was suggested to have a negative effect on group cohesiveness, such as on agreement on goals, on the development of organisational systems, and on the presence of effective group leadership. The authors suggested that the way to overcome ethnocentrism was to develop and use cultural training programs. Unfortunately the authors did not investigate how well ethnocentrism explains disagreement in goals, the development of organisational systems and the effectiveness of the group leadership in a real organisational situation; so the consequences of their argument remained unclear.

Datta and Rasheed (1993) also talked about the potential national cultural differences in IJVs and came up with recommendations of how to overcome these. They suggested that expatriates who work for IJVs should be carefully selected based on their cultural sensitivity as well as technical competence. The authors suggested that when selecting these managers their intercultural, diplomatic and interpersonal capabilities also have to be taken into consideration. Ideally, they should also speak the local language and know the business environment of the host-country. They also recommended providing training programs to the managers of both sides which encompass cross-cultural training. Although Datta and Rasheed (1993) used the simplified distinction of host-country managers vs. expatriates it was a strength of this study that the authors recognised that there could be individual differences in the intercultural, interpersonal capabilities of the managers which might affect their willingness and potential to adjust to the new situation. Unfortunately the authors did not go further to investigate whether these differences could be generally tied to personalities or to any of the background characteristics of the managers and whether they provided explanations for similarities and differences in the managerial beliefs, norms and behaviours.

Child and Markóczy (1993) assumed that the basic differences in beliefs and behaviours were between the foreign and the host-country managers and suggested that different ways of learning could be applied in practice to overcome these differences. They distinguished six types of learning, based on whether learning occurred on the cognitive and/or on the behavioural levels. These were non-learning, forced learning, imitation, received learning, integrative learning, and segmentation. These types of learning, however, could happen between other groups of managers not just host-country managers and expatriates, for example between managers on different levels.

To summarise the above, studies on international hybrids which were mainly interested in the cultural compatibility of the members of the IMMOs failed to investigate whether cultural differences were the major differences between members of the IMMOs. Although some of them considered issues like multiple loyalties towards partners, differences in goals and interest as well as cultural differences, they failed to address whether other managerial characteristics, different from the cultural backgrounds or affiliations of the managers, might have a stronger explanatory power concerning the similarities and differences of the beliefs, norms and behaviours of these managers.

2.2.2.2 Personnel issues in IMMOs

Several personnel problems specific to hybrids have been identified in the literature. Shenkar and Zeira (1987) provided a good review of 19 studies which addressed these problems in IJVs. Based on these studies 17 personnel issues were identified: (1) gap between the present and desired staffing of the IJV; (2) blocked promotion in the IJV (i.e., places are reserved for the expatriates, or host-country transferees); (3) blocked promotion in host parent company (i.e., expatriates who spend times in the IJV are not promoted in their parent company); (4) difficulties in returning to the parent firm following service in the IJV; (5) conflict of loyalty to the IJV vs. parents; (6) limited delegation of authority from parents to IJV; (7) screening of information; (8) compensation gaps between employee groups; (9) unfamiliarity with environment of the host country; (10) unfamiliarity with the organisational procedures of other parent; (11) difficulties in adapting to host country; (12) exile syndrome of expatriates; (13) communication blockages in IJV; (14) communication blockages within the parents and between the parents themselves; (15) complexity of decision making processes; (16) difficulties in performance evaluation of IJV staff; (17) lack of training for functioning IJV structure. Although most of the problems which were listed were internal to the IJVs there were also a few problems which related to the relationship between the managers and the parent companies. Despite the fact that the authors reviewed several articles the list may still be extended. Child et al. (1994) and Child and Markóczy (1993) discuss, for example, the problem that host-country managers were often not included in the strategic decision making process, while Markóczy and Child (1994) noted that at the early stage of hybrid formation there is a great deal of change and uncertainty which may attract resistance from many of the employees. These changes are often accompanied by feelings of conflict, career uncertainty, stress and behavioural problems which need to be resolved (Haspeslagh and Jemison, 1991). In their review Shenkar and Zeira (1987) pointed out that most of the studies they reviewed did not report their research methods and were based on studies of only a few IJVs, so it was difficult to tell how generalisable these results were. In addition, different problems are likely to derive from different managerial, organisational, and contextual factors and the relationship between these still remains to be established.

2.2.2.3 IMMOs in transforming economies

There are several problems in IMMOs which are specific to those organisations which have been established in transforming economies, such as those in Eastern Europe or China. The management of these IMMOs have to work in a context where the market institutions are underdeveloped, the environment is uncertain, and the infrastructure is quite weak. There is also often a general level of mistrust towards foreigners on the societal level (Welfens, 1992; Boisot, 1994). Managers also need to overcome certain practices and behaviours (remnants of the previous system) which impede improving efficiency (Pearce, 1991).

2.2.2.4 Discussion on IMMOs

To summarise the above, studies which concentrated on managerial and personnel problems of IMMOs mostly tied these problems to the differences in beliefs, attitudes, norms and behaviours of organisational members which they tended to explain with differences in the cultural backgrounds, and organisational affiliations. Only a few studies considered that there might be individual differences on other basis as well, but not even these studies pursued the matter. Studies which concentrated on managerial and personnel problems are still in the minority compared to those which deal with macro-issues, and they are often based on small samples, and questionable methods. Further investigations are needed to understand the relationship between managerial characteristics, organisational and environmental factors and similarities and differences between managers which help to explain why certain conflicts are present in these organisations. This could have substantial implication for learning, training and staffing in these organisations and consequently for the future performance and longevity of the IMMOs.

2.3 Managerial characteristics

Several studies have demonstrated the effect of various managerial characteristics on managerial perception, beliefs, actions and performance. These include age, educational level, educational specialisation, profession, position, experience, functional area and gender. The effect of these characteristics have been investigated on the individual level and on the group levels. Group level studies mostly concentrated on top management teams by investigating the influence of averaged managerial characteristics, as well as the effect of some group features (e.g., Hambrick and Mason, 1984; Michel and Hambrick, 1992). In the next section these studies will be reviewed from the point of view of the managerial characteristics which they linked to various aspects of managerial knowledge states or action. Although, only a few studies concentrated specifically on the relationship between managerial characteristics and business related beliefs, given the generally accepted interrelatedness of the various cognitive and behavioural factors which are tied to managerial characteristics (e.g., Schwenk, 1984; Hambrick and Mason, 1984; Walsh, 1988) these studies are treated as having implications for the possible relationship between beliefs about business and managerial characteristics.

2.3.1 Age

Age of the manager has been found to negatively correlate with receptivity to change (Carlson and Karlson, 1970; Wiersema and Bantel, 1992), with innovativeness and innovation (Bantel and Jackson, 1989), with willingness to take risk (Hambrick and Mason, 1984), and with organisational growth (Ellis and Child, 1973). It was also found to have a moderating effect between the criteria used for the selection of a cooperating partner and the evaluation of target firms (Hitt and Tyler, 1991). These studies are addressed below in greater detail.

Carlson and Karlson (1970) concluded, based on previous studies, that intelligence and learning ability decline with age which influences the ability to grasp new ideas and learn new behaviours. However, they found a large variation in this respect, depending on the task which needed to be learned. They also demonstrated that the attitudinal aversion towards change tends to increase with age.

Wiersema and Bantel (1992) investigated the relationship between changes in the corporate strategy and the demographic characteristics of the top managerial teams in 87 firms. They looked at the demographic characteristics of groups as opposed to individuals and found that 6 demographic variables which characterised the teams related to the likelihood of strategic change in the firm. The demographic variables included young age, as well as short organisational tenure, high team tenure, high educational level, academic training in sciences and heterogeneity in educational specialisation.

Bantel and Jackson (1989) also collected data on the demography of the top management teams (TMT) in 199 banks in 6 Midwestern states in the U.S.A. and investigated the relationship between these and the innovation adoption by these banks. They found that average age and average tenure of the TMT negatively correlated with innovation while the level of education showed a positive correlation with it.

In a theoretical study Hambrick and Mason (1984) argued that older executives may be less able to grasp new ideas and are likely to have a commitment towards status quo, so they are less likely to follow risky strategies than younger managers.

In a survey of 787 managers in 78 companies Ellis and Child (1973) investigated whether managers differ in terms of their working and social context. As part of this study they found that the youth of managers positively correlated with the faster growth of their organisation. They concluded that this result could have two possible explanations. Either that younger managers are able to devote more physical and mental energy to growth or that growing companies are more likely to hire younger managers. The authors however did not have enough information to be conclusive in this respect. Also, it might be the case that the correlation between age and growth is explainable by the influence of a third factor.

In another survey-based study, Hitt and Tyler (1991) tested the rational normative, external control and strategic choice model through investigating strategic decisions which managers make when selecting partners for cooperation. They found evidence that managers use rational/normative criteria for decision making which largely explains partner selection through the moderating effect of such managerial characteristic as age, type of education and position.

2.3.2 Organisational tenure

Some of the studies which investigated the relationship between managerial age and behaviour also found evidence for similar correlations between managerial behaviour and organisational tenure (Wiersema and Bantel, 1992; Bantel and Jackson, 1989). Hambrick and Mason (1984) argued that those managers who have spent a long time in one organisation are likely to have limited perspectives and tend to avoid radical changes in their organisations. Ellis and Child (1973) also found that longer tenure is associated with a conservative and less risk-taking outlook. The effect of tenure in this respect was found even to be stronger and more consistent than age. After investigating the TMT of 32 airline companies using archive data Cho, Hambrick and Chen (1994) concluded that TMTs with longer than average organisational tenure tended to show risk aversion and launched competitive moves with smaller scope than TMTs with shorter tenure.

2.3.3 Education

Education level was concluded to positively correlate with receptivity to change, with propensity to take risk (Wiersema and Bantel, 1992) and with innovation (Bantel and Jackson, 1989; Hambrick and Mason, 1984). Hambrick and Mason (1984) suggested that in addition to the level of education the type of education also might influence the cognitive models of the managers. They argued that there is a difference in the cognitive models of those managers who were trained in engineering compared to those who were trained in liberal arts or business. Hitt and Tyler (1991), in fact, found evidence for the influence of type of education on managerial decision making.

2.3.4 Position

Ireland, Hitt, Bettis and de Porras (1987) and Stevenson (1976) found that managers perceive the strengths and weaknesses of a company depending on what hierarchical levels they occupy. Ireland et al. (1987) analysed real decisions to measure the relationship between managerial perception of organisational strengths and weaknesses and of uncertainty of the environment. The method which they applied is called policy capturing (Slovic and Lichtenstein, 1971). The authors collected data from 12 top, 24 middle and 20 lower managers in three large companies in South America. They found that managers, within each firm, varied by level in their perceptions of strengths and weaknesses of their organisations and of the uncertainty of their environment.

Stevenson (1976) asked 50 managers from six companies to evaluate the strengths and weaknesses of their firms. He found that managerial level, the perceived role of the managers and the type of their responsibilities strongly influenced the assessment of the strengths and weaknesses of their firms.

2.3.4.1 Consensus in TMTs

There has been a distinct set of studies which have concentrated on top managers but from the point of view whether there is consensus among these managers in the goals and means of an organisation and whether consensus in this respect has positive performance consequences. The results of these studies are highly controversial.

Grinyer and Norburn (1977-78), for example, investigated the relationship between consensus in TMTs on organisational goals and performance. They interviewed 91 top level managers in 21 British companies in 13 different industries and found a relatively surprising level of disagreement in the top managerial teams. Furthermore, they found negative correlation between consensus on goals in TMTs and organisational performance in the highest performing firms. A similar result was reached by DeWoot, Heyvaert and Martou (1977–78) who investigated the relationship between consensus on means and performance in 168 Belgian firms. They found that there was a negative correlation between consensus on means and performance in the more successful firms.

Contrary to the result of these studies Hrebiniak and Snow (1982) found a positive correlation between the agreement of the top-management on the strengths and weaknesses of their organisations and organisational performance even when they controlled for other variables which potentially related to organisational performance. This finding was based on a survey which included 247 top-level managers from 88 companies within four industries.

Bourgeois (1980) found only partial support for positive correlation between consensus in the TMT and performance. He conducted a survey with the participation of 67 managers in 12 non-diversified public corporations. After analysing the data he reached the surprising result that while the agreement on both goals and means associated positively with performance agreeing on means was more important than agreeing on goals. In fact the agreement on goals correlated negatively with performance without agreement on means.

Bourgeois's (1980) findings are also partially compatible with Dess's (1987) results. Dess applied a survey technique to collect information from 74 top-managers in 19 manufacturing firms concerning how they saw the objectives and the competitive methods of their corporations. He found that consensus either on goals or on methods associate positively with performance but not consensus on both.

2.3.5 Functional area

Many studies have concentrated on investigating the relationship between the functional background of managers and their perceptions and behaviours. These works are based on such classic works as Dearborn and Simon (1958) and Lawrence and Lorsch (1967). According to Dearborn and Simon (1958), managers who spend a long time in a particular function develop a viewpoint that is consistent with the activities and goals of that functional position. The authors drew their results from a study of 23 managers, enrolled in an executive course. All of the managers were from the same manufacturing company. The information they used when solving a case-study was identified and was found to be consistent with their functional backgrounds.

Lawrence and Lorsch (1967) concluded from a survey of 6 organisations in 3 industries with 30 to 50 managers per organisation that managers who work in different functional units show differences in their goal orientation, time orientation and interpersonal orientation. The authors thought that one of the main challenges for management is to simultaneously maintain both differentiation and integration in the orientation of managers.

Since these classic studies there have been studies, which reinforced the effect of functional backgrounds of managers on their orientation and behaviour while other did not find this kind of connection.

Ellis and Child (1973), for example, found differences in the personal orientation of design, personnel, marketing and workflow managers, compared with other functional managers. The former group tended to show more flexibility towards variety in work and risk taking than managers in other functional areas.

Stewart and Latham (1980) also found evidence relating to functional differences between managers by looking at their goal preferences. They investigated 40 executives in 10 National Football League (NFL) teams in the US by applying a preference mapping technique where they identified 21 possible goals of the NFL and asked managers to indicate their preferences for each of the goals on a Likert-type scale. They found among other things, that managers with different functional backgrounds tended to place a different emphasis on the organisational objectives.

Contrary to the result of the above studies Walsh (1988) did not find any evidence that managers viewed their organisations through the narrow lenses of their current functional areas or work experience in different functional areas (functional diversity). He applied a card selecting technique with 121 managers enrolled in a part time executive course. Walsh identified 50 success factors from the literature and asked managers to sort these cards into two piles according whether they found these important or unimportant to organisational success. Next, managers had to sort the important factors into smaller piles of related factors. They also had to solve a case-study, similarly to the method used by Dearborn and Simon (1958). Analysing these data, Walsh (1988) concluded that managers either do not have a firmly held dominant conception of success or if they do, the success factors which they found relevant crossed functional lines.

Houghton and Neubaum (1994) argued that the inconsistency of the findings concerning the relationship between functional backgrounds and managerial perceptions might be the consequence of the issue being more complex than originally assumed. The authors drew their field data by using a similar card sorting technique to Walsh (1988) and questionnaire responses from 504 top managers in 96 hospitals in the U.S.A. In the survey, managers were asked to recall the strategic issues which the TMT discussed in the last year. From the card selecting task the authors concluded that managers do not have narrow belief structures tied to their functional backgrounds. They also found that managerial beliefs on success could be better tied to their previous functional experiences than to their current functional backgrounds. However, when the questionnaires were analysed it was found that managers tended to recall those strategic issues from the TMT meetings which related to their functional backgrounds, demonstrating a selective perception of importance based on functional backgrounds.

Most of these studies investigating the effect of functional area on managerial perception have concentrated on the current functional area and functional diversity. Michel and Hambrick (1992), however, suggested that the effect of dominant functional area also needs to be considered which is the area in which managers have spent most of their time.

2.3.6 Profession

In a paper Child, Fores, Glover and Lawrence (1983) argued that in certain nations like Britain, strong evidence can be found for the existence of a strong institutional and value system of professional groups. They attributed this to be the consequence of the professional education system. Hambrick and Brandon (1988), however, considered that there is a self-selection procedure in terms of what kind of individuals enter into certain types of professions. Allport et al. (1970), for example, found that the values of students in business administration were significantly different from those of students in other fields. The former group tended to emphasise more the economic and political values and deemphasise social and religious values. This finding implies a two way interrelationship between the values of people in certain professions and their professional education, similar to the relationship implied by Haire et al. (1966) in section 2.1.

2.3.7 Gender

Sex-related differences were found to exist in job satisfaction (Hulin and Smith, 1964), in organisational commitment (Graddick and Farr, 1983) and values (Centers and Bugental, 1966). Among American managers, women were considered as less tough-minded and more naïve yet more suspicious and more likely to break rules. According to one view women managers are competitive, insecure and over-controlling (e.g., Henning and Jardim, 1977), and also more tense and less self-assured than men (Ottaway and Bhatnagar, 1988). According to another view women managers are actually more relationship oriented and do not mind sharing power (e.g., Helgesen, 1990). Others found that sex-differences on job-reaction and dispositional variables could be explained away by differences in the jobs and rewards which males and females receive (Lefkowitz, 1994) or by the socio-cultural context in which managers work (Ely, 1994). These findings suggest that gender differences exist in cognition, action and behaviour although leave open the source of differences. These studies however do not ask the question how important these gender differences are relative to other managerial characteristics in influencing the beliefs of the subjects.

It should be noted that, unlike Lefkowitz (1994) and some other researchers in the field, a distinction between "sex" and "gender", in which where the former is a biological category and the latter is a social and psychological category, is not maintained here. Although the distinction may be useful for some specialised studies, the biological category is a reasonable substitute here.

2.3.8 Discussion on managerial characteristics

The above studies addressed various links in the long chain between managerial mental state and action. More attention seems to be paid to establishing the link between managerial characteristics and action than between the mental state of managers and managerial characteristics. This is likely to be related to the fact that it is easier to operationalise and measure managerial characteristics and behavioural factors than managerial cognition. That measurability was one of the major constraints on investigating the effect of managerial cognition on action could be suspected from the fact that while the importance of managerial cognition in decision making and performance was reintroduced to the management literature earlier (Child, 1972; Thompson, 1967), the number of studies in this respect showed a clear jump after Hambrick and Mason (1984) composed the argument (which remains untested) that managerial characteristics were in fact surface level, measurable representations of the underlying knowledge structure of managers. In fact, Hambrick (1994) complained that from the Hambrick and Mason's (1984) article researchers mostly seemed to notice the substitutability of managerial cognition with managerial characteristics and ignored the main points of the article. He also stated that while the link between managerial characteristics and action have been well researched, sufficient attention has not been given to the question of whether such characteristics are indeed related to the managers' knowledge base and whether these characteristics have the same relative importance in explaining the knowledge base of the managers. This reinforces the need for studies such as this thesis to fill the gap.

Although many of these studies were highly rigorous they often failed to consider the effect of organisational, industrial, and national differences which might influence the relationship between managerial characteristics and the other investigated variables. Wiersema and Bird (1993), for example, were among the few who extended their study on managerial demography to a non-U.S. setting and concluded that national cultural differences are likely to moderate the relationship between TMT characteristics and organisational outcome. Further studies like this are needed which investigate the effect of contextual variables on the relationship between managerial cognition, action, performance and managerial characteristics.

2.4 Literature on the effect of industry

There has been an increasing amount of work which has recognised the potential influence of industry (or sector) on the norms and culture of organisations (e.g., Gordon, 1991; Chatman and Jehn, 1994), on their strategic behaviour (e.g., McGee and Thomas, 1986; Johnson and Thomas, 1987) and on the policy choice and strategy formation by their managers (e.g., Grinyer and Spender, 1979; Spender, 1989; Huff, 1982; Reger and Huff, 1993). Most of these works were less concerned with the broader notion of industry and more interested in identifiable groups within industries which are mostly called strategic-groups, but are also referred to as industry-groups or industries. In the traditional sense the boundaries of industries are drawn on the basis of markets and technologies. By the market criterion firms are classified as being the same industry if they produce products that are close substitutes to each other (Porter, 1980), while by the technological criterion similarity of processes matter (McGee and Thomas, 1986). Industry-groups are a finer grouping of companies than industries and are based on the strategic behaviours of the companies (e.g., McGee and Thomas, 1986) or on similarities in the mental models of their strategist (e.g., Reger and Huff, 1993; Spender, 1989). Most of the studies reviewed here use the notion of industry-groups when they write about industry. In line with these studies, industry, industry-groups and strategic-groups are used as synonyms unless stated otherwise. In section 2.4.1 studies which concentrate on the relationship between industry and strategic behaviour are briefly reviewed while, in accordance with the interest of this thesis, more attention will be given to studies (section 2.4.2) which concentrate on the influence of industries on the values and the beliefs of strategists within industry-groups.

2.4.1 Industry-group based on behaviour

McGee and Thomas (1986) provided a good review of those works (up till 1985) which categorised firms based on similarities in their strategic behaviours and used these groups as their unit of analysis when linking strategies to performance. Six out of 20 works reviewed by McGee and Thomas (1986) were in the format of unpublished dissertations at the time which suggested that grouping firms based on their strategies was a new area of interest. Since then there has been an increasing amount of work which has investigated strategic groups, mostly concentrating on the relationship between their strategy, structure and performance (e.g., Johnson and Thomas, 1987; Lewis and Thomas, 1990), on the fit between strategy and environment (e.g., Lawless and Finch, 1989) or on producing better classification techniques for strategic groups (e.g., Hatten and Hatten, 1987). As McGee and Thomas (1986) pointed out, most of these works used some surrogates to measure strategic behaviour and structure (such as size, vertical integration, product range) and were less concerned with the strategy formation process. There were substantial steps made towards the investigation of the strategy formation process by the key work of Spender (1989), who argued that there is an "industry level knowledge base" which influences the strategy formation process of the firms; by Porac, Thomas and Baden-Fuller (1989), who talked about industry-groups as "cognitive communities"; and by Child and Smith (1987), who argued that a sector constitutes a "cognitive arena".

2.4.2 Industry-groups as cognitive communities

In his book on industry recipes Spender (1989, p. 9) was among the first to try to identify "the industry's strategic knowledge base" from which managers draw in dealing with uncertainties. The industry recipe which forms this knowledge base was identified as "the business related world-view of a definable "tribe" of industry experts, and is often visibly articulated into its rituals, rites of professional passage, local jargon and dress." (p:9). To codify certain aspects of these industry recipes Spender (1989) conducted unstructured interviews with one strategist per company in 34 companies in 3 industries. From the interviews he identified 14 to 16 constructs in each industry which formed the industry recipe. He speculated that these recipes could provide support to managers in policy and strategy formation, but that they constituted neither necessary nor sufficient information, leaving space for individual choice. For eliciting what he called "unfamiliar meaning structures" Spender (1989) applied an interpretive approach. Instead of the standard validity measure he proposed that a method should be taken as valid if one is ready to act on the result of the generated knowledge. Unfortunately, there is no information on the practical application of the results although there are some suggestions on how the notion of industry recipes could be used in practice, thus it is not clear that his method approaches his own standard of validity. Grinyer and Spender's (1979) work which investigated in an organisational setting how change might require abandoning one recipe in favour of another could be considered a kind of validation, but Spender (1989) did not use the potential of this study for validation. No reference was made either to Child and Smith (1987) who provided a good example in their case study to the utilisation of the sector based knowledge in Cadbury Ltd.

Building on Spender's work on industry recipes, Huff (1982) argued that industry-wide mistakes in environmental interpretation and strategic response provide evidence for the existence of on industry-wide repertoires of possible strategic frameworks. She speculated that there is a pool of concepts for each industry-group from which managers can draw to build up new strategies. She called for research which would concentrate on identifying these pools of concepts and would investigate how these change over time.

Analysing interviews conducted in 17 Scottish knit-wear manufacturers, Porac et al. (1989) explored how the mental models of competing strategists may become similar over time on an industry-wide basis. Porac et al. (1989) thought that similarity in beliefs on the group level develop over time as a result of direct and indirect imitation between strategists. Direct imitation occurs because strategists face similar problems over time which have a finite number of solutions. Direct imitation happens because of the formal and informal communication between competing firms. The authors concentrated on the consensus which managers develop over time at the industry-group level about how to conceptualise their competitive environment. They did not see consensus as requiring complete similarity in beliefs, but as an agreement on a set of core beliefs, even if there is variation between individual strategists in other respects. Applying this weak notion of consensus leaves open the question of what degree of agreement and variation accounts as consensus as opposed to difference in beliefs.

In their study, Reger and Huff (1993) tried to prove that strategy groups exist. This was questioned by Hatten and Hatten (1987) and by Barney and Hoskisson (1990). These latter authors see strategy groups as analytical concepts and warn against what they call "anthropomorphising" these groups. Reger and Huff (1993) argued that strategic groups exist and they demonstrated their point by showing that industry participants share perceptions about the strategic commonalities across firms. For their study the authors applied semi-structured interviews, which built on the repertory grid technique, with 23 strategists in six large banks in the Chicago area. They found that strategic group structure is widely shared by strategists within an industry and assumed that these shared beliefs influence their strategic decision making.

Chatman and Jehn (1994) took the broader notion of industry when investigating the influence of industry on organisational cultures. They investigated 15 firms in 4 industries in the service sector and found that there was less variation in the values of organisational members within the industry than between industries. Their study made it obvious that similarity within industry is a relative category which could only be understood in comparison with other industries or industry-groups. This argument questions the validity of studies like Porac et al. (1989) who searched for cognitive consensus within industry groups. That is one can only determine if there is relative similarity within a group if members of that group are more similar to each other than they are to individuals outside of that group. This point will come up again in chapter 3.

2.4.3 Discussion

Despite the inconsistency of the findings, the above studies suggest an industry influence on strategic behaviour of organisations, and the mental models and values of their strategists. Studies which concentrate on measuring the relationship between industry and strategic behaviour of the firms were usually rigorous, quantitative studies, which, however, did not pay attention to the strategy process. Studies which concentrated on the relationship between industry and the mental models of managers aimed to fill this gap. However, they introduced a circular definition of industry by defining it with similarities in the perception of the participating managers which as (Spender, 1989, p. 188) himself admits could be problematic. This, however, becomes a lesser problem if we consider that similarity of the mental models of the strategist within an industry group is treated as a relative and not an absolute category.

2.5 Lines of inquiry suggested by the literature

Table 2.1 lists those managerial characteristics which have been found to influence any aspect of managerial cognition or behaviour in the literature reviewed in this chapter. Given the interrelatedness between the cognitive, behavioural factors and beliefs, which was discussed earlier in this chapter, these factors could be predicted to also have influence on managerial beliefs. While, the relevance of these factors could be predicted based on

Literature Characteristic	Nat.–Cult. §2.1	IMMO §2.2	TMT §2.3	Indust. §2.4
Nat. Background	×	×		
Situation (changes)		×		
Age			×	
Tenure			×	
Education level			×	
Education type			×	
Position			×	
Function area			×	
Function diversity			×	
Dominant Func. div			×	
Profession			×	
Gender			×	
Industry				×

Table 2.1: Lines of inquiry suggested by the literature

previous works, which were reviewed above, no such prediction could be drawn on their *relative* importance given that these studies did not address that question. However, predictions could be made for the direction of the relationship between individual managerial characteristics and similarities and differences in managerial beliefs which carry implication on the interpretation of the sign (positive or negative) of statistical associations. These predictions are listed below in section 2.5.1.

2.5.1 Directional hypotheses

This subsection lists hypotheses about the expected direction of the influence for the factors listed in table 2.1. The reader should not be mislead by this section: *It is not the goal of this study to test the following hypotheses, but instead to see which matter most and under what circumstances they matter.*

HYPOTHESIS 2.1 *Those with similar national-cultural background will show larger similarities in their business beliefs than those of different national-backgrounds.*

Hypothesis 2.2 *The smaller the distance between the age of the managers the more similar their business beliefs are going to be.*

Hypothesis 2.3 *The smaller the distance between the organisational tenure of the managers the more similar their business beliefs is going to be.*

Hypothesis 2.4 *The closer the education level of managers to each other is the more similar their business beliefs are going to be.*

Hypothesis 2.5 *Those with similar education type will show more similarities in their business beliefs compared to those with different education type.*

Hypothesis 2.6 *Managers in similar positions will have more similar business beliefs compared to those with different positions.*

Hypothesis 2.7 *Those managers who occupy similar functional areas will have more similar business beliefs to each other compared to managers in other functional areas.*

Hypothesis 2.8 *Those managers who have their dominant experience in similar functional area will show more similarities in their business beliefs compared to those who have their dominant experiences in other functional areas.*

Hypothesis 2.9 *The more diverse functional experience a managers have the more similar their business beliefs are going to be.*

Hypothesis 2.10 *Managers of the same gender will be more similar in their business beliefs compared to managers of different genders.*

2.5.2 Other factors

The managerial characteristics whose relative importance is looked for in this study are basically drawn from table 2.1 with a few exceptions,[3] while the directions of influence were interpreted based on the above hypotheses. In addition to emphasising the relevance of managerial characteristics in influencing their beliefs studies on national cultural differences and on IMMOs also called attention to the potential situational factors which might influence managerial beliefs which were guiding tools in building up the case-studies on the investigated organisations and in comparing these organisations (although important issues also were allowed to emerge during the process of the fieldwork as discussed in chapter 3). These studies called attention to the importance of such contextual and situational factors in influencing managerial beliefs as the purpose of the hybrid formation, the power balance between partners in the hybrid, the changes which took place within the organisation, and the integration approach applied by the partners (see sections 2.2.1 and 2.2.2.1). National cultural studies also indicated that certain nations are likely to prefer certain ways of organising, which implies that these nations are likely to have preference to a certain type of integration approach in the hybrids which fits to their preferences in organising (section 2.1.1.3). While, based on this literature, predictions could have been drawn on the effect of contextual factors on similarities and differences in managerial beliefs an exploratory study was chosen instead to allow important situational and contextual factors to emerge from the field which characterise the given macro-context. The literature was utilised for putting together an "aide memoire" (see Appendix A) which helped the qualitative data collection on the contextual and situation factors. The data collection and analysis techniques are described in details in chapter 10.

[3]These exceptions, discussed more fully in chapter 3, are language knowledge (monolingualism vs. multilingualism), which was added after field experience; education level, which was dropped as there was virtually no variation in the sample; and profession, which was substituted with education type (science/engineering vs. other).

Chapter 3

Methods

Several methods were used for collecting and analysing information on the effect of managerial characteristics and organisational factors on managerial beliefs. In this chapter the sample selection, the methods used, the problems of data collection and the different types of data analysis are described. Data were collected at two levels: the organisational and individual. Information on the IMMOs was collected by using interviews, informal discussions, archival data and press reports. For measuring managerial beliefs a causal mapping technique developed by Markóczy and Goldberg (1995) was applied which allowed systematic comparison between causal maps (CMs). For collecting information on managerial characteristics a structured, closed-ended questionnaire was used. The results of the analysis of CMs were presented to the participating managers through feedback sessions which also served to collect further information. Both the feedback sessions and the interviews were used for interpreting the statistical results.

3.1 Sample

The sample selection was decided based on the requirements at both the managerial and organisational levels.

3.1.1 Sample of organisations

The aim was to select organisations where the effect of organisational and managerial characteristics which might potentially influence the business beliefs of managers could be measured and compared. International Mixed Management Organisations (IMMOs) were selected for this purpose because these organisations are lead by international managerial teams so, in addition to other managerial characteristics the effect of national differences also could be measured. The study was conducted in Hungary in Hungarian-foreign IMMOs for several reasons. One is that Hungary is a transforming economy where basic differences in the business beliefs between local and foreign managers could be expected. These differences are important at a time of macro and and micro level changes which makes them easier to capture. It also makes it easier to tie the findings to some of these changes. The author is also Hungarian, with a detailed background knowledge of the Hungarian economy and the privatization process, and a native Hungarian speaker which made communication easier with local managers.

The number of IMMOs investigated was limited to five because the number of organisations which matched the selection criteria and were willing to participate in the research was highly limited.

The selected IMMOs had to be large in terms of number of employees so the required managerial sample size could be reached. Large organisations were also desirable given that these organisations constituted the core of the state sector in Hungary before the system change. These were organisations where the biggest changes and the largest initial differences were expected among managers after the formation of the IMMOs. Only four of the five IMMOs in the sample were large in terms of number of employees, the other being large only in terms of capital.

In addition to size, the aim was to select organisations which existed before the formation of the IMMOs, so changes within the organisations could be traced as a consequence of IMMO formation. The IMMOs, however, had to be relatively young, so the initial differences between Hungarian and foreign managers, if they existed, could be captured. In the end four of the organisations in the sample satisfied this criterion while one of the organisations was newly established.

Although it would have been desirable to study differences between organisations based on the differences in the cultural backgrounds of the foreign partners, the potential sample size which met the above selection criteria was so small that comparison between IMMOs on the basis of nationality of the foreign partners would be highly limited. Organisations were therefore chosen where the foreign parent company came from a single, relatively broadly defined region which Hofstede (1991) identified as **anglo-saxon**. Using Hofstede's dimensions (Hofstede, 1980) which were detailed in section 2.1.1.1 anglo-saxon countries such as Australia, Canada, The US, New Zealand, Ireland and Great Britain fell into the same cluster by showing low to medium power distance, low to medium uncertainty avoidance, high individualism and high masculinity (Jackofsky and Slocum, 1988). One of the reasons for selecting IMMOs with anglo-saxon partners was that English was the non-Hungarian language in which the research could be most easily conducted. Anglo-saxon partners were also the largest investors in Hungary in terms of capital (*Heti Világgazdaság* 1992) and they tended to invest into large organisations. Another possible area, Hofstede's "germanic", would also have been a possible choice, but while Austrian and German investors were large in terms of number of investments, the organisations in which they tended to invest were relatively small (Bossányi, 1994a). In the end, four of the IMMOs which were selected had American partners while one had a British partner. Despite selecting IMMOs with anglo-saxon partners, seen in table 3.1, this did not mean that the foreign managers who were sent to Hungary necessarily had anglo-saxon backgrounds. In two of the IMMOs, which had American partners the foreign managers were sent from the European headquarters of the parent. Given that managers were relatively homogeneous within each IMMO and foreigners were only treated together in one type of analysis (which is discussed later) this variation in the nationality of the foreign partners did not cause an insurmountable validity problem in the data analysis. It must be noted however that, while the sample is restricted to anglo-saxon foreign partners, the sample of foreign managers is not.

Originally, it was planned to select IMMOs from the same industry as the small sample size would provide results of limited generalizability for the effect of industry. The limited number of potential organisations however did not allow the selection of IMMOs from the same industry. As a compromise, three organisations were selected from the food industry while two organisations were chosen from the manufacturing sector. This had the fortunate side effect that predictions could be made about the effect of the industry even if the generalizability of the findings was limited.

Obtaining permission from the management of IMMOs who were in the potential pool of organisations was a difficult task. To increase the chance of agreement with the research, in addition to the formal procedures, informal contacts were also used. In particular, managers in the organisations studied earlier, recommended participation to their acquaintances in other organisations. As part of the formal procedure in all organisations the executive director was first called on the phone and a letter was sent to him (it was a man in all cases) describing the goal of the research, the required number of participating managers and the requested time from each manager and also the potential benefit to the organisation of participating. Accompanying each letter was a letter of recommendation from the University of Cambridge. Of the eight organisations which were approached, six agreed to have an initial discussion between the executive director, the personnel (or in one case the public relations) manager and myself. The executive directors of the five organisations decided in favour of the research. After the executive director had approved the research, managers who would be invited to participate were selected based on the organisational chart. A letter was sent to each of them, endorsed by the personnel or the public relations manager, requesting them to participate.

Characteristics	A	B	C	D	E
Employees (before acquisition)	18500	—	1700	1500	1400
Employees (current)	9000	276	1000	1500	1300
Sector	manuf.	manuf.	food	food	food
Foreign parent	US	US	US	UK	US

Table 3.1: Companies in the sample

In company C though despite the executive director agreeing that his subordinates should participate in the research he himself was not willing to allow his causal map to be elicited but was only willing to be interviewed. This was the only case where the executive director refused to participate in the causal mapping process. It was very likely that he did so because the method was not transparent to the subjects and therefore they could not easily monitor the elicitation process. As a result managers were often concerned that deep secrets of their beliefs could be revealed.

Characteristics of the investigated IMMOs are summarised in table 3.1. Organisations are identified by letters A–E.

3.1.2 The sample of managers

The number of managers to participate in the research within each organisation had to be relatively large so the relative influence of managerial characteristics on similarities and differences in managerial beliefs could be established. It was decided to aim at a minimum number of twenty managers for each organisation because this is the minimum number of managers among which enough diversity could be expected in the factors which could be identified from the relevant literature as having some influence on managerial beliefs. Twenty was also chosen based on pragmatic considerations. Requiring twenty managers to participate in a time consuming exercise like this was thought to be a target number which could be reached without jeopardising the chance of receiving permission to conduct the research in IMMOs. Even with this modest sample size, of the

Characteristic	A	B	C	D	E
Managers	20	20	27	22	22
Foreigners	8	8	8	5	8
Nationality of foreigners	7 US 1 Irish	3 US 5 Benelux.	7 Dutch 1 Belgian	4 UK 1 Finnish	7 Austral. 1 US
Top managers	11	5	8	6	10
Non-top man.	9	15	19	16	12

Table 3.2: Managers in the 5 organisations

eight organisations which were approached, three decided against participating in the research because they were not willing to devote so much managerial time for this purpose. In addition, in one IMMO where the management decided to participate in the research, there were difficulties in reaching the required sample size because they did not have that many full time managers in the company. Originally a random sample selection was planned but this was abandoned for two reasons. One was that the number of foreign managers was limited in most of the IMMOs, so all of the available foreign managers had to be included in the sample. The second was that the foreign managers were always placed at the top or only one or two levels down from the top managerial levels; so Hungarian managers also needed to be selected from the top down to match the sample of the foreign managers. Selecting managers from the top (one level down from the executive director) and from the second and third levels was also desirable given that these managers were assumed to be better informed about the business situation of their companies compared to managers at lower levels. These considerations made the sample selection non-random. In the end, 111 managers were studied in the five IMMOs. Their composition in terms of nationality and position are given in Table 3.2 for each company.

3.2 Two levels of the analysis

The data collection and analysis were also conducted at two levels. First, within each investigated IMMO the managerial beliefs were measured, compared and the relative importance of managerial characteristics were established. The results were analysed and interpreted within each organisational context. Next, the different IMMOs were compared and similarities and differences between organisations were matched with the similarities and differences between the relative importance of managerial characteristics in influencing managerial beliefs in the organisations. By doing the analysis in two stages comparisons were made at the same levels (between organisations vs. between managers) and only then was the relationship between these different levels established. The importance of applying the right level of analysis has been widely emphasised in the literature (e.g., Klein, Dansereau and Hall, 1994; Bedeian, Kermery and Mossholder, 1989; James, 1982; Hofstede, 1994a). Klein et al. (1994) also suggested that data analysis should be done at the same level, although this could not be entirely followed here. Due to the peculiar nature of using distance based data, one part of the data analysis is at the level of differences between individuals which is neither an individual level, nor a group level construct. The results of these analyses within each organisations is then taken to be information about organisations, providing for an organisational level of analysis.

The description of the data collection and analysis follows these two steps. In the first part causal maps are described as means to represent a limited aspect of managerial beliefs and the stages of the causal mapping technique used and the different analysis techniques which were used to identify the relative importance of managerial characteristics in influencing similarities and differences in managerial beliefs are discussed. Next the techniques which were used to collect data on IMMOs are presented and then the methods for comparing the intra-organisational results with similarities and differences in organisational features are described.

3.3 Causal maps

Causal maps (CMs)[1] are special types of cognitive maps which are widely used to capture managerial beliefs (e.g., Laukkanen, 1990; Huff, 1990; Eden, 1992). CMs are considered to contain two basic elements which makes them suitable tools to represent managerial beliefs (Laukkanen, 1990). These are the issues which subjects consider relevant in a given domain, and the assessed influence relationship between these issues. Beliefs on what is important provides an important clue as to what hold the subjects' attention (Stewart and Latham, 1980; Lord and Maher, 1993), while causal relationships provide information on how subjects might assign attributions (Fiske and Taylor, 1991). They therefore seek to represent an important aspect of the subject's beliefs. CMs were chosen to represent managerial beliefs because they present the above information in a concise and structured way and may be subjected to different forms of analysis. It should be noted, however, that although some relevant aspects of managerial beliefs are represented by CMs, these are still only capable of capturing a limited, although important, component of a manager's beliefs. The use of the term managerial beliefs in this dissertation therefore refers to only a limited aspect of managerial beliefs, namely the factors identified as relevant in a given domain (according to criteria set by the researcher) and the causal relationships between these factors.[2]

CMs can be displayed in different forms, such as diagrams, association matrices, extended association matrices and in a set representation format. These are equivalent (Markóczy and Goldberg, 1995), but some are better suited to statistical analysis and others to visual analysis. All comprise nodes corresponding to constructs, and arcs which mark the exis-

[1]Causal maps here also include influence diagrams which are similar in nature to CMs. As Seeger (1993) pointed out, however, those who do causal mapping often do not pay attention to the literature on influence diagrams (which are mainly used as decision support tools) while those who use influence diagrams are not familiar with the research on causal mapping.

[2]Sometimes, as is apparent from the text, the term managerial beliefs are also used as a short hand for similarities and differences in managerial beliefs.

Figure 3.1 Diagrammatic presentation of causal map

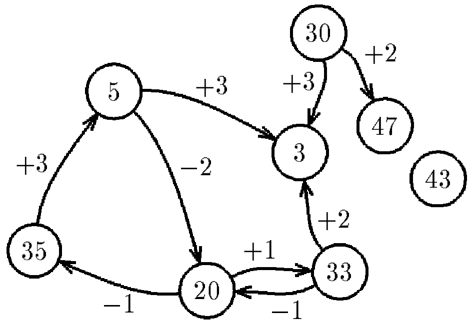


Figure 3.2 Association matrix presentation of causal map

	30	47	3	5	33	43	20	35
30	0	2	3	0	0	0	0	0
47	0	0	0	0	0	0	0	0
3	0	0	0	0	0	0	0	0
5	0	0	3	0	0	0	0	0
33	0	0	2	0	0	0	−1	0
43	0	0	0	0	0	0	0	0
20	0	0	0	−2	1	0	0	−1
35	0	0	0	3	0	0	0	0

3	Vision and strategic direction	5	Market share
20	Competition in market	30	Leadership in organisation
33	Knowledge of market needs	35	Brand recognition
43	Bank connections	47	Efficiency/productivity

tence and direction of influence (which node influences the other) between nodes. Some CMs also contain information about the polarity of influence (whether the influence is negative or positive) (e.g., Ackermann, Cropper, Eden and Cook, 1991; Bougon, Weick and Binkhorst, 1977) and the weight of influence (which could range, for example, from weak, moderate, or strong) (e.g., Markóczy and Goldberg, 1995). Figures 3.1–3.2 contain examples of a causal map in a diagram and a matrix format while appendix D contains examples of two association matrices and their corresponding extended association matrices.

Comparing figures 3.1–3.2 where a node in the diagram is a circle with a number in it, the node in the matrix is a column and row, with the column (row) headed by the node number. An arrow between two circles corresponds to an arc in the diagram, while a matrix cell with a non-zero value corresponds to an arc. In the the diagram the direction of the influence follows the direction of the arrow. In the matrix the direction of the influence is from row to column. For example, a cell in the matrix such as $m_{8,4}$ will contain the label of the arc in this example from n_{35} to n_5. In this example that is +3.

The **extended association matrix** is a variant of the association matrix, which contains extra rows and columns as needed so that, for example, row and column 5 will correspond to n_5 and row and column 35 will correspond to n_{35}. Note that the number of extra rows and columns depends on the number of the field of those possible nodes which are not included in the association matrix. Extended association matrices are not very convenient display forms because they tend to be very large and also difficult to follow visually. However, the comparison technique which is introduced in section 3.4.4 could be best stated by using extended association matrices , therefore two examples of very small extended matrices were constructed and presented (together with the association matrices were they constructed from) in appendix D for the sake of stepping through the comparison technique in detail.

CMs may be elicited from archives, which could be textual (Barr, Stimpert and Huff, 1992; Narayanan and Fahey, 1990) or quantitative (Hall, 1984), from interviews (Eden, 1988; Ackermann et al., 1991) or by using a predefined list (Ford and Hegarty, 1984; Markóczy and Goldberg, 1995). CMs drawn from archives or interviews are often constructed for the purpose of learning about a given problem domain rather than mapping different managerial beliefs. This property makes them useful decision aiding tools (e.g., Diffenbach, 1983). Other CMs are drawn with the purpose of investigating the beliefs of subjects. CMs which are drawn from interviews or texts with this purpose are often constructed without placing a limit on the size of the maps, or on the way that the expressions which the subject or groups (in case of aggregated maps) use during the interviews or in the text should be preserved. These CMs are well suited to intra-map analysis concentrating on the structure of the maps or changes in the structure of maps of the same subject over time. Investigating the structure includes issues such as differentiation and integration between nodes (Goodman, 1968; Walsh and Fahey, 1986), or identifying focal vs. peripheral nodes (Eden, 1988), or finding positive and negative loops (Diffenbach, 1983), or investigating the complexity and density of the maps (Ginsberg, 1990). Historical analysis of the structure of CMs could concentrate on what nodes and influence relationships were eliminated in the CMs over time and what new nodes and influence relationships were added (Barr et al., 1992). Maps of this nature may also be subjected to linguistic analysis, such as what expressions were used by the subjects as opposed to others and why (Simons, 1993) or the structure of the maps could be used to assign meaning to a complex phenomenon (Bougon, 1992a). These types of mapping techniques are usually used for in depth analysis of individual or aggregate maps for a small sample size. Comparison between these maps is difficult task which raises serious reliability issues. When maps are compared, individual raters are usually used (e.g., Daniels, Markóczy and de Chernotony, 1994). Tools such as CMAP (Laukkanen, 1989) have been explicitly designed to assist in this process. Tools such as COPE (Ackermann et al., 1991) may help the raters to visualise the map.

For large samples, where the purpose is the comparison of managerial beliefs mapping techniques which are elicited in a systematic way by applying a predefined pool of constructs are more applicable (e.g., Markóczy and Goldberg, 1995; Ford and Hegarty, 1984). Although these techniques sacrifice some of the "idiography" (Eden, 1993) of the CMs for the sake of reaching comparability this problem may be decreased if the list is elicited from the subjects themselves (e.g., Bougon et al., 1977), from similar subjects (e.g., Markóczy, 1992a) or from experts (Diffenbach, 1983) considering the domain of interest. They may also be enhanced if subjects are able to select from this pool of constructs during the elicitation of the CMs (Markóczy and Goldberg, 1995). By applying a pool of constructs the researcher can link the constructs with a definition and let subjects select the most important constructs based not only on their labels but also on their definitions. This will help to ensure that different subjects who select the same constructs are more likely to attribute the same meaning to these constructs than subjects whose maps are elicited from interviews and text. Comparability between CMs is therefore more reliable. By using a predefined list researchers can also ask the subject to assess the influence relationship between each pair of selected constructs which makes sure that certain arcs are not left out simply because the subject forgot to mention them. This also increases the probability that comparable maps are produced (Markóczy and Goldberg, 1995) and produces maps which are denser than with other methods. This method has the advantage that after the pool of constructs has been put together and defined, the researchers' influence on the elicitation process is eliminated, unlike in the case of interviews, which further enhance the validity of the maps (Markóczy and Goldberg, 1995). However, maps which are produced in this way are less suitable for in-depth structural or linguistic analysis unlike maps elicited from interviews or text. Further limitation of the applied method are described in section 11.7.1.

An alternative method to produce comparable maps was suggested by Laukkanen (1992) who elicited CMs first from interviews and then translated them to comparable maps. He identified general labels and translated the constructs used by the subjects into these general and comparable labels after the CMs were elicited. This method has the advantage compared to a predefined list that it does not constrain the space of construct selection by the subjects at the beginning of the elicitation process. However, this is the cost that after the elicitation of the CMs the researcher has to recode the maps by putting the constructs which the subjects used into more general labels. This recoding brings the subjectivity of the researcher into the process at a stage after interaction with the subject is finished. This technique is also labour intensive enough that it substantially reduces the feasible sample size. The largest sample to which Laukkanen has applied this technique so far is nine managers (Laukkanen, 1994).

3.4 Steps of the method

The steps of the causal mapping and analysis technique used here follow the steps listed by Markóczy and Goldberg (1995):

1. The development of a "pool of constructs" from which the subject

can select the most important ones.

2. Selection of a fixed number of "constructs" by the subjects.

3. Constructing the CMs of each individual subject by having her/him assess the influence of each of her/his "selected constructs" on her/his other selected constructs.

4. Calculate "distance ratios" between "causal maps" using a modified version of Langfield-Smith and Wirth's (1992) formula.

5. Perform a variety of statistical tests on the distance ratios to identify what "characteristics" account for similarities in thinking. In addition to the quantitative analysis the data are also subjected to qualitative analysis.

3.4.1 Pool of constructs

Since managerial beliefs are too general to assess, even if it is narrowed down to business related beliefs, this study considered only those beliefs which were related to factors which might influence business success. Similar considerations were applied by Walsh (1988) when he measured managerial beliefs based on their views on what factors characterise successful organisations. The pool of constructs which managers consider influential or related to some notion of business success was derived, in part, from 30 interviews with Hungarian and foreign managers in IMMOs as part of a separate study (Markóczy, 1993b; Child and Markóczy, 1993). Initially, all issues which were mentioned were listed without paying attention to repetition or overlap in meaning. Issues which the researcher judged as similar (in consultation with her supervisor) were collapsed into general constructs, (an accepted technique in content analysis). A similar method was used, for example, by Thomas et al. (1993). If a distinction between two similar constructs was emphasised by the managers themselves, however, then these were left as separate constructs. For example, some Hungarian managers complained that foreign managers had a short term profit orientation as opposed to a long term one. Because they emphasised the distinctiveness of these two orientations both yearly profit and long term profitability of the company remained separate constructs. The above procedure yielded 60 constructs. To ensure that the pool of constructs covered a broad notion of business success, these constructs were supplemented with four items from the list of fifty success factors used by Walsh (1988), but not including those which were closely connected to his particular interest in departmental biases. The pool of constructs were used in two pilot studies: one of which included three full time MBA students at the University of Cambridge, and another which included 49 executive MBA students from Cranfield University. Managers and students who participated in the pilot study were asked to note constructs which they considered similar in their meaning, and also to add new constructs if they saw that some, potentially relevant, constructs were missing. No new constructs were added to the pool as a result of these pilot studies, but rather the original 64 constructs were reduced to 48 to which one additional construct was added, relationship with suppliers (at the suggestion of Kari Lilja). The constructs along with clarifying definitions were translated from English to Hungarian by the author (a native Hungarian speaker) and then independently translated back into English by a professional Hungarian-English translator. The English translation was compared to the original English text by a native English speaker and the Hungarian text was modified by the author if a difference between the two English texts could be attributed to problems of the translation from English to Hungarian.

3.4.2 Selection of constructs

During the selection procedure the constructs were presented to managers either in Hungarian or English dependent on their native language or in some cases on which of the languages they spoke best. They were asked to select from the pool of constructs those which they believed affected success of their business. The selection was limited to the 10 most important constructs yielding 90 pairs among which the influence relationship had to be assessed as this proved to be the limit of managers' patience and attention in the pilot studies.

Each construct along with a one or two sentence definition was placed on a card and subjects were asked to remove items which were important (positively or negatively) to the success of their company. (The list of cards and definitions are in Appendix C). This first pass at selection was similar to that used by Walsh (1988). The selected cards were again sorted according to their importance. This procedure continued until the subject had a pile of 10 or fewer cards. On average it took four selections per subject to reach this state. Managers were then asked, if necessary, to re-select cards from among those most recently eliminated to make the total up to 10.

This selection process has a number of advantages over asking subjects to select from a written list Markóczy and Goldberg (1993, p. 8) identify these as:

> First, the ability to physically manipulate the cards means that the subjects have to keep fewer things in mind when selecting. Second, it avoids the tendency of some subjects to make sure to select items from "every category" and avoid selecting non-independent items. Third, by making the selection process more indirect it is more difficult for the subjects to be insincere.

During the fieldwork the cards were arranged in such a way that their order seemed random to the managers in the experiment. The cards were always rearranged before the next experiment however in the same order. This was done to exclude the possibility that managers could infer from the order of the cards what cards the previous manager had selected, as well as providing the same stimulus to each individual.

3.4.3 Establishing causal relations

After the ten most important factors had been selected, managers were asked to put the cards on display in front of them. Then they were told that they would be asked how they saw the influence relationships between pairs of the 10 chosen constructs.

In order to force subjects to consider each pair of constructs independently of what they may have said about other pairs, they were presented to the managers in a **Ross ordering** (Ross, 1934). Ross ordering is a mathematical technique for ordering pairs of elements so that there is the maximum distance between the repetition of elements. This makes it difficult for subjects to recall their previous answers about constructs being considered. This ordering (when pairs are presented one at a time) will also appear to be random to the subject.[3]

Before the pairwise comparison was started managers were told:

> I will randomly choose two cards from the ten cards which you selected. Lets call them card A and B for the sake of explanation. You will hear the following questions which you need to answer. (1) Do you think that the construct on card A influences B? (2) If it does, is this influence positive or negative? (3) Is the influence relationship weak, moderate or strong? I will not only ask questions concerning the influence relationship between A and B but next between B and A as well.

The meaning of the different questions was also made explicit because, as Roberts (1976) notes, managers may be very concerned about getting precise definitions. The following definitions were therefore given:

> **Influence** means direct influence or in other words, that one factor has a direct effect on the other without the need of a mediating selected factor. **Positive influence** means, that if A is changing in one direction than B is changing in the same direction as a consequence. This change could be either an increase or decrease in both

[3] I am grateful to Márton Gyombolai for bringing Ross's work to my attention.

> factors. Negative influence means that when A changes it causes change in B into the opposite direction. Notice, that positive or negative influence does not mean a value judgement. For example an increase in inflation increases cost, so the influence relationship is positive even if it did not produce any desirable effect for the company. This experiment is not a logical test, therefore you do not have to worry about logical flaws. The world itself is filled with controversies, so listing these could be a sign of a good understanding of reality as opposed to a problem. Since there are no good or bad answers please, give me the first answer which immediately comes to your mind instead of speculating too much about the answer.

Although it was often obvious that managers found this long explanation boring and trivial it still took time for some of them to understand the notion of positive and negative influence, but they quickly managed to overcome this problem during the elicitation. Interestingly, some of the managers did not realize that by selecting the constructs they created the space themselves from which the pairs of constructs were drawn. One of the managers for example asked, when a strange pair of constructs were put together: "Did you put this causal question into the questions just to check whether I fell asleep or not?"

The fieldwork suggested that it was easier, both for the researchers and the managers, if the influence relationships between factors A and B and between B and A were immediately after one another. This cut the questioning time, because it seemed that managers were able to consider the relationship in both directions in the same thought process. A computer program, called **askmap** was used to ask pairs of constructs in both directions.[4]

After the elicitation of the CMs a rough validity test was conducted on them when obvious inconsistencies were identified. For example, one Hungarian manager obviously wanted to manipulate his answers by selecting

[4]As noted in the Preface, all of the specialised software used for this study was written by Jeff Goldberg. See Appendix F for details.

cards which contained the word “piac” (“market”) without understanding the concept. This meant that he claimed that there was a strong positive influence between everything including level of competition in the market and the market share of the company. This suspicious map was dropped from the sample.

After the elicitation of the CMs managers were asked to fill out a questionnaire concerning their personal characteristics. Questions were asked on their nationality, age, gender, language knowledge, working experience abroad and in other companies, highest education level, educational specialisation, number of years at the company, current functional area at the company, position held in the company, and work experience in different functional areas inside or outside of the company. Appendix B contains a copy of the English language version of the questionnaire. Using these data the following managerial characteristics were considered in accordance to table 2.1 and section 2.5.

Nationality, which was determined by the following procedure as described by Markóczy (1995):

> (1) If country of birth and most recently acquired citizenship are the same, then use that nationality. (2) Otherwise use country of first post-secondary education or highest education if no post-secondary education to decide between the two (3) If this fails make a subjective judgement considering facts of self-identification and language knowledge.

Age was measured in years, and tenure (also called “being at company”) by the number of years spent at the IMMO and at its Hungarian predecessor. Level of education was measured on a 1 to 4 scale, depending whether managers had high school (1), university (2), master degree (3), or Ph.D (4) education. Level of education was not considered in the study at the end because there was no real variation in this respect in the sample given that most of the managers had either university or master degrees. In terms of higher education type managers were divided based on whether they were trained in natural sciences, mathematics or engineering (1), or humanities and social sciences (0). The division by education specialisation was also treated as professional division within which functional area provides a finer grouping. Level of position was divided into top (1) which included the executive director and those one managerial level below him and non-top position (0) which included the rest of the managers (1). Functional areas, as well as dominant functional areas, included personal/HRM, finance/accounting, marketing/sales, general management, computer/systems, research/development, production-engineering, and others. Functional diversity was also calculated to measure the extent of managerial experience in different functional areas. This measure was applied by Hirschman (1964) and Walsh (1988) which was calculated as $\sqrt{\sum(X_i/X)^2}$, where X_i is the number of years worked in a particular function and X is total number of years of work experience. Gender was marked by a dummy variable (0 for male and 1 for female). Language knowledge was divided into mono-linguals for those who only spoke a single language (0), and multi-linguals who spoke several languages (1).

3.4.4 Comparison of CMs

The comparison method used was derived from Langfield-Smith and Wirth (1992) and was further developed by Markóczy and Goldberg (1995). The comparison formula is given in Figure 3.3.

The comparison technique resulted in a number between 0 and 1 where 0 means a complete similarity and 1 is a complete difference between two CMs. Appendix D contains an example of the comparison of two association matrices with the application of the above formula. One advantage of the comparison technique which is applied here is that it uses all of the information which is present in the CMs.

By using an explicit formula the comparison technique provides total reliability of the comparison in that any two invocations of the formula with the same parameter settings on the same two maps will yield the same

Figure 3.3 Distance Ratio, based on Langfield-Smith & Wirth

$$
\begin{aligned}
DR &= \frac{\sum_{i=1}^{p}\sum_{j=1}^{p} \mathrm{diff}(i,j)}{6p_c^2 + 2p_c(p_{u_A} + p_{u_B}) + p_{u_A}^2 + p_{u_B}^2 - (6p_c + (p_{u_A} + p_{u_B}))} \\
\mathrm{diff}(i,j) &= \begin{cases} 0 & \text{if } i = j; \\ 1 & \text{if } i \text{ or } j \notin P_c \text{ And } i,j \in N_A \text{ or } i,j \in N_B; \\ |a_{ij} - b_{ij}| & \text{otherwise.} \end{cases}
\end{aligned}
$$

Where A and B are two extended association matrices of size p, a_{ij} (or b_{ij}) is the value of the ith row and jth column of A (or B), P_c is the set of nodes common to both maps, p_c is the number of such nodes, p_{u_A} is the number of nodes unique to map A and p_{u_B} is the number of nodes unique to B. N_A and N_B are the sets of nodes in the maps A and B.

results. The external reliability of the elicitation technique was checked by eliciting the maps from the same individual on two different occasions separated by five weeks and from another individual on two occasions separated by eight weeks. The difference between the two maps of the first individual (according to the formula discussed below) was 0.2302 and 0.2896 between the second individual's two maps. The average distance between maps of individuals from the same organisation was around 0.781 with a standard deviation of around 0.135. For the comparison a computer program called **distrat** was used.[5]

3.5 Analysis of the causal maps

After calculating the distance ratios between pairs of CMs the distance data were subjected to statistical analysis to identify similarities and differences in managerial beliefs and to measure the relative importance of different managerial characteristics influencing these. The selection of statistical methods and modifications required (because they are applied to

[5] See appendix F for information regarding all of the specialised software used in the study.

distance ratios rather than absolute data) mostly followed the suggestions of Markóczy and Goldberg (1995).

First, to calculate whether certain subgroups of managers were closer to each other than to other members in the sample, subgroups were formed on the basis of the managerial characteristics listed earlier, except that age and functional diversity were not included because they were subject to a different kind of analysis. For the sake of brevity when "distance between managers" is used in the text this refers to the distance between the causal maps elicited from the managers in question.

As the same managers were grouped on the basis of different features each manager was naturally a member of more than one subgroup. Only those subgroups which contained at least four managers and at least four managers not in the subgroup were considered for analysis because taking less than four managers would have allowed too much influence of a single map on the means. For each of these subgroups the means and standard deviation of all the distance ratios were calculated. Next, the average distances and standard deviations were calculated between members of the subgroups and those managers who were outside the subgroups. Thus what was compared was the average distance within a particular subgroup with the average of the distances between members of that subgroup and outsiders. If the mean of a particular subgroup was substantially smaller than the average distance between the members of the subgroup and the outsiders then members of the subgroup were considered to be relatively similar to each other. (Markóczy and Goldberg (1995) discuss the logic of this calculation in detail). The Student t-test was applied to compare means of subgroups. . Because this requires that the distribution be approximately normal or that the subgroups be sufficiently large, the non-parametric Wilcoxon-Mann-Whitney test was also used as this does not require the assumption of normality. Both the t-test and the Mann-Whitney test require that the individual observations which are being compared (in our case the distance ratios) be independent of each other. With distance ratios this requirement could not be kept and no principled way was found for modifying the tests to this condition. The significance levels therefore do not reflect the true measure of likelihood. Similarly to McKeithen, Reitman, Rueter and Hirtle (1981), the results are listed without significance measures. Even if it is not possible to assign a precise interpretation to the t value (or Z value for Wilcoxon-Mann-Whitney test), it is possible to compare them with each other. So, if in one subgroup the Z value (the results are ranked by the Z value rather than the t value, because the former does not require the assumption of normality) was larger than in another subgroup it could be stated that the managerial characteristics around which the subgroup of larger Z value was formed played a stronger role in influencing managerial beliefs than the managerial characteristic in the case of other subgroups. The results of the Wilcoxon-Mann-Whitney (and also the t-test) were therefore used to show the relative importance of certain managerial characteristics compared to others in influencing managerial beliefs.

An alternative method for identifying similarities and differences between managers based on their beliefs and the characteristics which influence these similarities and differences is cluster analysis. With this method managers could be grouped into clusters and then it could be seen what characteristics were held in common by the managers in the same cluster. As Markóczy and Goldberg (1995) discuss in detail, however cluster analysis requires a number of subjective judgements on the part of the researchers (see also Everitt (1990) for details) and there is therefore a substantial amount of arbitrariness in the selection and application of these techniques. A great deal of information is also lost by using the notion of cluster membership and non-membership and ignoring the difference in the degree of cluster membership. Those members who are closer to the centre of a given cluster are members of this cluster to a higher degree than those who just inside the border of the cluster while those who are very distant from the cluster are more out of it then those just outside the border.

Simply using cluster membership looses this information. The solution to the above problem recommended by Markóczy and Goldberg (1995) was to measure the distance of each CM from the "centre" of every cluster. The closer a map is to a cluster centre, the more it is "in" that cluster. Based on this approach clusters were calculated based on Ward's method (Everitt, 1990) which is biased towards small clusters without large distances within them. These were used to create a **central map** for each cluster. The nodes in the central map were those nodes which appeared in more than half of the maps within the cluster. The cut-off point was decided in a somewhat arbitrary manner based on the assumption that if at least half of the managers whose CMs fell in the cluster selected a given node as important than this node could be considered as a node which importance is somewhat shared by these managers. The strengths of the influences between arcs were calculated as the average of the influences from all maps within the cluster that contain both nodes involved. By recovering this loss of information small errors in the cluster analysis technique will have less impact on the final result.

The distance ratio between each map in the sample and each central map was calculated. Thus, for each map, there was an indication of how far from (or near to) the "centre" of each cluster it was. Managerial characteristics were then correlated not with the cluster membership, but with distance from the central map of a cluster. The results of this calculation were included in the cross-correlation tables for each company. Since distance data were correlated with managerial characteristics negative correlations represent closeness to central maps. The cross-correlation tables also included whether certain managerial characteristics correlated with each other. Applying different central maps as well as the Student t-test and the Wilcoxon-Mann-Whitney test to the same set of data could be considered as a form of **triangulation** in the sense used by Kotha, Dunbar and Bird (1993) namely, that different types of statistical techniques bring different types of errors into the results so the effect of these errors may be reduced by applying several statistical techniques and accepting only those results which are consistent with different techniques.

The correlation table also enables the calculation of partial correlations in places where the distance from central maps correlated with two managerial characteristics which may also correlate with each other. By applying partial correlations the individual effect of each managerial characteristic could be assessed while keeping the other one constant (Hays, 1988, chapter 15).

Although the applied elicitation technique of the CMs does not produce CMs (or any aggregate format of these) which are suitable for in-depth analysis, it is still meaningful to subject the central maps to a limited qualitative analysis as well. This analysis considers the kind of nodes which the majority of the managers selected in the cluster and also the generalised indegrees and outdegrees that could be calculated to each nodes. The notion of generalised indegree and outdegree (or indegree and outdegree for short) were taken from graph theory to cognitive mapping research by Bougon et al. (1977) who wrote "The "indegree" is the number of paths leading *to* the variable from other variables; the "outdegree" the number of paths leading *from* it to other variables." (p:612–613). In the modified version of the indegree and outdegree not only the number of paths but the weight of influence was also taken into consideration. This was not calculated by Bougon et al. (1977) as the Appendix E contains an example on how the indegrees and outdegrees were calculated. CMs which were elicited by them did not contain this information. This qualitative analysis of the central maps was limited to those clusters where managerial characteristics correlated with distances of the CMs of managers with the given characteristics from the central maps of the given cluster; the cluster contained at least four managers (as was the requirement in the student t-test); and the given managerial characteristics were found to be influential by other calculations as well. During the qualitative analysis the constructs in the central maps are often referred as constructs which were selected by managers in the cluster. As is clear from the calculation of the central maps however, only the overlapping constructs which were selected by more than half of the managers in the cluster were actually considered.

To calculate the influence on managerial thinking of continuous characteristics, such as age, a different technique was employed. Age could be put into various bins or categories and treated as other data but this would involve unnecessary loss of information. To utilise as much information as possible a Pearson correlation was used to correlate the distance ratio between the CMs of managers and the differences in age. To check the influence of age for each pair of managers the distance between their maps and the absolute difference in their ages were correlated. A positive correlation indicated that the further apart people were in age, the further apart were their measured belief structures. A negative correlation would tell us nothing interpretable, and so, again, we just conduct a one-tailed test. Age is also part of the cross-correlation table.

Given that the CMs contain two kinds of information (the nodes which were selected and the influence relationship between them) it was also interesting to look at what kind of nodes managers with certain characteristics selected as most important. This type of analysis was done within each organisation as well as for the whole sample. This latter calculation will be discussed in this chapter in the section on cross-organisational analysis. For within company analysis two kinds of calculations were used. One was to see whether managers selected complementary constructs from the list. For example the list contains a complementary pair of constructs: yearly profit and long term profit given that some managers thought that there is a basic difference between Hungarian and foreign managers in whether they have a short term or a long term profit orientation. Fisher's Exact Test (Siegel, 1956) was used to see whether managers with different backgrounds tended to select one or the other of the profit constructs. The other analysis technique was a simple calculation of frequencies to see which nodes were selected by more than half of the managers within a given IMMO. As with the central maps the decision was made somewhat arbitrarily to include only those nodes into the analysis which were selected by more than half of the managers. It was based on the assumption that if a node is selected by more than half of the managers in an IMMO than that node is considered somewhat important in the given organisation.

For analysing nodes two independent raters were asked to categorise the nodes according to 16 features. For each feature the raters had to sort through the 49 cards and identify whether a particular construct had that feature or not. The 16 dimensions, chosen by the author as potentially important, were: ends, means, internal factors, environmental issues, issues relate to the interaction between organisations and environment, market issues, production issues, human factors, management issues, financial issues, managerial discretion issues, long term issues, short term issues, cultural, cognitive issues, efficiency issues, effectiveness issues. Kornai (1993) provides an overview of the properties of this kind of representation system, which he also points out has a history in linguistics going back to around the 5th century BC.[6]

The interrater reliability was on a very good level (98%). In case of disagreement between the raters, the author decided which features the given construct had or did not have. During the feed back sessions managers themselves also suggested common features to certain nodes which were also taken into consideration in this decision. Twenty nodes were identified as ends, 28 as means, 32 as internal factors, 13 as environmental issues, 16 as issues which related to the interaction between environment and organisation, 12 as market issues, 7 as production issues, 10 as human resource management issues, 18 as issues related to the quality of management, 11 as financial issues, 37 as issues which relate to managerial discretion, 24 as long term issues, 36 as short term issues, 11 as cultural, cognitive issues, 13 as efficiency issues, and 17 as effectiveness issues. Although in the analysis part of the thesis only a limited aspect of this feature system was used (for

[6] I am grateful to Jeff Goldberg for bringing distinctive feature categorising to my attention.

categorising the most often selected constructs and the selected nodes in central maps), such a system could be a useful form of qualitative analysis of data for similar methods which involve construct selection.

3.6 Collecting additional information

In addition to eliciting CMs of managers and collecting information on managerial characteristics by using a short questionnaire managers were also interviewed concerning any issues which they mentioned as important during the elicitation of their CMs; issues which they found problematic in the IMMOs; and the changes which took place within, or in the context of, their organisation after the acquisition of their company by the foreign partner. The interviews, which were tape recorded, were unstructured and open ended although an "aide memoire", which was developed based on the literature, was used by the researcher (see appendix A). This "aide memoire" was handled in a flexible manner, so comparable information could be collected on organisational change. During the investigation of the first IMMO changes were grouped into a number of categories as recommended by (Miles and Huberman, 1984). In the subsequent organisations, although the interviews still remained open ended and unstructured, a check was made whether similar changes had also occurred.[7]

The elicitation of CMs, the filling out the questionnaires and the interviews lasted between 1.5–2 hours for each manager altogether. Press reports and archival data on the history of the companies were also collected and detailed field notes were kept concerning issues which were noticed in the organisations, and other issues or observations which came up during the elicitation of the CMs. In all of the companies informal contacts were

[7]When a new "category" seemed to emerge it was checked with archival data, press reports, reanalysing the interviews and the minutes of the workshop and, if necessary, by asking the PR and/or HRM managers in each of the already investigated organisations whether similar changes had occurred. To follow up changes which may have taken place after the fieldwork, regular (telephone, informal meetings) contact was maintained with the PR and/or HRM managers in each of the investigated companies.

established with the personnel or PR managers with whom lunch or informal meetings were organised. In the case of companies B and D, both of which were located outside Budapest, the author often travelled from or to Budapest in a company car with the managers. In company B the author even stayed for a week in the same hotel as most of the foreign managers and had breakfast and dinner with them and was invited to join them at receptions. These informal discussions were very helpful in understanding the situation within the organisations or to request additional information later on. After the data collection, one or two workshops were held in each organisation to provide feedback and conduct a joint analysis of the findings. The importance of these kinds of feedback sessions in data analysis, in gaining additional information, and providing face validity of the findings has been extensively discussed in the literature (e.g., Heller, 1969; Brown and Heller, 1981). Feedback sessions as validating techniques have also been used to support the face validity of causal mapping (e.g., Ackermann et al., 1991).

Feedback sessions for the participating managers were held in two languages, both English and Hungarian, where possible. In companies B and C workshops were held separately for the top and middle level managers in English in the former case and in Hungarian in the latter case and in E the workshop was held in English in line with the policy of this company. During these workshops managers were asked to evaluate and discuss these results. Managers in all five organisations considered the results as correctly describing the state of affairs in their organisations, even though some of the results were initially surprising to them. That is, they saw the results as not only correct but also revealing non-obvious facts. The discussions during the workshops were tape-recorded, except in case of company C where tape recording was not permitted by the executive director so relevant information had to be recorded by hand by an informal contact of the researcher and also by the researcher from memory immediately after the feed back session. It must also be noted that after the workshop in C for the top managers the executive director wanted to specify what could and could not be discussed with the middle managers during the feedback session. This censorship effort was resisted by the author and the middle level managers received the same feed back as the top level managers. In company C individual reports were also prepared for the participants which contained the qualitative analysis of the central maps of the cluster into which they fell into. Each manager was sent – in a sealed envelope – the description of the cluster to which s/he belongs (the description was based on the central maps and on the characteristics of the people who belonged to the clusters); a two-dimensional graph which was the outcome of the multi-dimensional scaling on which managers could see their own position relative to the other managers (in each case all but the recipient were identified only by their nationalities); and a list on which it was marked which factors managers selected themselves and how many managers all together had selected that factor.[8]

3.7 More on the two step analysis

In light of the above, additional reasons may be identified why it was necessary to have two stages to the data analysis. This helped to avoid what Markóczy (1993a) called the **cats and dogs problem**: "that is, someone looking at a dog will have different perceptions to someone looking at a cat" (p. 318.). In this research managers were asked to reflect on their organisations. The data were therefore organisation specific and could not be merged as a consequence into one data set except in special cases.

The following example highlights the reason why the company specific data could not be merged. One of the managers' CM was elicited twice in company B and also E because he switched from one company to

[8]Individual reports were only prepared in this company because it was overly time consuming considering the results it yielded to the researcher. This extra service was promised in this company, however, in order to make the research attractive enough to the top managerial team.

the other in the sample. In fact, he was the one who helped to arrange the fieldwork in company E because he had found the research results in company B useful for the management. His CM which was elicited in company B was far from his CM in company D (the distance ratio was 0.8480) which he attributed to company differences. As discussed in section 3.4.4 the method showed high external reliability in cases when CMs of the same individuals were compared after 5 and 8 weeks. This suggests that the large distance between the CMs of this manager was more a consequence of the differences in the reference points than of the reliability of the method.

3.8 Cross-organisational comparison

During the cross-organisational analysis it was investigated how IMMOs could be grouped together based on their similarities with respect to the investigated features. Only those features with discriminatory power were considered, which meant that they applied to only some of the organisations. These groupings were then compared with the groups based on certain organisational characteristics which also group together based on the importance of certain managerial characteristic. For example, in a hypothetical case, it might be found that in those organisations where foreign managers had relatively similar business beliefs, foreign managers dominated top positions while in those organisations where Hungarian managers had similar beliefs Hungarian managers dominated these positions. This finding would make it possible to conclude that there was a relationship between similarity of business beliefs based on nationality and the dominance in top positions by managers with different national backgrounds.

For calculating the effect of industry as opposed to organisational features on similarities and differences in managerial beliefs a slightly modified version of the above analysis was used. Although organisations were grouped based on their industry, similarities and differences in managerial beliefs were calculated by considering all the managers in the food industry and also in the manufacturing industry independent of which organisation they belonged to within that industry. In this calculation organisational specificity of the data is not a problem since, according to Spender's argument, industrial recipes are held within an industry independent of organisational characteristics (Spender, 1989). The analysis of the industry recipes was limited however by the fact that the causal mapping technique did not preserve the industry language on which Spender (1989) focused but rather concentrated on the distances between CMs. This could therefore only be used to see whether there was a larger agreement within an industry on the relevant issues and the influence relationships between them than across industries.

3.8.1 Construct-selection

A check was made on the whole sample to see whether managers with certain characteristics tended to select certain issues as important (independent on the organisational characteristics) to trace the effect of national background or professional group on similarities and differences on managerial thinking independent of the organisational context. The effects of nationality and certain functional areas were singled out for reasons discussed in section 10.3. For this analysis the Fisher's Exact Test was applied (Siegel, 1956).

Chapter 4

The context of organisations

To investigate the effect of organisational factors and managerial characteristics on the business beliefs of managers first the general context of the investigated organisations and individuals should be highlighted as it is done in this chapter. It has been observed by foreigners that "when you ask a Hungarian a simple question you get a history lesson" (Markóczy, 1992b). To understand the existing issues in the Hungarian economic and political environment and in the attitude of the Hungarian people towards the market economy in fact requires some familiarity with the history in which these issues are rooted. The Hungarian post-Stalinist area (after the 1956 uprising) could be best described as the history of economic reforms interrupted by occasional fall backs. As a consequence of these reforms the Hungarian economy moved away from the classically Stalinist model of a centrally planned economy towards a quasi-market economy. This chapter describes how these reforms contributed to the relatively smooth transformation process of the Hungarian economy towards the market economy. In the light of this history, the privatization process and the changes are analysed which have served to build up the institutions of the market economy. This chapter will concentrate on the general Hungarian environment and history through which the more specific context of the investigated organisations, which are described in the next five chapters, may be understood. In accordance with the focus of this thesis, the consequences of these changes are addressed in terms of what kinds of managers were able to achieve the top positions and what kinds of attitudes these managers and other employees showed towards the market economy. The societal attitude towards privatization and changes will also be discussed as reflected in the Hungarian media.

4.1 Two reforms: 1957 and 1968

The 1956 uprising was fought not only for the independence of Hungary but also to put an end of the Stalinist socialist system. After the suppression of the uprising and the punishment of the organisers the new leadership of the Communist Party (Hungarian Socialist Workers Party), under János Kádár, decided to follow a policy which was based on a compromise with other political forces and devoted more attention to improving the living standards of the Hungarian people. This policy made Hungary "the most cheerful barrack" as both the Eastern Europeans and Westerners knew it. Applying a policy of compromise the Communist Party even tolerated those voices which called for a major reform in the Hungarian industry (e.g., Kornai, 1957). These economists called for a larger independence of the state-owned companies from the state. They wanted to restrict the authority of the government to regulating the economy rather than assigning the fulfilment of central plans to companies. The Communist Party was also ready to accept the criticism that the previous policy of forced collectivisation in the agriculture was one of the sources of tension within Hungarian society, and to correct this mistake it started returning land to the farmers. By the end of 1957, however, the forces which opposed these so-called "revisionist policies" could be heard again. Instead of going ahead with the reform, the state drew even more investment resources under its control and merged companies of similar profiles to ensure a more effective state control over them. The newly merged companies were assigned so-called **supplier responsibility** which meant that they were required to satisfy the demands for their products in the domestic market (Pető and Szakács, 1985). The degree of these mergers could be best understood through numbers: the number of companies in industry decreased from 1427 to 839 from 1950 to 1965 while the average number of employees per companies increased from 336 to 1183 (Berend, 1983, p. 152). These mergers created the basis of the industrial structure which characterised the Hungarian economy till the beginning of the nineties: the dominance of large, monopolistic, state-owned companies (Schweitzer, 1982). The anti-reform forces also showed up in agriculture where re-collectivisation started again at a high speed in 1958. Despite these policy reversals the new communist leadership was aware that it had to go ahead with the reforms to avoid a level of societal dissatisfaction which could lead to another uprising. From the middle of the sixties the reform process strengthened again and in 1968 a set reforms were introduced which substantially increased the discretion of the management of companies as had been suggested by the reformers in 1957. The party leaders and state officials were more willing to increase the independence of the companies because the earlier mergers of the companies had made their control easier through personal connections with their top managements. In fact this type of control was favoured so much by the government that it initiated a second wave of mergers at the end of the sixties and beginning of the seventies (Voszka, 1988). The personal contacts between governmental officials and the managers meant that the influence was not only in one direction. Through these contacts the managers were also able to influence the state officials by threatening them with shortages if their requests were not met. Personal bargaining between the top managers and the state officials became a commonplace form of dealings between the companies and the state (Szalai, 1989; Markóczy, 1986). In addition to putting personal pressure on managers the state also influenced companies through the means of introducing regulation, such as import regulation, hard currency usage restrictions[1], wage regulation, tax-

[1]The Hungarian forint was not a convertible currency at that time and even now it only reached a partial convertibility. Before 1991 the government decided how much hard currency a company could buy. Even those companies that earned their income in hard currencies could not use this income freely. They had to offer these currencies to buy on the official exchange rate to the state and only could change a limited amount

ation, and by giving exemptions from these regulations. The state also had the right to take a large part of the profit of the companies and redistribute financial resources among the economic actors (Kornai and Matits, 1990). As an owner, different ministries also practised the right of appointing managers to the top positions of the organisations.

Just the large, state-owned companies dominated industry, agriculture was dominated by large cooperatives by 1961 when the recollectivisation process was completed. These cooperatives, similarly to the industrial companies had personal connections with state officials and were regulated by the state, but they also had some responsibility towards their own members. These cooperatives delegated some of the labour intensive production to their members and as a positive consequence of this delegation a network of private business was able to develop even if it was closely tied to the cooperatives. The cooperatives provided the private businesses with land, seed, breeding stock and equipment and often bought their products. Private business was first tolerated by the state officials, but it then became so much part of the agricultural supply that it gained positive support later on (e.g., tax benefits). Encouraged by the positive outcome in the agriculture private business also started to gain legitimacy in the industry and services as well. Although private business were often linked together by the state and the public with the illegal black economy under the name of second economy, it became an important part of the Hungarian economy by providing services, alternative career opportunities and supplementary income for a large part of the population (Gábor and Galasi, 1981). Although the second economy did not remain untouched by the first economy (for example providing services to the first economy, leasing equipment from employing companies or cooperatives for after work entrepreneurial work) the rules of the game here were more similar to the rules in a competitive market than to the rules in the first economy. This could be explained by several reasons. The entrepreneurs could not rely on the bargaining process

of their HUF back to hard currencies (on a worse exchange rate) if they needed it.

as the large organisations could, so they were not in the position to change the rules according to their interests. They were profit oriented because their profit was the source of their survival and the reason for their existence. They could not expect, as companies in the first economy could, to be rescued in case of bad economic decisions. To put it into the terminology which Kornai (1980) introduced, their budget constraints were hard rather than soft. Through the second economy a large part of the population had contact with this quasi market economy, either as consumers and/or as entrepreneurs which made Hungarians familiar with market conditions (Révész, 1990).

4.2 Reform from the beginning of the eighties

The first signs of the current economic recession began to appear in the late seventies. The state decided, with the support of the the Hungarian Socialist Workers Party, to move the economy in the direction of establishing a "socialist market" economy. The first major change in the beginning of 1980 was the introduction of the two level bank system which separated the commercial activities from the National Bank and established profit oriented commercial banks. From 1981 to 1986 ten commercial banks were set up which were still owned mainly by the state (Révész, 1990). Previously the National Bank was responsible for providing loans to the companies. After the commercial banks were set up the National Bank allocated the accounts of companies among them.

Another change in the beginning of the eighties was that the government not only tolerated small enterprises in industry but created a supportive legal environment for establishing and running them. In 1984, there was a major change in around 70% of the state owned companies in which ownership rights were transferred from the ministries into the hands of an elected body of managers and employees in the small companies (5% of the companies) and into the hands of company councils in the majority of large, state owned companies. In the company councils half of the members were elected by the employees. One-third of the council were members as a direct consequence of their positions in the company (e.g., the financial director was automatically made a member of the council). The remaining sixth were appointed by the CEO. The relationship between the CEOs and the company councils was characterised by mutual dependence given that the CEOs had the right to appoint managers on the company councils and had the task of operationally managing the company while the company councils appointed the CEOs, decided on strategic issues and determined the financial compensation of the CEO (Sárközi, 1993).

After these changes in 1984, the various ministries which had previously practised ownership rights only retained legal control over the companies and their main task was seen as to regulate the economy. In 1984–85 the state made an effort to initiate a new cycle of growth in the economy. This not only failed but even deepened the economic crisis. The Communist Party realized that it could only maintain its power if it changed the composition of its government from politically reliable, aging communists with younger, professional technocrats. Parallel to the changes in the government there was a major generational change in the top managerial positions of the companies. The old communist managers who did not have sufficient education were replaced by middle aged, technocrat managers many of whom had university education, and several of them spoke foreign languages and had some kind of Western education. Along with these changes in the composition of top managers and government officials there were other substantial changes which aimed to build up market-friendly institutions. One was the establishment of the capital market. In the middle of the eighties Hungary already had a working bond market and by the end of the eighties the stock market opened its doors. The stock market was preceded by a Stock Exchange Board which was created by various banks in 1988 to exchange shares on set days of the week. The other major change was the introduction of the fair competition and anti-trust law in

1990 and the gradual liberalisation of imports.

4.3 Privatization in Hungary

Towards the end of the eighties it became obvious that even these substantial changes would not be enough to pull the country out of the crisis which lead to a substantial decline in the domestic market. The Comecon (Council of Mutual Economic Assistance, an economic block of the Soviet Union and satellite socialist countries) might still have provided a large enough market, but the financial problems in these countries made export in this direction uneconomical and risky even before the final collapse of Comecon in 1990. The changes in market conditions placed new demands on the adaptation of companies; they either had to improve the quality of their products and market these in the domestic market in a way that would be able to compete with growing imports or had to be able to export to Western markets. These new requirements placed high pressure especially on those companies which had been used to the previous shortage economies in Hungary and the Comecon countries where almost everything which was produced could be sold (Kornai, 1980). But there was also a pressure on those companies which were already exporters to the Western markets, given that these companies had to maintain their market positions among the conditions of recession and increasing competition in the West. Adapting to the changing conditions required capital, technology and expertise all of which the companies lacked in Hungary. It was an obvious solution for the management of the companies to find investors that could provide these. This effort of the management was supported by the changes in the legal system: In 1988 laws were introduced which encouraged foreign investment, and in 1989 other laws were introduced which made the transformation of companies into various forms (e.g., joint-stock companies, limited liability partnerships) easier and made acquisitions and formation of joint ventures less bureaucratic. The Hungarian tax system was changed to allow repatriation of profit in the currency and in the percentage of the foreign investment. Foreigners also could remit freely the liquidation proceeds. Foreign employees received the right to change as much as 50% of their after tax renumeration to convertible currency. Introducing these laws were important for encouraging foreign investment given that the HUF (107 HUF $\approx$ 1 USD in October 1994) is not freely convertible.

Since the ownership rights were in the hands of the company councils it did not require special permission from the state to privatize all or part of the companies. This privatization process became known as **spontaneous privatization** because it occurred without the direct[2] involvement of the state, but the name also reflected a negative public attitude towards, what some considered: "transferring public property into private hands" without societal control (Bossányi, 1994b). Contrary to the suggestion of the name, spontaneous privatization was not a spontaneous process from the point of view of the management of the companies. The top managements of the companies looked for professional, foreign investors to provide capital and expertise or tried to change their commercial bank loans into shares. It is true that the privatizing managers also tried to ensure high positions for themselves in the newly privatized companies, and tried to negotiate contracts which ensured either keeping the existing employees or providing them high compensation in case they had to be laid off. In the media, scandal followed scandal describing how the management abused their powers and used public property to serve their own interest. This societal attitude tacitly gave support to some highly positioned government officials from the National Bank, the National Planning Office and the Ministry of Finance who called for stronger state control of the privatization process. These ministries (or ministry level institutions) wanted to control the privatization process because they wanted to regain the power which had been taken away from them in 1984 and also to enable the state to

[2]As Voszka (1992) pointed out the state still had some influence on the process of spontaneous privatization through indirect means, such as regulations, and in case of bankrupt companies even through direct influence.

get a bigger share from the privatization income. This, however, basically meant "renationalizing" the companies which were run by company councils or by an elected body of the employees before they could be privatized. The effort of the ministries in renationalization was successful in practice. First they set up the State Property Agency (SPA) in 1990 which only practised legal control over the spontaneous privatizations. From autumn 1991, however, the SPA gained rights which made it possible for it to act as an owner rather than as a controlling organisation in the privatization process.[3]

4.4 Political change

In 1990 the country went through a substantial political change. In May 1990 the first free election since 1949 was held which elected a conservative party (Hungarian Democratic Forum) as the major party which formed a government in coalition with two other conservative parties (Christian Democratic Party and the Smallholders Party). The Hungarian Socialist Workers party split into a reform wing party in 1989 (Hungarian Socialist Party) and into a more orthodox communist party (Workers Party). The latter could not even send any of its members to the parliament while the former one was forced into opposition. The new government favoured the more centrally run privatization to the spontaneous privatization because it wanted a bigger share of the privatization income and also wanted control on the appointment of the CEOs. For example, in 1989–1990 many of the CEOs had been reelected by their company councils, but the new government were not satisfied with this because, as they saw it, those who had risen to the top under the socialist system were accessories of that system and should not be allowed to preserve their power in the new system. The government therefore called for a reelection of the CEOs by the

[3]The renationalization and privatization happened in two steps. First the companies were transferred into joint-stock companies and their shares were transferred to the State Property Agency which hired auditing firms to assess the value of the shares and then the SPA privatized the companies by selling their shares.

company councils under stricter conditions (CEOs had to gain two-third of the votes rather than a simple majority). Although this forced some old communist managers who were still in power to retire, most company councils still kept their professional, technocrat CEOs. The government officials could not accept this failure, however, so after the "renationalization" of the previously-independent companies they repeated the same practice as the communists did in the classical socialist period: They replaced technocrat, professional managers with non-professional, but politically-reliable managers.

Parallel to the renationalization process, the state also declared certain industries (transportation, telephone and postal surveys, newsprint, etc.) strategic industries which should remain under the control of the government. A new office was set up called State Property Managing Agency to manage the companies which fell into these industries. As the state gained more control over the state companies and their privatization, the privatization process took a new turn. At this stage of privatization preference was given to the highest bidder or to those who could satisfy the privatizers by other means, as opposed to the professional investors which the company councils were seeking. The more serious economic periodicals were filled with reports of scandal and corruption from central authorities. One Hungarian economist, László Lengyel had criminal libel charges brought against him in 1993 for stating that "it had reached the point where the price of each government minister is an open secret". Although he was convicted on appeal, his statement reflects the general sense among economists in Hungary that decentralised corruption of spontaneous privatization has been bought under central control by the Hungarian government. The increasing power of the state in the privatization also increased the bureaucracy. However, despite the increasing bureaucracy and expense of dealing with government officials, many multi-national investors preferred to negotiate privatization deals with the government rather than with the management because this meant they could also extract state guarantees in high risk cases and protectionist policies for the industries they invested into. They preferred to receive direct state guarantees despite the fact that during the time of spontaneous privatizations the top managers of the companies were also able to negotiate good conditions for their investors with state officials. The privatization cases which were handled by the SPA created different initial conditions between the management and employees of the companies and their new owners than the spontaneous privatization deals created. The new deals protected the management and the employees of the privatized companies less and provided less or no guarantees that the Hungarian management could influence the strategies of their companies from the beginning of the privatization. Because of these differences in the differences of initial conditions between Hungarians and foreigners, due to differences in the privatization methods, it is expected that less drastic lay offs occurred in those companies which were privatized under the spontaneous privatization; and there are more examples of shared, rather than forced approach in introducing change (Child et al., 1994) among these companies than in those organisations which were privatized by different methods. Based on the above the following prediction could be made:

HYPOTHESIS 4.1 *Companies which were privatized under the process of spontaneous privatization will experience less drastic lay-offs than those which were privatized by other owners.*

HYPOTHESIS 4.2 *In those companies which were privatized under the process of spontaneous privatization foreign managers will be more likely to apply a shared approach for introducing change than in those organisations which were privatized by other owners.*

Although the multi-nationals preferred to negotiate with the state, the state officials themselves had mixed feelings towards the large, foreign investors. On the one hand they acknowledged that the multi-nationals were the main source of capital and professionalism for the economy but on the other hand there was an increased fear, expressed by highly ranked officials in the leading party, of "selling out the country to foreigners". This showed up in the policy of the state towards the multi-national companies which was inconsistent at best. For example, for a long time the the government resisted devaluation of the HUF by the rate of the inflation which hurt the large exporting companies, many of which were multi-nationals. The new government, even at the cost of decreasing credibility, also refused in certain cases to accept the continuity of responsibilities for agreements which had been made between the previous government and multi-nationals which had invested to Hungary. The state also lacked a coherent policy of when to accept and when to refuse the demand of foreign investors for increasing protectionism and other advantages. It often negotiated private deals with companies while showing inflexibility with other companies. It should also be noted, however, that the state was under very strong pressure from foreign investors. Although countries around the world offer protectionism and tax benefits to attract foreign investors the pressure exerted on the governments of the transforming economies frequently raised doubts as to whether Western investors were indeed here with the purpose of contributing to the building of a market economy. These companies often seemed to be more comfortable with fitting into the bargaining process with the state than facing fair competition in the market. In Hungary multi-national companies even created an association to represent their interest towards the state. The Hungarian Association of the International Investors (Magyar Hírlap, 1992; Bán, 1992) was set up in September 1992 by 14 foreign multinationals which became a powerful bargaining force towards the state. The equivocal attitude of the Hungarian government and the leading party was well represented in the 1994 election campaign, where leading members of the party attacked the concept of "selling out the Hungarian economy to foreigners" but also presented as one of the success of their past economic policy the increased foreign investment to Hungary. Interestingly, many of the companies listed had come to Hungary prior to the 1990 elections. The second free election resulted in an overwhelming victory of the reform

1000 million HUF				
Year	Companies	Starting capital	For. inv.	Total For. inv (new and existing)
1989	1350	124.4	30.0	50
1990	5693	274.1	93.2	140
1991	9117	476.6	215.0	310
1992	13218	546.0	257.9	480
1993[1]	15311	569.1	275.0	700

[1] First half year
Data from *Cégvezetés* (1994) and Hungarian Central Statistics office.

Table 4.1: Cumulative Foreign investment in Hungary

wing Hungarian Socialist Party largely because the Hungarian Democratic Forum could not meet the expectations to improve the economic conditions in the country. Also, the publicised corruption cases and the effort of the government to control the media resulted in a decreasing trust in the government by the society. As noted below, this should be seen not as a move away from reform, but switching from one group of "gradual" reformers to another.

4.5 Changes in the economic conditions

As we will see in the following chapters which describe case studies of five companies the foreign investors who came to Hungary were mostly attracted by gaining market not just in Hungary, but Hungary as a gateway to the Comecon market, and also wanted to benefit from the low input material, energy and labour cost. Hungary also received the highest foreign investment in the region for years because it proved to be more stable then its neighbours. The amount of foreign investment in Hungary is presented in Table 4.1.

The importance of foreign investment in Hungary is reflected in the fact that by 1993 those companies which were partially or fully owned by foreigners gave 9% of the Hungarian GDP (Bossányi, 1994b). The benefits, however, which attracted the foreign investors to Hungary have gradually disappeared from the Hungarian economy. With the collapse of the Comecon and the disintegration of the Soviet Union, Hungary no longer serves as a safe gateway to these markets. The economic problems in Russia and the Ukraine have also made the cheap energy and input material sources more unreliable and has increased substantially of cost of the input materials and energy. Labour costs in Hungary are also relatively higher than in neighbouring ex-socialist countries (Martin, 1994). These worsening economic conditions slowed down foreign investment in Hungary, to the advantage of other Eastern European countries (e.g., Czech Republic).

4.6 Societal attitude towards the market economy

Generally it could be said that the Hungarian people have mixed attitudes and feelings towards the market economy and foreign investment. As discussed above in Hungary entrepreneurs were an integrated part of the economy and a large part of the population drew income from the second economy prior to the Communist collapse in 1990. As a consequence Hungarian people are more used to a functioning market and have a higher tolerance towards income differentials then may be the case in other transforming economies. Also, the second economy provided a learning ground for a large portion of the Hungarian population in running business, even if on a small scale. However, there were some associations also remained between of the notion of market and the black economy, where cheating on the tax office and on customers was a frequent event. Tolerance towards income differentials also decreased as – as a joint consequence of economic crises and changes towards a market economy – a small group of people became conspicuously richer while the living standard of the majority decreased.

The institutional changes from the beginning of the eighties towards a market economy gave enough time for the Hungarian people to accommodate to the changes and for professional technocrats to replace the old communists in various parts of the economy. These changes prepared a favourable condition for a peaceful political transformation during which the reform communist government handed power to a conservative government. However, despite these favourable changes in the institutional environment and in the composition of the business management and among the state officials, the new conservative government reversed some of the tendencies which proved to be better than the newly introduced practices (e.g., spontaneous privatization) instead of continuing them, and replaced a few professional managers by politically reliable, non-professional ones applying an anti-communist rhetoric. (For example, in late 1990 the head of the National Bank was replaced for undeniably political reasons). Voting for the new government expressed the preference of many Hungarians for a slow rather than a fast change in the economy. The leading party won the election with the campaign slogan of being the "calm force" against the liberal parties who urged faster change towards a modern market economy. The preference towards slow change also showed up in the 1994 election result. Although the majority of people became dissatisfied by the performance of the conservative government they did not vote for the liberal parties but rather to the ex-reform communist who appeared as the other "calm force" in its rhetoric.

Hungarians also have mixed feelings towards Western investment as well as towards the market economy. Many Hungarians treat Western investment as a necessary evil where the stress is on both of the words *necessary* and *evil*. There is increasing xenophobia and bad feelings towards Westerners in the sense that Hungarians feel that Westerners look down on Hungarians and only come to Hungary to exploit the cheap labour, input material, energy cost and services in the country. The Hungarian labour force is well educated and there is a national pride concerning Hungarian skills which is not always appreciated by Westerners. Western managers coming to Hungary earn incomes several times higher than Hungarian managers in the same positions which is a source of negative feelings.

At the same time Hungarians acknowledge that foreign investment is necessary to pump enough capital and new technology into the country. We have to remember that during the time of spontaneous privatization the management and the representatives of the employees themselves decided to privatize their companies to foreign professional investors which is a substantial decision even if made under certain economic pressures. We also have to note that Hungary was always an open country (except for a short period in the early fifties) with a well developed tourist industry. Since Western tourists provided income for many of the Hungarians and since Hungarians themselves often travelled to the West the Western investors were not so "foreign" for many of the Hungarians. Hungarians also admire Western living standards which they would like to reach. Also, from the end of the eighties several foreign business and management schools opened their doors to educate Hungarian managers. Funds, like the Soros Foundation, helped Hungarian business teachers and students to travel and to receive education in the West, international funds were set up to support exchange of students and joint research or provided consulting to companies at very favourable prices, and Western institutes were set up for educating managers from the transforming economies among them from Hungary. Through these sources many Hungarian practising managers and business students had access to Western managerial education and training which made them familiar with the Western concepts of doing business.

Although with the appearance of Western investors many Hungarian employees found the new requirements of the foreign investors overly demanding, there were also many talented managers in the companies who were even more impatient to prove themselves and induce changes than the foreign investors themselves. Also, in the last few years a new generation have grown up who have had a larger share of the Western type of education than previous generations, who speak foreign languages and want to succeed in a competitive environment rather than in an environment were political views and personal connections are what matter. This generation is ready to replace those who are incapable and unwilling to adjust to the changes which often draw anger from those who feel threatened by these young people. This new generation also creates incentives to adjust, even for those who oppose change, by acting as competition. There is also a willingness to adjust because of the real threat of unemployment. In the beginning of 1994 for example Hungary had a 13% unemployment rate and in many of the newly privatized companies excess employees were laid off who then had difficulty finding other employment. The above discussion suggests that there might be some generational differences expected in terms of willingness to change, so we might be able to find evidences for **old guards** (those, older people who are likely to resist change) and **young technocrats** (those, younger managers who are ready to adopt modern business practices). But even if this tendency might be found it is expected to be accompanied by large individual variation. Based on the above we could put forth hypothesis[4] 4.3.

HYPOTHESIS 4.3 *Generational differences could be expected between the younger and older managers in terms of their beliefs and in their readiness to change.*

4.7 Work attitude of Hungarians and Anglo-Saxons

In addition to looking at the attitude of the Hungarian managers towards the market economy and change it is also a matter of interest what kind of work attitudes Hungarians show and how these differ from the work attitudes of Anglo-Saxon managers. There have not been many studies conducted to test the work attitude of the Hungarian managers, but there was a study conducted which compared the work attitude of Hungarian and American workers (Kalleberg, 1992). This study found that Hungarian workers more regard their work as one of the most important activities,

[4]As with the directional hypotheses section 2.5.1, this thesis does not set out to test this hypothesis.

Hungary	United States
Minimise power between management/workers	Power in management
Lack of individual responsibility for decisions	Decision making by individuals
Open to change	Open to change
Respect for hierarchy	respect for decentralisation
Importance of reciprocal relationships	Independence
Low tolerance of risk	Creativity/innovation
Compliance to rules	Tolerance for rule breaking
Formal, written communication	Direct discussion

Table 4.2: Attitude towards JVs

but they also consider work as merely a money earning activity. They did not find their job as interesting and or as a place for providing independent decisions as the Americans did. This suggests that Hungarians identify less with their work than the American workers do. Hungarians also appeared to be more motivated by economic incentives than the American workers who often stated that they do certain work for intrinsic rewards. Since Hungarians seemed to try to economise their income based on their effort this makes it understandable why foreigners sometimes consider Hungarians lazy despite of other evidence (Burawoy and Lukács, 1985). Other studies which concentrated on managers found that Hungarians avoid responsibility taking, they show a kind of servility towards authorities, they are ready to hold back information since they consider it as a source of power, and they like using bargaining and personal contacts as means to gain special treatment (Markóczy, 1993b; Child and Markóczy, 1993; Pearce, Branyiczki and Gyula Bakacsi, 1994). Baird et al. (1993, p. 303) summarised the attitude of Hungarians and American managers based on the literature (which partially relied on Child and Markóczy (1993)). Their summary is shown in Table 4.2.

In their studies Child and Kieser (1979) and Child (1981) compared British and German organisations and managers. The British managers showed many similar characteristics to the American managers. They, for example, also tended to delegate a high degree of authority and influence to the lower levels and supported decentralisation (Child, 1981). They also tended to be open towards change and were ready to accept new ideas irrespective of the positions of managers who these ideas came from. British managers also showed a relatively low level of conformist attitude (Child and Kieser, 1979) which is similar to the American attitude. What might differentiate British managers from American managers is that British managers tend to express a relatively great concern about the well-being of their subordinates (Child, 1981) and in accordance they might apply a more person oriented managerial style than the American managers.

Attitude studies like those which are listed above have to be treated with care. When considering these studies the reference groups always should be kept in mind (e.g., workers or managers) as well the time of the data collection. Given that Hungary is a rapidly changing economy where a few years might mean substantial changes in people's attitude, even those studies which contain relatively recent data on Hungarian managers might have limited validity now or in the near future.

Chapter 5

Company A: Incandescent

5.1 The acquired company

Company A is a leading light-bulb and electrical company not only in Hungary, but in Europe as well. In 1990 it was acquired by an American company (G) which first bought 50% of the shares plus one for \$150 million. In 1991 G bought a further 25% of the ownership for \$40 million and raised the basic capital of the company to 9.542 thousand million HUF (63HUF $\approx$ \$1 at the time of covered here). In 1993 G had bought an additional 24.4% of the shares of the company from the other owner, which was a bank, at a price which was kept secret from the public (this deal will be discussed below) and this way it became the owner of 99.6% of the shares. After gaining almost full ownership of the company, G raised the basic capital of A with an additional 16 thousand million HUF to the level of 25.5 thousand million HUF (B. Varga, 1993). From the time of the acquisition G had invested up to \$350 million in A.

Company A currently employees 9000 people, a substantial decrease compared to 18000 at the time of acquisition. The company now operates in 9 locations at 11 plants one of which, along with the Hungarian headquarters, is in Budapest. Others are in smaller towns in Hungary and Turkey (Svantek, 1992). The company also had a plant in Vienna which has been closed since the time of the acquisition. The total sales of the company was 22.6 thousand million HUF in 1990 of which 80% was in western markets, 11.5% in Hungary and only 9.5% in Comecon (Council of Mutual Economic Assistance) countries. During the first two years with the American partner A increased its sales by 18% and 16%. Its total sales reached 31 thousand million HUF in 1992 (Népszabadság, 1993a).

5.2 The history of the company

The history of the company reaches back almost a hundred years, during which it worked as a joint-stock company, under different names. Its current name refers to the technology and the resulting product developed by the company which was previously a trade mark of the company and was registered as such in 1909. One of the strength's of the company was its research and innovations in lightings and electronics (Szentgyörgyi, 1992). In 1921 this company was the only one in Europe which had an in-company research center which produced several patented innovations. After World War II the company suffered serious personal and material losses. 75% of its production equipment was taken to the USSR. At the beginning of the socialist regime the shares of the company were transferred to the state (The shares were valued at 42 million HUF at that time). A only remained a joint-stock company in name. In reality it was a large state owned company which worked under the same conditions as other companies of this kind as described in the previous chapter. What made this company different from the other large state owned companies was that it always maintained a western orientation in its sales. Even under the socialist system A always sold the majority of its products in western markets and as a result it developed an extended network of distribution channels in the West.

Although the company was profitable for several years in the beginning of the eighties, it started to have financial difficulties and by 1988 it had accumulated debts of 5.5 thousand million HUF loans which it could not pay back. In the beginning of the eighties when the two level bank system was introduced, as described in section 4.2, one of the Hungarian commercial bank "inherited" the bad loans of A (These loans were considered bad, because the company was not able to pay them back). The bank decided, together with the state, to turn the loan into majority ownership of the company. The bank must have had good lobbying capabilities because the Financial Ministry agreed to write off A's debt of 2.6 thousand million HUF. The debt write off made the company sellable, but in the first few years the acquiring partner was not able to reverse the loss producing tendency. Despite all the changes which are discussed below the acquired company ended up producing even greater losses of: 1.5 thousand million HUF in 1990, 1.1 thousand million HUF in 1991 and 11.5 thousand million HUF in 1992. To compensate for the losses G announced a plan to devalue the basic capital of the company by 9.5 thousand million HUF and then raise it by $200 million to which the partners should contribute according to their ownership. (The bank still owned 24.4% at that time.) In press reports this move by G was interpreted as a means to force the bank to sell the remaining 24.4% of its share to G. Since after expressing some unwillingness to enter into this deal the management of the bank gave in so the threat of devaluation remained unfulfilled (Népszabadság, 1993b; Népszabadság, 1993c).

5.3 External conditions

The current environment of company A is characterised by a recession in the European market and by a decreasing demand of lighting and electronic products (G Company, 1991). According to the head of G Europe (who became the head of A in December 1992) this recession by itself caused 2 thousand million HUF loss to the company in 1992 (Népszabadság, 1993a).

Prominent members of A complained about the policy of the Hungarian government which in the last few years gave preference to an anti-inflation policy which meant that the HUF was not devalued at the rate of the inflation. The increasing overvaluation of the HUF caused substantial losses to exporters such as company A. According to the former executive director of company A this governmental policy by itself cost A 4.8 thousand million HUF (Varga, 1992).

The company was also negatively affected by the increasing labour and input material costs in Hungary and by the collapse of the Comecon which stopped the favourable position of Hungary as a threshold country to such markets as the ex-Soviet Union.

In response to the negative external conditions, the management of company A took actions which attracted serious criticism in the media. It shut down 10 out of its 11 plants for two weeks with the stated purpose of getting rid of the accumulated unsold inventory. However, many experts in the Hungarian media thought that the step was too drastic to be merely explained by unsold inventory. Several authors accused A of seeking to preassure the Hungarian government to change its policy, recalling bad memories of the previous system where the large, state owned companies influenced the state to follow policies which were favourable to them (e.g., Gyenis and Szalai, 1992; Heimer, 1992). Criticism was raised that multinational companies, like G, were using their power to influence governmental policies rather than concentrating on improving their internal operation and efficiency to overcome the negative external conditions (Heimer, 1992). We have to note that G was founding member of the Hungarian Association of the International Investors, as discussed in section 4.4, which was created with the special purpose of influencing the policy of the Hungarian government.

5.4 The purpose of the partners

During the interviews three reasons were identified why the American partner acquired company A: (1) G wanted to increase its share in the western European market; (2) it planned to use A to open towards the Russian market; (3) it wanted to benefit from the cheap labour and input costs in Hungary. It is likely that G indeed wanted to increase its share in the western European market since it also acquired another European light-bulb company. The acquisition of A increased the share of G in western Europe from 2% to 9% and the acquisition of the other company increased this market share to 15%. It is not clear however whether G had any goal concerning the Russian market. According to a manager who was responsible for the Russian and Eastern European markets G never had and still does not have a clear strategy about what to do with the Russian market. Since the collapse of the Comecon it is now even harder to work out a strategy for this market. That G wanted to benefit from the cheap labour and energy cost could be deduced from the statements of the foreign managers who attributed part of their losses to the increase in these costs (Varga, 1992).

The management of the acquired company stated that they expected that the acquiring company (1) would invest capital into the company and (2) also provide managerial know how on how to make the company efficient. Although both expectations were met this happened at the cost of A ceasing to be an independent company, being in the end completely integrated into company G as discussed below.

5.5 New techniques, changes

After G acquired ownership in A the organisational structure and the organisational procedures went through a substantial restructuring.

5.5.1 Restructuring

The linear organisational structure was initially replaced with a matrix form. At the top of the organisational chart was the repatriate executive director and 11 vice presidents who were responsible for different functional areas and also for different products. This organisational structure was flatter than the previous one where, apart from the executive director, there were only four vice presidents who were each responsible for more levels than each of the 11 vice-presidents were. At the beginning of the fieldwork (July 1992), among the 11 vice-presidents, 7 were Americans, but by the end of September 1992 two American vice-president had been replaced by Hungarian managers. One of the Hungarian managers who replaced the American vice-president had recently returned from America where he had worked in one of the companies of G. The American managers were selected by the executive director in a way so that they had longer working experience (their average working experience was 18 years). The executive director deliberately passed up chosing aggressive, young managers so hoping that the more experienced American managers would be more sensitive when handling national differences. Although the goal was to gradually replace the American managers with Hungarians at the end of 1992 many of the key positions were still in the hands of American managers, such as finance, marketing, product management, machinery production and lighting production. The two positions which the American managers transferred to Hungarian managers were human resource management and information system management. The positions which were held by Hungarian managers were sales, technology, external relations, legal and customer service. The 11 vice presidents were superordinates of directors of functional areas who were also responsible for the production of certain products. According to the interviewed managers the matrix structure was applied to decrease separation between functional areas and encourage communication in a horizontal manner. It was also aimed at making it easier to organise cross-functional teams on different projects and processes. This kind of team work was already a practice during the time of my interviews, but horizontal communication was still explicitly mentioned as a problem area by 5 out of the 20 interviewed managers.

Although the new organisational structure reflected an effort to decentralise in the beginning of 1993 a re-centralisation took place. On 7 December 1992 G did not extended the expired contract of the executive director, but appointed the head of the European Division to also fill the executive director position in A. The new executive director was located in London and he made clear in press interviews that he did not consider A as a separate company but as part of the European division of G (e.g., Réti, 1992). As a consequence of this change a new, higher level of management was introduced from the point of view of A. The top management now is formed by the directors of G-Europe. Three of the Hungarian vice presidents were appointed to fill a joint position (G-Europe director as well as vice president) in G-Europe and A the rest of the G-Europe directors are Americans, British or Irish. The three G-Europe director positions which are filled by Hungarian managers are production and R&D, Eastern European Region, and Procurement. According to one of the Hungarian PR managers the two latter positions are mostly formal. The only significant position filled by a Hungarian manager is the joint production–R&D function. The marketing, finance, information system, HRM top functions are filled with foreign directors in G-Europe who are in London most of the time. In A, the main managerial functions now are the product managerial positions. With this move A basically was reduced to a production and development plant of G. Even before this change happened the Hungarian managers in A complained that the marketing and financial decisions were made in London and that managers in A are not kept well informed about why certain things were happening in these areas. The Hungarian managers from A raised this problem in a 9 hour meeting held in November 1992 including 130 managers from A and some top managers from the European division. Although the executive director of A (who was still the Hungarian manager at that time) did not allow me to watch the video which recorded the presentations and questions of this meeting (minutes were not made) he agreed that I could interview the two public relation managers who summarised the important issues which were raised in this meeting.

5.5.2 Cost control

To compensate for the increasing cost, the management of A put much emphasis on improving cost efficiency. At the initial stage 30 manufacturing experts were sent from the foreign parent company to investigate ways to decrease cost. One way of improving cost efficiency was to improve quality in a cost effective way. This means to producing exactly the quality that the costumer needs and is willing to pay for: no more, no less. The other way of decreasing cost was to decrease waste, and rejects and reduce the inventories of input materials by organising the procurement system in a more efficient way. A major cost decrease was achieved by decreasing the number of employees as described below.

5.5.3 Production, technology

After G acquired ownership in A a profile clearance was initiated by the new management. This meant that two divisions were created partially from the existing production activities and partially by establishing new, related products; at the same time unrelated production was shut down. The two reformed divisions were (1) the products of the lighting division, which accounted for 80% of the consolidated turnover, and (2) the machine and electrical division making up the remaining 20%. The profile clearance, the related introduction of new technology and the upgrade of the existing technology cost G \$20 million in 1990, \$35 million in 1991 and \$30 million in 1992. After the appointment of the new executive director the London office decided to concentrate on the first division and form a strategic alliance with another company for the machine production. With the efficiency steps and profile clearance G managed to increase the value of production of A by 20%.

In connection with the profile clearance G made a substantial technological investment in A to upgrade the existing technology and bring in new technology so the divisions could work on the technological standards of G. One of the largest investments of this kind was the opening of a completely new compact-light production factory and a normal-light factory in the town N which are equipped with the most modern technology in the world.

The stated purpose of the profile clearance and technological improvement was even at that time to prepare the ground of integrating A into the G's network. As one Hungarian managers stated in an interview in 1991:

> ... G is building on A for the long term, in which it will soon be integrated into the G network and will produce to the standard which is typical in G (Meixner, 1991).

This integration effort showed up in another "profile clearance" activity as well. In stopping parallel R&D activities in its lighting divisions G identified 7 major directions in research and assigned them to its different companies. Of these 7 topics A received 4 for which is now the sole research site within G (Varga, 1992). In order to create good conditions for research, G set up centres of excellence in its companies, consisting of research teams with 10–15 people who are supplied with the necessary equipment for conducting high quality research. Such centres of excellence, which one of the research directors called "engineer kindergartens" are not unprecedented in A, which had previously famous research laboratories (Szentgyörgyi, 1992).

5.5.4 Bookkeeping

Among changes in organisational procedures, a parallel bookkeeping system was set up. In addition to calculating and recording information by Hungarian accounting standards, A also had to follow the accounting requirements of G. The difference between the results of the two accounting standards was substantial during the first years. The losses which company A produced in the first years of acquisition seemed much larger by the Hungarian accounting standards than by the American ones. The reason is that the Hungarian accounting standards required that the restructuring cost had to be written off in the year it occurred while according the American accounting standards these costs could be depreciated over several years (City Reports, 1992). The calculation of losses was also made difficult by the internal trade within the units of G, as transfers within G were not necessarily the same as market prices.

5.5.5 Employment policy

After G acquired ownership in A the number of employees was substantially decreased. The company has laid off 9000 people so far and an additional 20% decrease is planned, mostly directed towards administrative employees (The Wall Street Journal, 1992). There has also been an opposite trend in this respect since A was integrated into G-Europe, such that A has been hiring employees to the production area and managers to R&D positions. The management of G-Europe has been closing down unprofitable plants in western Europe (in England and Vienna) and moving the production activities to Hungary. So far around 700 employees and managers have been hired in 1993 and this process is continuing.

Initially, "soft methods" such as early retirement and not hiring new people in place of ones who left were used to reduce numbers. The managers of A also made an agreement with the trade unions that they could provide help in retraining and finding new jobs to those who were laid off. The media at first presented this method as a model for emulation but then the co-operation broke down between A and the trade unions when 'A Employees' Independent Trade Union' (TDFSz) learned about the planned further 20% decrease in the number of employees. The TDFSz published a political pamphlet in one of the leading Hungarian newspapers accusing the European division of G of intentionally dismantling A after acquiring its markets. The pamphlet also blamed the European division for failing to build on the marketing expertise of the Hungarian managers in the European market and over-confidently applies the American techniques and losing markets as a consequence. The TDFSz also claimed that by reducing the labour costs the European division was seeking to cover its inefficiency in decreasing cost in other areas. They stated that by covering their incompetence with unethical and inhuman tools, managers in the European division caused substantial damage to G itself (TDFSz, 1992). In response to the pamphlet on 7 October 1992 the trade unions and the management of A held a six and half hour meeting about the planned lay offs. The summary of this meeting was published in the internal journal of A. According to this summary the management of A mostly blamed the changes on the external conditions which raised stricter efficiency requirements, including further lay-offs. Blaming external conditions in bad times while attributing good performance to internal efforts is a well discussed managerial attitude in the management literature (e.g., Huff and Schwenk, 1990; Bettman and Weitz, 1983; Ford, 1985). It is therefore problematic to draw any reliable conclusion from these statements. Only one problem was raised which was internal in terms of the European division of G and which addressed the problems of accumulated inventories. It was mentioned that the European trade network was accustomed to deliveries which were infrequent and often far beyond the time of the orders. Therefore this network was used to accumulate large inventories to satisfy the demands in time. Because of this, the managers of this network only realised late, after accumulating huge inventories, that the working style has changed by G acquiring A. Although the representatives of the trade unions accepted the explanation concerning the unfavourable external conditions they did not find the analysis of the internal problems satisfactory. They required the identification of managers and decisions which could be held responsible for the situation. At the end however they accepted that further general lay offs were necessary for the survival of A (Varga, 1992) together with hiring to areas where extension was possible.

5.5.6 Incentive system and training

After the acquisition the pay system was simplified. The variable pay system was eliminated, the previous performance bonuses were integrated into the wages. The management bonuses were substantially reduced while stock options were introduced to managers to increase their commitment to the company. From the end of 1993 company A introduced an experimental incentive program in the engineering area which tries to encourage engineers and skilled workers to work together in international teams on certain projects (G. Barta, 1993). The aim of this program is to decrease parallel activities within G. On the top of this program is the international "Senior Leadership Team" which is responsible for the success of the light-bulb and electrical activities of the whole G. The second line leaders of this program are the "Team project managers" who are responsible for implementing the yearly 30–40 engineering projects drawing from the human and financial resources which they have for these programs. This incentive system does not reward individual achievements but rather encourages team work and the pursuit of joint rather than individual goals. This program is only at an experimental stage so it is not possible yet to predict its success.

Since gaining ownership in A the management of G put much emphasis on the training of the Hungarian managers. Training takes several forms. It ranges from training managers on site to organising common, part time MBA courses in collaboration with management training schools, such as the International Management Center in Hungary.

In addition to formal training A also adapted working techniques from other plants of G. One of these is the "best-practice" method. This means that if any of the plants within G, even in a different area, finds a new managerial technique or practice which turns out to be successful, other plants get to know about it and are encouraged to use it. Another is the "work out" method. The essence of this is that managers work on projects in teams where they try to find the best solutions together. After agreeing on the solutions they divide up the tasks among themselves and in this way make individual members of the team responsible for the fulfillment of certain tasks.

5.5.7 Marketing, sales

After the foreign partner gained control of A the foreign partners tried to use the distribution channels of A to sell brands of G beside the brands of A. Hungarian managers who were responsible for sales before the acquisitions claim that because of this company A lost markets. Press stories also reported losses in markets where American products were not bought for political reasons. Losing these market happened at a time of increasing competition in the western market. The management of G tried to overcome these problems by separating marketing and sales issues from company A and moving these to the headquarters of G-Europe.

5.6 Changes in the relative positions of areas

Due to G's plan to turn A into an efficient production and development company these became the areas which benefited from the new hiring, financial investment and training policies compared to other areas. Even in the early years after the acquisition the production and R&D areas showed substantial improvements while the achievements in the financial and marketing areas remained below expectations. As one of the Hungarian managers described the situation:

> Those who work in the production area are under a rational management, the process of setting the goals and making people account for their activities is very good. There is good feedback on our work. The problem is that the advantages which we achieved or which made us achieve do not show up in the company's result because of financial and marketing problems. So, I feel if we could cut the company into pieces, like into marketing, production and financial areas, then I think the production area works excellently, and let me include the R&D here as well. But the financial and marketing areas work very poorly. It is because production could be grasped very easily, it could be arranged internally. But the other areas have to adapt better to the Hungarian financial and political environment, to the changes in the needs of the customers and to the recession which has characterised the world recently. I do not think that this is flexible enough.

5.7 Salient issues identified by the managers

During the interviews which followed the elicitation of the CMs, managers were asked to identify problems and salient issues which relate for example to the internal and external changes or to the fact that an international management team works together.

Twenty managers were interviewed as well as having their causal maps elicited. Among the 20 managers seven were Americans, one Irish and twelve Hungarians.

The problem areas identified related (1) to national differences and (2) to the changes in the internal and external context.

Eleven of the 20 managers raised problems relating to national differences. Criticisms were made about both American and Hungarian managers. The American managers were criticised for not building on the expertise of the Hungarian managers and for overconfidently applying American techniques to a European context. The Hungarian managers were criticised for their unwillingness to take risk, for their lack of understanding of what customer service, quality or cost efficiency mean, for lacking a sense of urgency, for having a family rather than a career orientation, for respecting authority too much, for their lack of qualifications as leaders and for their lack of loyalty. The lack of loyalty was mainly restricted to the Hungarian middle-managers and was raised as a problem by a Hungarian vice-executive director. He said:

> I feel that there is one important issue here: we should be able to get the absolute loyalty of the middle managers. I do not feel that this is typical in Hungary. What is typical that the managers criticise and scold the other ones behind their backs in front of their subordinates or in front of other managers and the effect of this behaviour is rather destructive.

Many of the mentioned cultural issues address concerns similar to those found in other IMMOs in previous studies (Child and Markóczy, 1993; Markóczy, 1993b).

Among the change-related problems managers emphasised that the original horizontal and vertical information and communicational channels broke down as a consequence of restructuring and the new ones either were not built yet or were not functioning satisfactorily.

One of the major horizontal communicational problems which were mentioned was between the production-R&D and sales areas.

As one of the R&D persons explained the issue:

> I most often communicate with other R&D people but not enough with the marketing and financial people. I do not really understand what I should do to make things better for them, but this is clearly a communicational problem since I do not know this because of my position and they do not communicate with me because the communication channels have not been established yet. So, in other words, I think this is a serious management problem, that the needs of the market do not show up in R&D.

In addition to the horizontal communication between the marketing and production areas criticisms were raised concerning vertical communication. As one of the managers said:

> The downward information is slow and well considered but the upward information is whitewashed and only contains information which would not cause problems for the information providers. The processed information does not contain the whole but always just a strictly defined area.

In terms of external changes similar issues were raised as were discussed previously: Problems were mentioned concerning the financial policy of the Hungarian government and the consequent overvaluation of the HUF, concerning the general recession in Europe and the collapse of Comecon. One of the managers also stated that previously they had known which governmental office and within it which person they should turn to if the company had a problem. Now the changes in governmental offices and in the persons who fill these offices had made the situation more difficult for the company.

5.8 Analysis of cause maps

The above provides the context in which managerial beliefs were mapped and in which similarities and differences in managerial beliefs and the relative importance of managerial characteristics in influencing these could be evaluated. The influence of the context could be judged best during the cross-organisational comparisons which was done in chapter 11. In this chapter, and in the following four chapters on each investigated organisation the context is provided, so possible explanations for the findings may be drawn within each IMMO. Based on the interviews the following managerial characteristics were implicitly or explicitly suggested by the managers to influence managerial beliefs: (1) functional area, especially as the production and R&D areas concerned; (2) national background; (3) and positon as differences between the top and middle managers are concerned. Whether these are the most important factors which influence managerial beliefs could be seen from the following analysis. For this analysis 20 managers causal maps were elicited concerning the issues and the influence relationship between these issue which might influence the success of company A. As the first step of the analysis the distance ratios between pairs of CMs were calculated as described in section 3.4.4. For 20 maps this yielded 190 distance ratios. For measuring the relative importance of managerial characteristics in influencing similarities and differences in managerial beliefs first the Student t-test was applied as well as the Wilcoxon-Mann-Whitney test. The results are shown in Table 5.1 ranked according to the Z-value.

In addition to the above calculation a cross-correlation table was also calculated (Table 5.2) which includes the correlation between managerial characteristics and also between managerial characteristics and distances

Subgroup	M	N_w	N_a	$\overline{x}_w$	$\overline{x}_a$	σ_w	σ_a	t	Z_{MW}
All	20	190		0.781		0.135			
ED-Tech	9	36	99	0.679	0.796	0.124	0.124	4.835	4.396
DFA-PE+RD	8	28	96	0.660	0.785	0.108	0.108	4.649	4.351
FA-PE+RD	6	15	84	0.658	0.778	0.105	0.131	3.352	3.128
DFA-PE	6	15	84	0.677	0.778	0.110	0.125	3.077	2.884
LANG-mono	7	21	91	0.718	0.778	0.120	0.133	1.925	1.949
FA-PE	4	6	64	0.699	0.764	0.075	0.135	1.154	1.332
NA-Hung	12	66	96	0.776	0.792	0.129	0.137	0.724	1.074
NA-Frgn	8	28	96	0.776	0.792	0.137	0.137	0.534	0.469
POS-ntop	9	36	99	0.781	0.779	0.139	0.134	−0.095	0.047
FA-GM	4	6	64	0.776	0.792	0.188	0.130	0.283	−0.021
FA-Fin	4	6	64	0.810	0.807	0.113	0.129	−0.040	−0.115
Pos-Top	11	55	99	0.796	0.778	0.132	0.134	−0.775	−0.805
DFA-Fin	6	15	84	0.856	0.810	0.111	0.129	−1.314	−1.293
Lang-multi	13	78	91	0.808	0.778	0.133	0.133	−1.460	−1.410
ED-Other	11	55	99	0.832	0.796	0.121	0.124	−1.732	−1.699

M is the number of Maps, N_w is the number of distances between the maps within subgroups and N_a is the number of distances across subgroups (i.e, between maps which were within and outside of the subgroups). $\overline{x}_w$ is the mean distance between maps within subgroups and $\overline{x}_a$ is the mean distance across subgroups. σ_w is the estimated standard deviation within subgroups σ_a is the estimated standard deviation across subgroups. t is the result of the Student t-test and Z_{MW} is the Z statistic for the variant of the Wilcoxon-Mann-Whitney test described by Sandy (1989).
Only subgroups which have at least four members are shown here. In the subgroup names FA indicates current Functional Area (FA-Fin is finance, FA-GM is general management, FA-PE is production, FA-RD is research and development), DFA is Dominant Fuctional Area (for subdivision see functional area), ED is Education type (ED-Tech is technical education, ED-Other is non-technical education), NA is Nationality (NA-Hun is Hungarian, NA-Frgn is foreign), LA is language knowledge (Lang-multi is multilingual, Lang-mono is monolingual) and PoS is position (PoS-Top is top managerial position, Pos-NonTop is non-top managerial position).

Table 5.1: Differences in intersubgroup means for company A

Figure 5.1 In and out degrees for map cluster-A in company A

	Nodes	Arcs In	Sum In	Arcs Out	Sum Out
6	Long term profitability	6	(17.75)	6	(12.67)
14	Quality of technology	6	(12.83)	6	(14.00)
30	Leadership	6	(10.33)	6	(15.67)
36	Quality of products	6	(13.67)	6	(12.33)
41	Cost control	6	(14.34)	6	(11.50)
45	Employees contribution	6	(11.25)	6	(15.17)
47	Efficiency	6	(17.25)	6	(16.08)

of the CMs of managers with the given characteristics from the central maps.[1] Applying Ward's method (Everitt, 1990) six clusters of CMs (A–F) were formed (which contained 5, 2, 4, 2, 5 and 2 CMs respectively) which served as the basis for calculating the central maps as it was described in section 3.5.

For clusters A and E the nodes of the central maps and the indegrees and outdegrees are also listed in figures 5.1 and 5.2 given that these are relatively large clusters (more than five managers) and the distances of CMs of managers showed correlation with those managerial characteristics which were found relevant by the student t-test as well.

In figure 5.1 production and R&D related issues seemed to dominate (14, 36, 41, 47) while the constructs were also divided between financial (41), profit (6), management (30), HRM (45) and market issues (36). The production issues together seemed to account for the largest influence on the selected success factors with 53.91 joint outdegrees while they themselves also seemed to be highly influenced with 52.09 joint indegrees.

In figure 5.2 also the production constructs were the salient ones (23, 36, 41, 47), but managers in this cluster considered these factors more influenced by the selected success factors than influencing (the joint indegree for the production constructs was 52.32 while the joint outdegree was 39.07).

[1] In Table 5.2 the listed managerial characteristics are the same as in Table 5.1 except that the cross-correlation table also contains how long managers had been working at the company (At-Comp), and the length of working experience (W-exp), both of which significantly correlate with age (Age). The cross-correlation table also contains functional diversity (FuncDiv).

FA_GM	−.25																				
FA_PE	−.25	−.25																			
FA_PRD	−.33	−.33	$.76^{***}$																		
DFA_Fin	$.49^{*}$	.22	−.33	$-.43^{\dagger}$																	
DFA_PE	−.33	−.05	$.76^{***}$	$.76^{***}$	$-.43^{\dagger}$																
DFA_PRD	$-.41^{\dagger}$	−.15	$.61^{***}$	$.80^{***}$	$-.53^{*}$	$.80^{***}$															
ED_Tech	$-.45^{*}$	.05	.30	$.50^{*}$	$-.59^{**}$	$.50^{*}$	$.70^{***}$														
NA_Hung	−.36	−.10	.15	.31	−.13	.31	.25	.12													
Age	$-.49^{*}$	$.38^{\dagger}$	.17	.21	.04	$.41^{\dagger}$	.19	.11	.11												
W_exp	$-.41^{\dagger}$	.37	.21	.20	−.06	$.38^{\dagger}$	.14	.10	−.03	$.93^{***}$											
At_Comp	$-.48^{*}$	−.02	.20	.30	−.33	$.43^{\dagger}$	.24	.02	$.70^{***}$	$.46^{*}$	$.39^{\dagger}$										
Lang-Mu	−.16	.10	−.16	.02	.02	.02	−.04	−.18	$.68^{***}$	.06	−.04	$.46^{*}$									
Top	−.30	.20	−.30	−.29	.15	−.29	−.29	.01	−.33	$.46^{*}$	$.46^{*}$	−.04	−.24								
FDiv	.24	−.20	.01	.04	$.39^{\dagger}$	−.10	−.02	−.24	−.07	.04	−.03	−.25	−.31	−.20							
Dist_A	$.48^{*}$	−.17	$-.39^{\dagger}$	$-.53^{*}$	$.41^{\dagger}$	$-.61^{***}$	$-.69^{***}$	$-.57^{***}$	−.28	$-.49^{*}$	$-.48^{*}$	$-.42^{\dagger}$	.15	.02	−.04						
Dist_B	.13	.18	−.02	−.24	.24	.01	−.06	.02	−.26	.19	.22	.10	$-.40^{\dagger}$	.32	−.17	$-.38^{\dagger}$					
Dist_C	−.28	.30	.01	.09	.26	.22	.06	.07	.10	.18	.04	−.14	.16	.13	.37	−.00	−.28				
Dist_D	.07	−.20	−.27	$-.49^{*}$	.26	−.37	$-.41^{*}$	$-.41^{*}$	−.04	.14	.04	−.01	.03	.23	.24	.37	.02	−.05			
Dist_E	.00	.24	.09	−.04	.17	.15	−.18	−.36	.12	.08	.06	.14	$.45^{*}$	−.04	−.12	.13	$-.49^{*}$	.34	−.12		
Dist_F	$-.38^{\dagger}$	−.12	.23	.37	$-.44^{\dagger}$	.37	.28	.01	$.38^{\dagger}$	.15	.21	$.44^{\dagger}$	.34	−.17	−.04	$-.45^{*}$	−.31	−.20	$-.39^{\dagger}$	.19	
Mean	.20	.20	.20	.30	.30	.30	.40	.45	.60	43.40	22.00	11.65	.65	.55	.83	.68	.93	.74	.80	.66	.92
σ	.41	.41	.41	.47	.47	.47	.50	.51	.50	9.05	9.23	10.75	.49	.51	.17	.21	.13	.19	.20	.21	.13
Vars	FA_Fin	FA_GM	FA_PE	FA_PRD	DFA_Fin	DFA_PE	DFA_PRD	ED_Tech	NA_Hun	Age	W_exp	At_Co	Lang-Mu	Top	FDiv	Dist_A	Dist_B	Dist_C	Dist_D	Dist_E	Dist_F

$N = 20$ $^{\dagger}p < 0.1$; $^{*}p < .05$; $^{**}p < .01$; $^{***}p < .005$

Only subgroups which have at least four members are shown here. In the subgroup names `FA` indicates current Functional Area (`FA-GM` is general management, `FA-PE` is production, `FA_PRD` is production and research and development, `FA-Fin` is finance), `DFA` is Dominant Fuctional Area (for subdivision see functional area), `ED` is Education type (`ED-Tech` is technical education, `ED-Other` is non-technical education), `NA` is Nationality (`NA-Hung` is Hungarian, `NA-Frgn` is foreign), `Top` is being in the top managerial position while `Non-Top` is the opposite, `Age` is age, `W-exp` is working experience, `At_Comp` is the time spent at the company, `Lang-Mu` is being multi-lingual, `FuncDiv` is functional diversity, and `Dist_A`–`Dist_F` are the distances from the central maps in cluster A, B, C, D, E and F. In the table those managerial characteristics which are complementary to each other (Hungarian vs. foreign, technical education vs. non-technical education, top vs. non-top) are only listed under one of their possibilities.

Table 5.2: Correlations with distances from central maps in company A

Figure 5.2 In and out degrees for map cluster-E in company A

	Nodes	Arcs In	Sum In	Arcs Out	Sum Out
1	Hiring/firing policy	6	(9.66)	6	(9.66)
8	Inflation	1	(1.00)	8	(12.51)
23	Internal R&D	8	(15.34)	6	(12.34)
27	Customer relations	7	(10.92)	5	(7.17)
30	Leadership	6	(10.23)	7	(15.55)
36	Quality of products	8	(10.67)	6	(8.65)
40	Currency valuation	6	(9.00)	7	(7.33)
41	Cost control	7	(10.67)	7	(9.16)
47	Efficiency	8	(15.64)	7	(10.75)

Both central maps discussed here and the most often selected nodes which were selected by more than half of the managers in the sample as shown (in Figure 5.3) suggest a strong production orientation in this company.

Fisher's Exact Test (Siegel, 1956) was also used to check whether significantly more Hungarian or foreign managers selected the yearly profit construct as oppose to the long term profitability one. Of the 20 managers, eleven selected one of the two profitability cards, six of them were American, and five were Hungarian. Of these 11 managers, five selected yearly profitability, and six selected long term profitability. Counter to the cultural stereotypes, all of the Hungarians selected long term profit, while all but one of the Americans selected yearly profit. The Fisher's Exact Test yields a one-tailed probability of .0130 for these data. This suggests that within this company Hungarian managers are more likely then Americans to consider long term profit very important.

Figure 5.3 Frequently selected nodes in company A

Construct	Construct	Frequency
41	Cost control within the company	15
47	Efficiency/productivity	14
36	Quality of products and services	14
30	Leadership within the organisation	11

5.8.1 The results

The first interesting result which could be seen from the Student t-test and Wilcoxon-Mann-Whitney test is that national differences play a smaller role in influencing managerial beliefs in company A than would be predicted based on the literature on national–cultural differences and on the basis of sources of internal differentiation which was suggested by the managers themselves. Only in selecting either the long term profitability or the yearly profit do national–differences show up in this company. Some other managerial characteristics rather than nationality seemed to have a larger influence on similarities and differences in managerial beliefs (among which some were also predicted by the managers). Being educated in technical field, having the longest experience in the production and R&D areas, working on the production and R&D areas, having the longest experience in the production areas were found important by the student t-test and also the CMs of these managers tended to be close to the central map in cluster-A. It is consistent with these managerial characteristics that they showed agreement in selecting mainly production related issues to the success factors and also attributed at least as much influence to these issues on the selected success factors than they thought that these factors were influenced themselves. From this it could be speculated that production and R&D managers perceived their areas as highly influental to the success of company A.

Combining the production and R&D areas was decided before the statistical analysis was made. The interviewed managers themselves insisted that these areas are strongly intertwined. This interconnectedness of the two areas was reinforced by the managers when the findings were presented to them in a two hour long workshop. As one of the managers said:

> These two areas have been working with each other for long time. They not only work but even mix with each other: who works today in production will work in R&D tomorrow and who works in R&D today will work in production tomorrow.

In addition to the above managerial characteristics being mono-lingual was found to be influental on similarities of managerial beliefs both by the student t-test and the cross-correlation table where CMs of mono-lingual managers seemed to be close to the central map in cluster-E. Looking at the central map in cluster-E we see that mono-lingual managers thought that production factors were more influenced by the selected success factors than influencing themselves. Also, compared to cluster A this group attributed larger weight to environmental factors in influencing the IMMO's success (constructs 8, 27, 40).

Although working on the production area (without the R&D area) and having Hungarian national background also yielded a Z-value larger than 1 (with the former t is also larger than 1, while with the latter t is smaller than 1) neither of these subgroups of managers have CMs which are significantly closer to any of the typical maps than other managers CMs are.

A Pearson correlation was calculated to measure the relationship between age and distance in beliefs. Although this correlation was relatively small, age also showed some correlation with the distances from the central map in cluster A. Working experience also yields similar correlation results, but since age and working experience show a .93 correlation with each other these two factors are basically substitutable with one other therefore only age was included in the cross-correlation tables in chapters 5 through 9.

Interestingly, neither the top nor the middle managers seemed to have more similar beliefs based on the statistical analysis although this was suggested by the interviews.

The correlation table also shows correlation results between different managerial characteristics considering the sample of the managers in company A.[2]

[2]Among the relevant correlations the following were mostly as expected but are worthy of note. Production and R&D people mainly have technical education ($r = .50$, $p = .023$), while financial managers mostly have non-technical education ($r = -.59$, $p = .006$). The financial managers are also substantially younger ($r = -.56$, $p = .01$), and spent less time in the company ($r = -.45$, $p = .047$) than other managers did.

In the cross-correlation table the substantial negative correlations between distances of central maps show that these maps are far from each other as they should be if the clusters which were found are distinct from each other.

5.9 Evaluation of findings

5.9.1 National differences

Although some of the managers thought that the main differences in beliefs were along national lines, this difference was not supported by the data. Differences in management style, attitude and behaviour may be seen as expressions of differences in beliefs. American managers showed more self-confidence, aggressive style, optimism and created a feeling of being more busy than the Hungarian managers did. There were also differences in the appearance of the managers in terms of hair-style or dressing style.[3] The only substantial difference which was found between Hungarians and Americans was whether they identified long term profitability or short term profit as one of the major factors of business success. Although this difference between Hungarian and foreign managers could be attributed to national differences other explanations are equally possible. It could be

Hungarian managers had tended to spend a longer time in company A than foreign managers ($r = -.62$, $p = .003$). Also, top managers seems to be older ($r = .50$, $p = .026$), and have longer work experience than non-top managers ($r = .51$, $p = .020$). Being mono-lingual correlates with being foreign manager ($r = .68$, $p < .001$).

[3]These surface level characteristics could even mislead researchers like author. For example, the author noticed that American managers, except one, did not offer her coffee, while the Hungarian managers did. While wondering about the reason for this, and it was concluded that the American managers might be cost conscious, so they do not waste money on such an unimportant person, as the author and are more impolite. When this was told to an American, he asked when did the only American, who offered the coffee did this. It was in the morning. Other interviews usually took place in the afternoon. The explanation could be therefore, that since most Americans do not drink coffee in the afternoon they might forget to offer it to their guest as well. Hungarians however drink coffee throughout the day so they would not forget the coffee. Behavioural differences like these could form strong impressions which could easily lead to far reaching conclusions if careful testing is not applied. But the above differences did not reflect differences in beliefs about business.

the case that foreign managers were better informed about the bad financial situation of A than the Hungarian managers were. Or even if the Hungarian managers knew about the bad economic situation they hoped that the rich foreign partners would rescue the IMMO just as the paternalistic state had previously rescued important large companies in bad times (Kornai, 1980; Markóczy and Child, 1994). This explanation could reflect differences in expectations which are rooted in different past experiences in different systems rather than cultural differences (Markóczy, 1993a; Child and Markóczy, 1993).

This difference is reflected in what one of the American managers said during the workshop: "The Hungarians do not understand. If we fail on the short term there is no long term."

Another possible explanation is related to differences in the motivation of the Hungarian and foreign managers. Foreign managers were sent to Hungary for a limited amount of time with the expectation that they would produce quick results. Their personal evaluation and future advancement in the parent company depends on their success in this respect. This could explain their interest in short term results while the Hungarians, who are bound to company A on a long term, are rather interested in the long term survival, stability and success of their company.

5.9.2 The effect of functional areas or education

The potential influence of functional area on managerial beliefs (particularly the production and R&D areas) was suggested by the managers themselves and was reinforced by the findings. Since working with the production and R&D areas and having technical education correlates with each other and they also correlate with the distance of CMs from the central map in cluster A (see table 5.2) a first order partial correlation (e.g., Hays, 1988) was calculated to distinguish the effect of these two factors. When by calculating a first order partial correlation the technical education was correlated with the distance of the CMs from central map in cluster A and the working in production and R&D area was kept constant the original correlation between the two former factors have decreased from −.62 to −.45. When education type was kept constant the correlation number between the distance of the central map in cluster A and the CMs of those managers who work in the production and R&D areas decreased from −.65 to −.50. This shows that both of the investigated managerial characteristics were correlated with the distance from the central map in cluster A, independent of the effect of the other.

One of the Hungarian R&D managers described the differences between production and development and other functional areas in the workshop which followed the analysis of the data, to provide explanation why similarities were found in the former as opposed to the latter areas, as follows:

> I think that these are the two areas which are based on clear disciplines. These disciplines have been developed not only for decades but for centuries... The whole topic is covered if we notice that these are based on *the* sciences or in other words on the natural sciences. These areas do not deal with the human side, like finance, marketing or other areas do... they are more objective than those. For example, there have been lots of changes in financial systems during the last decades and lots of different systems formed as a consequence. But a mathematical formula, or a physical law, could not be changed this way, since it is more objective.

An alternative explanation could be that in the production and development areas the American techniques could be fully implemented, therefore the American managers could act as "educators". Johanson and Vahlne (1993) for example argued that operation knowledge could be transferred from one country to another while market specific knowledge is not transferrable, because it mainly comes from experience in the given market. This explanation seems to be supported by the managerial perceptions that the production issues were internal to the organisation and highly influencable by the managers so differences in the context in which they are adopted were conceived as less problematic. The uncertainty which relates to the "learning-by-doing" development of new procedures in other areas which adequate to the new context could lead to frequent changes in preferences and conflicts in beliefs about which issues are important.

It is also plausable to explain similarities in managerial beliefs in the production and R&D areas by the production orientation. The production orientation of the company reflected in the changes within the organisations, in the interviews and also in the construct selection by more than half of the managers in the sample as it could be seen in figure 5.3. The validity of this explantion was addressed in section 11.4.

5.9.3 The effect of language knowledge

The result that mono-linguals tend to be closer in their beliefs to each other than to the rest of the managers could be explained by national differences, namely that mono-lingualism and foreign nationality were correlated with each other ($r = .68$ $p < 0.01$). To check this explanation first order partial correlations were calculated between the central map of cluster E, the to which mono-lingual managers are substantially close ($p = .035$ $p < 0.5$), and being mono-lingual and being foreign. Since mono-linguals correlated with their distances from the central map in cluster E ($r = -.47$ $p < 0.5$) when being foreign was kept constant, while it was not the case when language knowledge was kept constant the original prediction was not supported. This effect of mono-linguality on similarity of managerial beliefs is surprising and likely to be the consequence of some underlying factor which was not investigated.

5.9.4 The effect of age

Increasing differences in managerial beliefs as the difference in age increases is a phenomenon which could be explained with generational effects. One might expect that the effect of age would be more pronounced among the

Hungarians where changes have been most dramatic over the past decades. However, a Pearson correlation showed that among the Hungarians the correlation between the distance in age and the distance of CMs was less ($r = .13$) than in case of the foreign managers ($r = .45$ $p < 0.05$). A first order partial correlation between working in the production area, being older and being close to the central map in cluster A was therefore calculated. This showed no correlation between age and working in the production area after controlling for being close to central map in cluster A, but both working in the production area and age showed a substatial correlation with the distances from the central map in cluster A ($r = .49$ $p < 0.05$). This shows that the effect of age could not be explained by being associated with the production functional area. Differentiation in managerial beliefs by age considering foreing managers might relate to the fact that the previous executive director hired experienced foreign managers who showed substantial variations in their age.

5.9.5 The lack of effect of the position

Although the interviews suggested that middle managers were less loyal to their companies, this did not seem to influence the business beliefs of the managers in company A. This suggests that differences in the feeling of loyality might not have an influence on how managers perceive success factors, or it might also be the case that there is a large variation among middle and also among the top level managers in terms of their loyalities to the company but only the salient cases come up in the interviews.

Chapter 6

Company B: The glass ménage

6.1 The company

Company B is a modern float glass company in a small town in Hungary approximately 200 kilometres from the capital, Budapest. The company was established as a joint venture (JV) in July 1988 by an American and a Hungarian glass company GRD and GW respectively. The initial capital of B was $120 million which was one of the largest foreign investments in Hungary at that time (Népszava, 1991). Initially GRD owned 80% of the company and 20% were in the hands of GW. By the time of the fieldwork (November 1992) the American partner had acquired the remaining 20% from GW and became full owner of B.

The technology of B is very modern. B operates in a purpose-built factory, the construction of which started in July 1989 and was completed in September 1991. Glass production started in February 1991 before the completion of the factory. The new factory was equiped with the most modern technology in float glass production.

Since the technology is highly automated, production mainly requires supervision which is assisted by computers. Because of this, the number of employees in the company can be kept very low. B employs 276 employees including those in the managerial and administrative grades (Csete, 1993).

Although 1991 was not a full year (since production started in February) B still reached 2 billion HUF income on sales in its first year of operation. In 1992 the income on sales increased to 4.2 billion HUF. The plan was to reach 5 billion HUF income by the end of 1993. Despite the increasing income on sales, B did not manage to become profitable in the first two years. The Hungarian managing director explained this by the high interest rates which they had to pay on loans that B took for investment. To cover the loans in 1993, the management of the American partner decided to increase the equity of B by an additional $25 million, and in 1993 the expected operational profit was high enough that the company was slightly profitable.

6.2 The purpose of the parent companies

Two reasons were identified for the decision to establish the JV by the Hungarian parent: (1) to acquire capital, and (2) to have access to new technology. For the American parent company the reasons were (1) to establish presence in Eastern Europe and acquire markets in the Soviet Union and Eastern Europe (B is located in the south-eastern part of the country near the borders of Romania, Croatia and Serbia); and (2) to benefit from the cheap energy, input materials and the protectionist policy of the government which characterised Hungary at the time of the establishment of the JV.

6.3 External conditions

The favourable external conditions which attracted the foreign partner to Hungary did not last long after setting up the JV. As described in section 4.3 with the collapse of the Soviet Union, the Comecon also disintegrated which meant that setting up a plant in Hungary did not provide access to the Comecon market any more. The Yugoslav war also meant the loss of another potential market, and closed the best transportation routes to Italy and Greece as well. The cheap energy and input prices also increased to the level of the world market prices. The previous protectionist policy of the communist government was gradually replaced by different import liberalization laws, many of which were already introduced by the communist government before the free elections in 1990 as discussed in section 4.4. The import liberalization took place at a time of economic recession when internal demand decreased substantially particularly in the building industry which was badly affected by the recession. From 1990 the large investments of the state and state owned companies almost disappeared which contributed to the fact that by 1992 the production of the building industry was only 60% of that in 1980 (Szalai, 1992).

B was also severly affected by the changing policy of the new government elected in April 1990. Since B was set up in the part of Hungary where the infrastructure was more underdeveloped than in Budapest (in terms of roads and telephone systems etc.) the previous government had made a promise to improve this infrastructure just to attract the foreign investor GRD. Among other things, it promised to build a new road which was badly needed for glass shipping. However, after the election, the representatives of the newly elected government openly stated that they did not want to be held responsible for keeping promises which had been made by the previous regime. The road therefore had to be built by the company in the end, although the government agreed to provide discounted loans for it.

6.4 The internal structure and procedures of B

Since B was a newly established company it was not characterised by the changes effecting the other investigated companies. We will therefore move straight to a description of the company structure, procedures and salient issues.

6.4.1 Organisational structure

Similar to the other plants of GRD, company B was set up with a flat and highly decentralised organisational structure with only three managerial levels. At the lowest level were those production managers and engineers responsible for the operational management of production. The second managerial level consisted of an accounting manager, an engineering manager, a few sales and marketing managers, and the personel manager. The top managerial team contained the managing director, the financial manager, a production manager and two foreign managers from the European headquarters of GRD, which was referred by the managers as "GRD Europe". The positions of these two managers in GRD Europe were the financial director of GRD Europe and the head of GRD Europe. These two managers visited B every one or two months for a few days when they reviewed the activity of B and made strategic decisions together with the managing, financial and production managers. Which issues counted as strategic were quite broad. At the time of the investigation, for example, when these two managers were also present they took part in decisions on the recurement of candidates for sales agent positions.

A few regional sales directors were also employeed by GRD Europe and commuted to B. They were responsible for selling G's products in different regions of the world. They sold the products of B in the same way that they sold the products of other plants in GRD. Like the other managers from GRD Europe headquarters, they also spent some time in B where they discussed issues with the management of B relevant to sales.

Among the foreign managers only four worked for B full time and they were also employed by GRD Europe rather than B. These managers were, at the time of interviewing (from November 1992 through February 1993), the financial manager a Hungarian repatriate American (he left the company since then and went to company E), the accounting manager a Norwegian, the assigned sales director and a sales coordinator both from Luxemburg. The foreign managers were sent to Hungary to fill those positions for which it was difficult to find suitable local managers. The plan was that the foreign managers would work in Hungary until the right Hungarian managers were found and trained to replace them. The two top managers of GRD Europe were already quite satisfied with the existing Hungarian managers who worked at the first and second levels. Their satisfaction showed up, for example, in the decreasing frequency of their visits.

These managers were particularly satisfied with the work of the Hungarian managing director. In fact, in informal discussions they stated that they thought so highly of this manager that they were seriously considering creating an European level position for him just to be able to provide him with a high enough status to keep him in B. They were afraid that without this step he would leave them. He had already received offers from other glass companies in Hungary. The managing director showed an entrepreneurial spirit which was quite needed for the task of setting up a new company. But now that that job was done, the everyday running of the company was not challenging enough for this talented manager anymore.

Despite their satisfaction with the senior Hungarian managers of B, the two top managers from GRD Europe were often very critical of them. The head of GRD Europe characterised meetings with the Hungarian top managers the following way:

> When one takes part in these meetings one might think that there are a lot of problems with B and the company would go bankrupt tomorrow. There is a lot of scolding and lots of problems are mentioned. But this does not mean that we would not be satisfied with the top management in B.

Although the first and second level Hungarian managers worked closely with the foreign managers, those Hungarian managers who were responsible for the operational management of the production in the third level did not have much contact with the foreigners, not even with those who worked full time in B. These managers only worked together with foreigners when the new company was built up and the new technology was implemented.

These managers seemed more occupied with the problems of production and quality matters than with other more general issues of management.

6.4.2 Cost control

Company B managed to keep the production cost low by holding low input and output inventory. It did so by creating a network of competing supply and delivery companies which provided the input materials close to the time when it was needed and delivered the final product to the customers upon completion. Company B specialized in activities which strictly related to the glass production and sales. Any other activities which could be done through external contractors were done that way, so the cost could be kept low.

6.4.3 Production, technology

When setting up B, GRD equipped the company with the most modern automatic technology for producing float glass. This technology is used in nine of the GRD plants of which four are in Europe. G is currently the world's fifth largest float glass producing company. The highly automatic, and standardised production line also means that the production process is very similar to other float glass companies of GRD which use this technology. With the new technology production is 450 metric tonnes of glass per day which both in quantity and quality is according to the standards of those GRD plants which have similar technological characteristics.

In addition to modern production technology a new computer system was also introduced. To the satisfaction of the foreign managers, Hungarian managers learned to operate and use the new computer technology very quickly. One of the foreign managers expressed his surprise at how quickly the Hungarian managers learned. He said:

> We just introduced a new computer system and they [the Hungarian managers] are doing a fantastic job with it. Far beyond my imagination. Very few complaints.

6.4.4 Bookkeeping

As with the technological standards, the main bookkeeping system follows the standards of GRD, although there is a parallel bookkeeping system to satisfy the Hungarian regulations and the information needed by the Hungarian tax agencies and other authorities. According to the foreign accounting manager the introduction of GRD's bookkeeping was necessary because the Hungarian accounting system only served for statistical purposes while the new accounting system had to satisfy the information needs of the owner and the decision makers. Since the strategic decision makers are often those managers who work in GRD Europe their information needs could only be satisfied by using a standardized accounting system.

6.4.5 Employment policy

Since B was set up as a new company it could restrict the selection of its employees to the requirements of the production and administrative plans. B was in a good position to attract the most qualified glass workers from the Hungarian parent which is placed next to the JV. After setting up the JV, the Hungarian parent (GW) stopped producing plate-glass and specialized in the production of jars and bottles so it would not have to compete with B. The management of GW also accepted that some of its skilled workers would be attracted by B.

B's hiring procedure was highly selective. First, the first level Hungarian managers were selected who then participated in the selection of other managers and employees. Parallel to this planned selection procedure there was also an informal self-selection procedure. Those who could not keep up with the requirements left the company themselves before they had to be fired. Despite the high requirements there were always plenty of candidates for the production-related areas both at the worker and the managerial levels. It was more problematic however to find qualified managers in areas such as finance, sales or general management given the shortage of qualified managers in these areas in Hungary.

The large pool of applicants in the production area made it easy for the company to hire the best employees. Two Hungarian operation managers thought that that the company's advantage in this respect was even unfair. One of them said:

> The biggest problem was that this company was set up at a time which is the most favourable for the foreign partner in terms of getting good employees. In Hungary today the uncertainty is too high, which increases the willingness to adjust quickly to the requirements. This is true of everybody: of the managers and also of the skilled workers. I hope that this situation will change in two or three years, and then GRD will have to work very hard to gain qualified people, the same way as it has to work anywhere else in the world. Otherwise, this leads to the situation that they allow much more to themselves than to the Hungarians. The standards are different. When I say this I think about many different things. Like what kind of behaviours they tolerate or who they allow to have access to certain information.

6.4.6 Incentive system

To support team work in B, the management decided to give equal wages to all shop floor employees. Also, although the tasks of the employees are well defined, everybody is ultimately responsible for completion of the whole work task. Employees are therefore interested to help each other out after their tasks are completed. To improve the quality of the production a complete quality management system was introduced. As part of this, employees were kept informed about the total production results and quality and performance problems, and incentives were given to them to fix these.

6.4.7 Marketing, sales

The major issue which company B faces now relates to the marketing and sales areas. The original purpose of the management of company GRD was to sell the majority of B's products in the Comecon markets, in Yugoslavia, and in Hungary. The collapse of Comecon and the war in Yugoslavia made it hard (if not impossible) to sell in these markets, and the company also could not achieve its sales targets in the domestic market because of the recession in Hungary and because of the import liberalization policy of the Hungarian government. The original plan was to sell 50% of annual production on the domestic market, but only 15–20% was sold there. Therefore B had to redirect its sales to Western European markets. Currently 80% of the company's production is sold in Western Europe. This redirection meant that B not only had to face a more competitive market, but also had to deliver over a larger distance which substantially added to the delivery cost. The lack of qualified sales persons in Hungary also showed up as a problem for company B. Currently, most of the sales are done through western managers who either work full time in company B or sell in various markets for GRD Europe including the products of company B. To solve this problem the management of company B plans to hire trainees for the sales positions. They badly need managers who will be able to sell in Eastern Europe when the situation is normalized in these markets. To find suitable personnel for these positions is one of the key issues which occupied the management of B and also GRD Europe.

6.4.8 Interaction between managers in different positions

The administration in company B is placed in a two storey building which is attached to the production area. The first and the second level managers are placed on the ground floor. On the first floor are the personnel manager, and those second and third level managers who deal with the production and engineering tasks. It is only possible to walk between the two floors using stairs which lead through the production area. Within each floor the possibilities for informal communication are quite good. There are no closed offices in the strict sense on either floor: desks are placed in large, open office spaces, so people see each other and talk to each other. There are a few semi-closed offices with large windows so everybody can see the person who is working there. These offices can be used by everybody who needs them for their work or for meetings. The conditions for communication between floors, however, are less favourable. The two floors separate mostly the third level operation managers (except the human resource manager who is on the first floor as well) from the rest of the managers on the ground floor.

6.5 Salient issues identified by the managers

In the company twenty managers were interviewed as well as their CMs elicited. Among the 20 managers 3 were American, 2 Luxemburger, 1 Norwegian, 1 Belgian, 1 French and 12 Hungarian. Four foreign managers work full time in B (1 American, 1 Norwegian, 2 Luxemburger) while the other four foreign managers spend most of their time in GRD Europe and a fraction of their time in B (2 American, 1 Belgian and 1 French).

The salient issues which were identified by these managers during the interviews and informal discussions fell into two categories: (1) issues which derive from the differences in the national background and experiences of the managers; and (2) issues which relate to the different situation of the foreign and Hungarian employees.

Ten out of 20 managers raised problems which related to national, cultural or system differences. Criticism were made both of the foreign and Hungarian managers. The foreign managers were criticised for having a prejudice against Hungarian managers and for not understanding the Hungarian context. The Hungarian managers were criticized for not thinking globally, for not having real loyality towards their company, for lacking a sense of urgency, for working very much with an eye on the clock, for not taking responsibility, for following the rules blindly, and for not understanding that it is the interests of the owner which must be satisfied.

In more detail, 4 out of the 12 Hungarian managers complained that the foreign managers had arrived with prejudices about Hungary which they still retain despite the obvious results achieved by the Hungarian management. One of the Hungarian managers said:

> It is almost impossible to stop western investors thinking that this is Eastern Europe therefore it must be a run-down area. They might even think that people here have horns.

Another Hungarian manager talked in a more differentiated way:

> The foreigners came here with strong reservations. They thought about us very much as easterners. This changed after half a year or a year, but not with everybody. It still is the view that this is Eastern Europe. The extent to which they think this way differs from person to person.

Interestingly, however two of the foreign managers felt that the Hungarians are the ones who feel that the foreigners perceive Hungarians as inferiors because they do not meet the production standards of the other plants of GRD in Europe. As an example, the head of GRD Europe told the author that they understand that producing good results in Hungary under the existing conditions is more difficult than in any of the other plants they have in Europe. But the Hungarians themselves are the ones who put overly high targets in front of themselves and then they tend to think that the foreigners are judgemental towards them if they cannot meet these targets. This foreign manager admitted however that the foreign managers might also be responsible for this false attribution of the Hungarian managers. He thought that Hungarian managers might draw incorrect conclusions about how they are judged by the foreigners from the critical approach which the managers of GRD Europe apply in every plant of GRD in Europe including Hungary. He thought that given that the Hungarian managers are so much more afraid of making mistakes and being criticised than Western managers that they tend to overvalue the weight of criticism.

Two Hungarian managers stated that the foreign partners did not understand the pecularities of the Hungarian context. One of the managers complained that they do not understand clearly the state regulations concerning the usage of gas-safety systems and other safety issues. The Hungarian managing director asserted that the foreign managers do not understand that the Hungarian employees live from day to day on their incomes. They do not understand that the company has to give support for the employees in addition to their salaries, such as giving favourable loans for buying or building their own flats or houses.

Two Hungarian managers' opinions went against what the managing director said in the sense that they felt that the foreigners knew that the Hungarians were in an uncertain situation concerning the increasing unemployment rate and the declining living conditions and because they knew how bad the situation was they were able to abuse this inequality between Hungarians and the foreigners.

The most often mentioned complaint against the Hungarian managers by the foreigners was that they do not fully identify themselves with their company. Four out of the 8 foreign managers said that it is difficult to motivate the Hungarians. They fulfill their tasks, but beyond that they are not happy if the company does well and they do not seem overly concerned if it does not. As one of the foreigners said:

> We tried to get it into their blood to love their job. It is to make people [...] interested in the result of their work. To be excited if they reached a good result. Or to cry, to complain or just be emotional about a bad result.

One foreign manager said that one clear manifestation of the lack of identification with one's work from the side of the Hungarians was that they work very much with an eye on the clock. He compared the values of the Hungarians with the values in GRD in the following way:

> It is four o'clock, so I [an imaginary Hungarian manager] should start to take my coat and go home. GRD is not this kind of company.

> You should stay until the work is done. This may be too drastic to say, but you live for the company.

He attributed this difference between Hungarians and foreigners to their different past experience. As he said:

> If you want to be succesful in this company you have to be part of the company. I do not think that was the case before. Before you had to come to the job to sleep so you were relaxed enough to do your second job. People just needed to have another job, because they were earning so little money. So especially those who are looking at it from outside cannot understand that a person is spending 10 hours in his fist workplace and will not have time or be just too tired to take up a second job. I think that it takes a lot of work to make them understand this.

Two foreign managers complained that the Hungarian managers do not think globally, or rather in the interest of the whole GRD, but rather locally in terms of B. Three foreign managers mentioned that Hungarian managers tend to follow the rules blindly and do not think of alternatives. Two complained that Hungarians did not want to take responsibility, and were afraid to speak up if they had problems.

It has to be noted however that the foreign managers usually distinguished between the top and the majority of second level managers (except one of the second level Hungarian managers who they were not satisfied with because of his personal qualities) and the other employees in their criticism. They thought that many of the first and second level Hungarian managers were western-standard managers. It is interesting to note that when considering criticism towards the foreign managers these mostly came from the those Hungarians on the third level who did not have direct contact with the foreigners. In fact one had the feeling that the less contact foreigners and Hungarians had with each other the more stereotypical the complaints they raised against each other. Possible explantions for this phenomenon will be discussed later in section 6.7.2.

6.6 Analysis of cause maps

The above is the context within which similarities and differences in managerial beliefs and factors which influence these similarities and differences should be understood. Also, those factors which most of the managers found relevant for the success of their business may be interpreted by knowing this context.

The interviews suggested that (1) functional area, especially marketing and sales areas (2) the national background and the (3) managerial levels might influence managerial beliefs in company B. For finding out the relative importance of managerial characteristics in influencing managerial beliefs 20 managers CMs were elicited in this company. Given the flat organisational structure almost all the managers down to the shift superintendent level were included in the sample. First step of analysis of the CMs first the distance ratios between the CMs were calculated and then the Student *t*-test and the Wilcoxon-Mann-Whitney test were computed. Calculating with 20 CMs 190 distance ratios were considered. The results of these calculations can be seen in Table 6.1.

In addition to the above computations a cross-correlation table was also calculated among managerial characteristics and between managerial characteristics and central maps (Table 6.2).[1] Applying Ward's method four clusters of CMs (A–D) were identified (with 3, 7, 6, 4 members respectively) which served as a basis for calculating the central maps.

For cluster-B where the CMs of seven managers formed the cluster and the distances of CMs of managers showed correlation with functional diversity the nodes of the central map and the indegrees and outdegrees are also listed in Figure 6.1. For cluster-A the nodes of the central map, the indegrees and outdegrees are also listed in Figure 6.2 as distances from this central map correlated with Hungarian nationality (although this finding

[1]The managerial characteristics in Table 6.2 are the same as in Table 6.1 except that the cross-correlation table also contains how long managers have been working at the company (At-Comp), their age (Age), and the diversity of managerial experience in different functional areas (FuncDiv).

Subgroup	M	N_w	N_a	$\overline{x}_w$	$\overline{x}_a$	σ_w	σ_a	t	Z_{MW}
All	20	190		0.782		0.149			
FA-MA	7	21	91	0.735	0.766	0.136	0.144	0.902	0.921
POS-Top	5	10	75	0.735	0.772	0.136	0.134	0.846	0.607
ED-Tech	13	78	91	0.777	0.781	0.164	0.146	0.192	0.021
NA-Frgn	8	28	96	0.787	0.779	0.114	0.147	−0.241	−0.057
NA-Hung	12	66	96	0.784	0.779	0.166	0.147	−0.184	−0.331
ED-Other	7	21	91	0.805	0.781	0.097	0.146	−0.718	−0.369
FA-PE	8	28	96	0.778	0.774	0.203	0.151	−0.103	−0.619
DFA-PE	7	21	91	0.837	0.799	0.143	0.147	−1.065	−0.910
DFA-PE+RD	9	36	99	0.791	0.773	0.183	0.150	−0.569	−0.921
POS-Ntop	15	105	75	0.794	0.772	0.160	0.134	−0.985	−1.450

M is the number of Maps, N_w is the number of distances between the maps within subgroups and N_a is the number of distances across subgroups (i.e, between maps which were within and outside of the subgroups). $\overline{x}_w$ is the mean distance between maps within subgroups and $\overline{x}_a$ is the mean distance across subgroups. σ_w is the estimated standard deviation within subgroups σ_a is the estimated standard deviation across subgroups. t is the result of the Student t-test and Z_{MW} is the Z statistic for the variant of the Wilcoxon-Mann-Whitney test.
Only subgroups which have at least four members are shown here. In the subgroup names FA indicates current Functional Area (FA-MA is marketing and sales, FA-PE is production, FA+RD is research and development), DFA is Dominant Fuctional Area (for subdivision see functional area), ED is Education type (ED-Tech is technical education, ED-Other is non-technical education), NA is Nationality (NA-Hung is Hungarian, NA-Frgn is foreign), and POS is position (PoS-Top is top managerial position, Pos-NonTop is non-top managerial position).

Table 6.1: Differences in intersubgroup means for company B

Vars.	FA-MA	FA-PE	DFA-PE	DFA-PER	ED-Tech	NA-Hung	Age	At_Comp	FuncDiv	TopMan	Dist_A	Dist_B	Dist_C	Dist_D
FA-PE	$-.60^{***}$													
DFA-PE	$-.54^{*}$	$.68^{***}$												
DFA-PRD	$-.66^{***}$	$.90^{***}$	$.81^{***}$											
ED-Tech	$-.12$	$.60^{**}$	$.54^{*}$	$.66^{**}$										
NA-Hung	$-.47^{*}$	$.67^{**}$	$.60^{**}$	$.74^{***}$	$.47^{*}$									
Age	$-.24$	.27	.23	.35	.37	$.54^{*}$								
At_Comp	$-.14$	.02	.09	.07	$-.09$	$-.02$	.02							
FuncDiv	.05	.18	.05	.24	$.51^{*}$	.10	$-.08$	$-.02$						
TopMan	$-.18$	$-.24$	.06	$-.06$	$-.30$	$-.24$	.17	$.38^{\dagger}$	$-.25$					
Dist_A	.09	.03	$-.22$	$-.22$	$-.15$	$-.44^{\dagger}$	$-.31$	.19	$-.10$	$-.21$				
Dist_B	$-.09$	$-.07$	.32	$-.03$	$-.05$	$-.07$	.01	$-.14$	$-.54^{*}$	$-.04$	.14			
Dist_C	$-.17$	.20	.44	.27	.24	.25	.03	$-.22$	.00	$-.17$	$-.45^{*}$	$.55^{**}$		
Dist_D	$-.26$	.11	$-.01$	.09	.03	.09	$-.08$	.18	.18	$-.22$	$-.03$	.06	.09	
Mean	.35	.40	.35	.45	.65	.60	40.40	2.60	.20	.25	.66	.50	.57	.65
σ	.49	.50	.49	.51	.49	.50	5.68	.94	.15	.44	.15	.15	.15	.16

$N = 20$ $^{\dagger}p < 0.1$; $^{*}p < .05$; $^{**}p < .01$; $^{***}p < .005$

Only subgroups which have at least four members are shown here. In the subgroup names FA indicates current Functional Area (FA-MA is marketing and sales, FA-PE is production, FA-PRD is production and research and development), DFA is Dominant Fuctional Area (for subdivision see functional area), ED is Education type (ED-Tech is technical education, ED-Other is non-technical education), NA is Nationality (NA-Hung is Hungarian, NA-Frgn is foreign), TopMan is being in the top managerial position while Non-Top is the opposite, Age is age, At_Comp is the time spent at the company, FuncDiv is functional diversity, and Dist_A–Dist_D are the distances from the central maps in cluster A, B, C, and D. In the table those managerial characteristics which are complementary to each other (Hungarian vs. foreign, technical education vs. non-technical education, top vs. non-top) are only listed under one of their possibilities.

Table 6.2: Correlations with distances from central maps in company B

Figure 6.1 In and out degrees for map cluster-B in company B

	Nodes	**Arcs In**	**Sum In**	**Arcs Out**	**Sum Out**
20	Competition	6	(12.07)	6	(13.28)
21	Flexibility	6	(9.22)	6	(11.41)
27	Customer relations	6	(10.93)	6	(10.67)
33	Knowing market	6	(9.30)	6	(12.52)
36	Quality of products	6	(13.67)	6	(12.33)
42	Incentives	6	(12.53)	6	(11.57)
47	Efficiency	6	(17.25)	6	(16.08)

was not reinforced by the student *t*-test).

In the central map in cluster B (figure 6.1) the market related constructs were the ones which dominated (20, 27, 33, 36), while constructs were also divided between management (21), HRM (42) and production issues (36, 47). The marketing issues together were considered to excert as much influence on the success factors as they were influenced by them (with 46.54 joint outdegrees and 46.34 joint indegrees).

Interestingly, Hungarian managers whose CMs fell into cluster A tended to put less emphasis on the market orientation and seemed to emphasised more the importance of the support from the parents' and lobbying with the government as it is suggested by figure 6.2.

Figure 6.3 lists those constructs which were selected by more than half of the managers.

Three of the most frequently selected constructs related to the market (36, 27, 33), while two to the quality of the management (21, 30) and two to the production (36, 47) issues which suggest a marketing orientation and also a belief that the management can make a difference in ensuring the

Figure 6.2 In and out degrees for map cluster-A in company B

	Nodes	**Arcs In**	**Sum In**	**Arcs Out**	**Sum Out**
7	Parents' support	4	(10.00)	4	(10.00)
10	Governmental lobbying	4	(9.67)	4	(8.17)
20	Competition	4	(8.67)	4	(9.17)
21	Flexibility	4	(8.50)	4	(10.50)
30	Leadership	4	(9.50)	4	(8.50)

Figure 6.3 Frequently selected constructs in company B

(Construct)	Most freq. sel. construct	Frequency
(36)	Quality of products and services	17
(21)	Management flexibility	12
(27)	Customer relations	12
(33)	Knowledge of needs of company's market	12
(47)	Efficiency/productivity	12
(30)	Leadership within the organisation	10

success of the organisation.

It was also tested whether there were substantial differences between the Hungarian and foreign managers in relation to short versus long term profit orientation as with company A. Ten managers chose one of the profit cards into the ten most important cards, but significant differences were not found in this respect between Hungarians and foreigners (3 Hungarian and 1 foreign managers chose the yearly profit card and 4 Hungarian and 2 foreigners chose the long term profit orientation card).

6.6.1 The results

It is apparent from the results of the Student t-test (also Wilcoxon-Mann-Whitney test) and from the cross-correlations that company B did not yield convincing results concerning the managerial characteristics which influence similarities and differences in the managerial beliefs. Looking at the Student t-test it suggests that working in the marketing and sales areas had the highest relative influence on the similarities in managerial beliefs but even the highest t and Z value were relatively low. Also, the CMs of those who work in the marketing and sales functional area did not seem to be substantially closer to any of the central maps than the CMs of other managers.

The cross-correlation table suggest a correlation between functional diversity and distances from the central map in cluster-B. It is an interesting to note that the more diverse experience in different functional areas a manager had the closer the CM of that manager seemed to be to the above central map ($r = -.54$, $p = .015$).

National differences did not seem to have a strong influence on similarities and differences in managerial beliefs, although in the cross-correlation table the CMs of Hungarian managers seemed to be relatively ($p = .052$) close to the central map in cluster A.

A Pearson correlation was calculated to measure the relationship between age differences and distance in beliefs. No correlation was found in this respect ($r = .09$) nor was any significant correlation found between age and distances from the central maps.

The correlation table also shows correlation results between different managerial characteristics considering the sample of the managers in company B.[2]

The conclusions which could be drawn from the cross-correlation table itself are highly unreliable given that in this company managerial characteristics and distances from central maps did not produce an unequivocal result. In those investigated organisations where clearer results were found, central maps tended to be far from each other, but in this company central maps in clusters B and C correlated with each other so they could not be treated as independent clusters. Merging these two clusters produced further correlations between the new cluster and the existing ones which suggest the lack of clear differences between clusters. All this indicates that, based on the distances between managers' causal maps, no robust clusters were identifiable within the company. This is consistent with the

[2]Among the relevant correlations the following ones were worth of note. The marketing managers in the sample were mostly foreigners ($r = .47$, $p = .036$) while managers on the production area were mostly Hungarian managers ($r = .67$, $p = .001$). Production managers not surprisingly also tended to have technical education ($r = .60$, $p = .005$). Given that among the Hungarian managers the production managers were highly represented, it is not surprising that substantially more Hungarians than foreign managers tended to have technical education ($r = .47$, $p = .036$). This is reinforced by the calculations of first order partial correlations. The Hungarian managers and working on the production area show stronger correlation when technical education is controlled for than otherwise ($r = .54$ $p = 0.0195$) while there is no significant correlation between Hungarians and technical education when working in the production area is controlled for ($r = .12$). Also, the Hungarian managers in the sample tended to be older than the foreign managers which may merely be a consequence of a higher willingness to relocate among younger managers ($r = .54$, $p = .014$).

findings based on the differences between means in section 6.6.1

6.7 Evaluation of findings

The lack of unequivocal results in B showing links between managerial characteristics and beliefs can be explained several ways. The organisational structure is very flat and in each layer there are only a few managers. To be able to have a sample as large as 20 managers shift superintendents also needed to be included, who were more concerned about the everyday running of the production and have lesser understanding and interest in the strategically relevant issues. Even if they understood that the organisation needs to concentrate not only on the production but also to market related issues their understanding of the connection between these factors might not be as clear as those at higher levels (although there was variation in this respect given that the predicted differences among managers in different levels were not found). Another distorting factor which mostly affected those managers on the higher levels is that four of the foreign managers in the sample only worked part time in company B. Although these foreign managers were specifically asked to consider company B in their answers rather than GRD or GRD Europe, these managers still might have had a different understanding of the success factors in B than other managers do.

6.7.1 The effect of functional areas or education

Even in the light of the unconvincing results it can be suggested, on the basis of the Student *t*-test (and the Wilcoxon-Mann-Whitney test), that in company B working on the marketing and sales area had the relatively strongest influence on the similarities of managerial beliefs. This influence was also suggested by the managers themselves during the interviews. This influence could be explained by the fact that marketing and sales issue seems to be the major issues in the organisation. For example, it was a major task of the management to build a sales force and to redirect sales towards the Eastern European, Yugoslavian and domestic markets. The perceived relevance of market-related issues also shows up in the construct selection by the majority of managers. Concentrating attention on the market-related issues was made easier by the relatively unproblematic nature of production: There was an abundant supply of qualified production people and the production results were mainly determined by the modern, highly automized production technology.

6.7.2 National differences

Although national differences were raised as a salient issue by both the Hungarian and foreign managers, these differences seemed to have a lesser influence on similarities and differences in managerial beliefs than some other managerial characteristics. This is not to say that differences could not exist in other respects, like in terms of identity (e.g., loyalty to the organisation) or in terms of attitude differences (e.g., working with an eye on the clock), although the interviews imply that there were substantial differences even in these respects between managers in different levels, independent of the their national backgrounds.

Although some correlation was found between the central map in cluster-A and the CMs of Hungarian managers these findings were not supported by the student t-test. Figure 6.2 suggests that Hungarian managers tended to attribute high influence to the management on the success of organisations and to factors which related to authorities external (parent, government) and internal (leadership) to the IMMO. Those managers whose CMs fell into cluster A were lower level managers who as the interviews suggest took the view that higher level managers, and external authorities might have an almost a deterministic effect on what direction the organisation is going to go.

Hungarian managers on the lower levels also tended to raise national differences, as salient issues, during the interviews especially those who did not have direct contact with the foreigners, while the foreign managers when asked about national differences mostly referred to the lower level managers (who they worked less with) and treated the first and second level managers as Western-type managers. These differences in attributions can be explained in several ways. One possible explanation is based on the argument that people tend to fill information gaps with information which exists in their knowledge structures and they also use this information in their attributions (e.g., Fiske and Taylor, 1991). In this case, managers applied stereotypical information to describe managers with different national backgrounds and interpreted their actions in the light of these stereotypes given that other information was limited. An alternative explanation could be the differences in willingness to adapt between managers at the higher and lower levels. It could be the case that managers at lower levels were more antagonistic to the new requirements than those at higher levels. This resistance was expressed in the negative opinion about the foreign managers who represent new requirements and change. The foreign managers also might have recognized this resistance to change on the lower level and have attributed this to national differences.

6.7.3 Profit orientation

A possible explanation for not finding differences in the profit orientation of Hungarian and foreign managers is that the economic situation of company B was such that here managers did not have to worry about the short term survival of their organisation. Also, although the yearly profit is important, both the Hungarian and the foreign managers considered the present markets temporary from which they plan to withdraw and orient towards the Eastern European, Russian, Yugoslavian and local markets. Succeeding in these markets and reaching profitability in the long run seemed to be as (or even more) important to this organisation than reaching profit on the short term.

6.7.4 Functional diversity

It is interesting that the more functional areas managers had experience in the closer they seemed to be to the central map in cluster B. The qualitative analysis of the central map in cluster B suggested a marketing orientation of these managers as well as a broader coverage of other functional issues. Although functional diversity correlated with technical education ($r = .51$, $p = .02$) generally those educated in technical fields did not seem to be close to the central map in cluster-B. This suggests that the experience in diverse functional area was the one which lead to a somewhat shared marketing oriented view among the managers who fell into this cluster.

Chapter 7

Company C: Everybody doesn't like something...

7.1 The acquired company

Company C specialises in coffee roasting and packaging, tea mixing, flavouring and packaging, salt packaging and in the production of household and personal care products. It was acquired by a foreign company DE in February 1991, when the foreign owner bought 95% of the shares. Company DE is a Dutch company with a similar profile to company C. DE was acquired by an American company SL in the eighties. Since this acquisition DE is an IMMO where American and Western European (mostly Dutch and Belgian) managers work together. When C was acquired by DE the number of employees was around 1700–1800 people. By the time of the fieldwork (March and April 1993) the number of employees fell to 1000–1100 employees due to the lay off and early retirement policy of the new owner. The foreign management of the company still plans a further decrease in the number of employees. Originally C operated in 7 plants but the foreign management closed down two of the original plants. Information was not available on the profitability of the company, but this was not a unique characteristic of this IMMO. In Hungary there is a *Fortune*-like magazine called *Figyelő* which lists statistical information on the top 200 companies and on foreign owned companies each year. Those responsible for assembling and commenting on these statistics complained that the majority of large, foreign owned companies did not provide the necessary information or give permission to print their statistics from other sources (Inzelt, 1993). The only information which the foreign executive director of C was ready to provide was that the company was slightly profitable but that its profitability had been steadily decreasing since the time of the acquisition. The company is fully oriented towards selling its products on the domestic market.

7.2 The history of the company

Company C was one of the large, state owned, successful companies in the socialist system. It enjoyed a state protected monopoly position in Hungary both in the tea and coffee markets. These markets were divided up between two companies C and MÉ by the state in the seventies and eighties. Company C was given 60% of the Hungarian coffee market and 40% of the tea market while MÉ was assigned 40% of the coffee and 60% of the tea market. This division of the market was originally secured by the import policy of the government. In the socialist system import rights were given to foreign trade companies as opposed to production and service companies. Hungarian companies could only receive import products through these foreign trade companies. Since Hungary is not a coffee or tea producing country the basic input materials had to be imported. Import rights were divided up between the foreign trade companies by the state. One of these companies had exclusive import rights for coffee and tea. This company was responsible for providing the raw tea and coffee to C and MÉ, but strictly according to their quotas and at a price set by the state. C and MÉ then processed the tea and coffee and sold them at a price which was also determined by the state. In 1984 the company received import rights from the state within set quotas. Since the selling price and the quotas were all set by state officials the success of the company depended on how successfully it was able to lobby them. The previous CEO of C (the president during the time of the fieldwork) managed to build good connections with governmental officials which ensured favourable prices and treatment for the company in the past.

The company started the privatization process under the period of the so-called “spontaneous privatization” (described in section 4.3) which meant that the top management team, with the agreement of the company’s council itself selected the privatization partner to whom they wanted to sell the company. The top management team also had the opportunity to negotiate the conditions of privatization with the new partner. The State Property Agency only practised legal controlling above this company. As the first step 95% of the shares were sold to the foreign partner for 6 billion HUF. Company DE also agreed to invest an additional 1.5 billion HUF into C. The remaining 5% of the shares were offered to the employees at a favourable price. The employees were required to pay 7.5% of the nominal value of the shares while the managers paid 25%. The shares which were offered to the employees were non-voting shares. Since then, DE has bought back most of shares which were sold to the employees. This deal provided roughly the equivalent of one year’s salary for each employee who bought shares.

7.3 The purpose of the partners

During the interviews most of the managers agreed that DE bought C because it wanted to open up a market in Eastern Europe. They provided different explanations why DE wanted to make this step however. Some managers thought that DE did not have much choice about coming to Eastern Europe after its competitors started acquiring and setting up companies there. DEsimply had to make this move to stay competitive. Other managers attributed this move to other factors, like to the good profit possibilities in the region, the desire of DE’s management to increase the size of their company, and the imperialist motives of Westerners to colonise the region. The interviewed managers also had some explanations for why company DEchose Hungary and selected company C for the acquisition. Some foreign managers said that DE selected Hungary because it proved to be one of the most stable countries in this region with the most advanced market related institutions. According to some Hungarian managers DE chose C because it was a profitable, well run company which matched the profile of DE. The foreign managers, however, emphasised that DE in fact selected the country first and and the company after.

Why the Hungarian partner decided on the acquisition and also on DE is a longer story which was told by the Hungarian managers. The management of C was aware that the state might eventually privatize this company. They decided to pre-empt this event so that they would be able to select a professional investor and influence the conditions of the privatization. Since they had already been approached by potential partners they were in a good position to privatize the company themselves. They chose a professional partner which did not want to close down the company, which was willing to invest additional capital, and which promised a certain level of employment and high compensation for those who might be laid off. The previous Hungarian CEO described the criteria for partner selection:

> In the contract we stipulated a certain level of employment for a given time period. We stipulated the kinds of investments they would make, so that they would not buy us to kill us. They met the agreement except in the case of a few investments.

7.4 External conditions

In the last few years the market conditions of the company went through substantial changes. C lost its monopoly position and had to face increasing competition which consisted mostly of foreign owned companies which acquired Hungarian companies or set up their own operations in Hungary. There was an increasing "black market" in coffee which meant a new competition for the coffee processors. Through this market a large amount of cheap coffee was bought into the country on which the sellers did not pay any import duty. The increasing competition meant that during the time of the acquisition, the market share of the company dropped from 60%

to 39% in coffee and the company had to make major steps to stop and reverse this tendency. Since then the company managed to increase and stabilise its market share in coffee at 53%. One the means to achieve this success was that the company managed to put pressure on the state to forbid selling coffee without a special licence from the state, similarly to alcohol and tobacco. This law was enforced by using the police against black marketeers. In addition to this new law, the state increased the import tax to 40% on processed coffee. The president of C described the strong action of the state against black marketeers as something which the state owed to the foreign partner of C. He said in a press interview (Inzelt, 1993, p. 24):

> Using strong hands towards black marketeers was a debt of the state towards company DE which invested a lot of money in this country.

This victory of the coffee companies over the "black market" was not unique, but it was probably the most dramatic representation of the pressure (described in section 4.4) which international companies put on the Hungarian government. While the fight for the domestic market intensified, the development of the distribution channels which C used had not adjusted fast enough to the changes in the market conditions. Under the socialist system, C sold its products through 10 wholesale companies which then sold the products through the retailers to the consumers. This way the products reached the consumers through several stages. During the time of the fieldwork, 86% of the products were still sold through these wholesalers in the countryside, while within Budapest this ratio was 50%. Among these 10 wholesalers, 8 were still not privatized which caused tremendous inefficiency and uncertainty in these organisations. Although company C has built a sales force to be able to reach its customers directly the inefficiencies of the wholesalers still made it difficult to provided better service to a large percentage of them.

7.5 New techniques, changes

In the first year and a half after the acquisition the new owner did not initiate many changes. This lead to a lag in the company's adaptation to the changing market conditions which contributed to the declining profitability and market share. The worsening performance results triggered action by the new owners. They sent 8 Dutch managers and 1 Belgian executive director to C with the task of reorganising the company and reversing the declining performance.

7.5.1 Restructuring

The arrival of the foreign managers temporarily added extra layers to the organisational hierarchy and also led to centralisation of authority. The foreign managers were appointed as bosses above the Hungarian managers or put into key positions in areas where their expertise was necessary. Four of the 9 foreign managers were part of the top managerial team which also contained two Hungarians. One of these Hungarian managers was the previous CEO of the company who became the president of C and "Director of External Relations". The formality of this position was open knowledge in the company. The former CEO himself admitted, and other Hungarian managers confirmed, that he was basically left without any authority. The reasons that he was still kept in a high, symbolic position were (1) he arranged the privatization deal with DE and he was promised this position as part of the deal; (2) his good connections with the state officials were still important as the experience with the "black market" confirmed. In addition to the president, only the manufacturing director was Hungarian in the top managerial team. The foreign managers in the top managerial team had the following positions: executive director, financial director, marketing director, and human resource management director.[1] The other foreign managers who were not part of the top managerial team were mainly sent

[1] In addition to managers in the TMT the Hungarian plant manager was also considered a top manager during the data analysis.

because of their expertise in marketing and finance. Two of these five foreign managers were product-market managers. They were responsible for introducing to the market the household and personal care products on the one hand and the so-called out of home business products on the other hand. These two profiles were introduced by the new owner which contained several new products (cosmetics and chemical products) which were not previously produced by the company. Two of the three other foreign managers worked in the marketing and sales area while the third dealt with finance and planning. Although the arrival of the foreign managers meant a temporary increase in the hierarchy the reorganisation effort of the new management had already led to some flattening of the organisational structure (the number of layers however was still high, around 6–7). Production was organised around certain products (like salt, household products, coffee, tea, out of home business) and the supporting functional areas were placed at the same level as the production areas rather than subordinate to them.

The organisational restructuring is still incomplete and in fact it is still closer to the beginning than to the end. Further decrease in the organisational hierarchies is expected, as the foreign management is trying to create a similar organisational structure to that of DE. In the organisational structure of DE there are fewer layers of administrative support staff than in C. It was therefore clear to both Hungarians and foreigners that those managers who worked in these areas would be mainly affected by the new lay-offs. This situation created tremendous uncertainty and bad feelings in the threatened managers at the time of the study.

Parallel with the restructuring activities there was an effort to redesign the responsibility system. Managers were instructed to be responsible for narrower areas than they were before but their responsibilities would go "deeper" into these areas and would be better defined. This would change the previous practice where everybody pretended to be an expert in somebody's else area when it was a matter of talking about issues, but nobody was willing to take any responsibility if a bad decision was made.

The most substantial change which took place within C concerned the development of a new sales force with travelling agents. Building a successful sales force was a major concern of the organisation and it devoted many resources (including high payment of the agents, usage of western cars by these people, etc.) to this purpose.

The R&D area basically ceased to exist. The R&D is done in DE which provides C with the necessary results.

7.5.2 Cost control

Before the Dutch managers arrived in company C there was basically no effective cost control within the organisation. The company did not even have a good system to calculate which products cost how much or how to divide up the general cost among the products. The foreign managers have still not managed to work out a system through which the cost of different products could be realistically calculated.

To cut costs several efforts were made. One was to lay off the excess staff. Under the socialist system the number of employees was often influenced by non-economic considerations which resulted in large numbers of excess employees in many of the ex-state owned companies, among them C.

One of the Hungarian managers described the considerations which laid behind the employment of people in a small town, called T, in the following way:

> The whole employment in T was the result of bargaining with the state. We asked the state officials to set our prices in a way that our profit would be guaranteed. In exchange we did something which was the responsibility of the state: ensured full employment in T.

The new foreign management closed down uneconomical factories, like the one in T. It was still more economical to lay off the excess people than to keep them, despite the high compensation fee which C agreed to pay them as part of the privatization contract.

Another way of cutting costs was to reduce the inventory. In the previous system C had a "supplier responsibility" (described in section 4.1) which meant that it was responsible to the authorities to satisfy the domestic demands with products, such as salt, coffee or tea. Since the import of raw materials arrived irregularly the company could maintain production and satisfy the market if it kept a high levels of raw material stocks. It was more important to satisfy the "supplier responsibility" than to keep costs low, because satisfying the state was an important bargaining tool, and prices could be negotiated with the state on a cost-plus profit basis. This meant that the prices under negotiation were calculated in a way that the profit was calculated as a certain percentage of the cost, and was added to the cost. Now that cost had become an important issue, the company made an effort to keep inventory at an optimal level considering the cost and the requirements of smooth production.

Another way to cut costs was to stop activities which did not fit the profile of the company. Under the socialist system the inefficiency of the market made it very unreliable to contract out certain activities to other organisations. This led the management of C to follow a strategy of incorporating activities into C which did not belong to the profile of the company, but which were necessary for efficient functioning. For example business trips were not organised by an external travel agency but by a travel group within the company. These kinds of activities are now contracted out to other organisations.

The other new cost cutting method was a new budgeting system. DE also tried to save money by providing capital for investment to C rather than taking up loans. Loans were very expensive in Hungary due to high interest rates.

7.5.3 Production, technology

Profile clearance occurred in the production area. This meant that the company ceased to produce certain products while new products and product profiles were introduced. There were substantial changes even in those products which were produced before. Two-thirds of the products went through some changes within one year in terms of their form, quality, wrapping, appearance etc.

There were also changes in technology. Several new machines were bought or second-hand machines which were modern in Hungarian terms were delivered from other plants of DE. Efforts were also made to introduce a computerised information system into C. This process however just had started and there were so far no spectacular changes in this respect.

7.5.4 Bookkeeping

Since the Hungarian accounting regulations are different from those which are required by DE, parallel accounting systems were introduced into C. One system was to satisfy the requirements of the parent company while the other is to satisfy the Hungarian accounting regulations. A financial controlling system was also introduced.

7.5.5 Employment policy

While the general tendency in the company was laying off production and administrative employees there was also an opposite tendency in the marketing and sales areas. Since the acquisition the company had hired 115 employees in these areas. This step was in line with the effort of the company to build up a marketing and sales force while streamlining production.

7.5.6 Incentive system and training

Although the acquired company gave wage increases to its employees which were above inflation, according to some middle level Hungarian managers there was still a negative change in the incentive system after the foreigners bought the company. Previously C was a profitable company so it was able to increase wages in a way to keep them above industry average and in addition it always paid bonuses and premiums from its high profit. Now, under the cost cutting effort, the wages did not increase as fast and basically no additional incentives were given except in the marketing and sales areas.

7.5.7 Marketing, sales

The most substantial changes in the company occurred in the sales and marketing area. The foreign management concentrated their effort on building up a sales force and on turning C from a production and technology driven company to a marketing and sales driven company.

The degree of change was characterised in the following ways by a Hungarian procurement manager:

> What is an unprecedented change in the company is that it turned from a production oriented company into a market driven one. This marketing orientation could be measured in the amount of resources which is distributed to the marketing and sales area. There was a substantial increase in the number of employees in the marketing and sales areas and a network of sales agents was developed. So the most substantial changes in terms of their structure, in their approaches and in their methods were in these areas. In engineering there were no substantial changes apart from the introduction of some new technologies and machines. These are more efficient then they were previously but I would not call them such a substantial change.

The foreign management made a serious effort to utilise the previous marketing achievements of C. C had a type of coffee in the old system which was known by the people as high quality coffee and it was also very popular. DE introduced its name and many of its new products to the Hungarian market by using the brand name of this coffee. First, the DE name was introduced by putting it in a central place on the packaging of the coffee without changing anything else. Then DE introduced other coffee and products which had similar packaging to this popular brand. After becoming better known as a company, DE also introduced other products but with strong reference to the high quality which was associated with the original brand-name.

7.6 Changes in the relative positions of areas

The increasing market orientation of the company had the effect that resources were redistributed in favour of sales as opposed to production; decisions were considered from the point of view of the market rather than from a technological, production view; and the number of employees who deal with the marketing and sales area increased while there was a serious decrease in other areas. The switch in interest from the production and technical areas towards the marketing and sales areas was characterised by a Hungarian marketing manager the following way:

> The most spectacular and substantial change happened in the sales area. I know this because previously I worked in the sales area. There were five or six people in this area who dealt with trade issues. The amount of people who deal with this area has now increased more than ten times. The whole approach had changed. Earlier the production was the of interest and the main effort was to create the technical base for production. This has changed now.

7.7 Salient issues identified by the managers

Twenty-eight managers were interviewed in the company although from them only 27 agreed to have their CMs elicited (the executive director only agreed to be interviewed). Among the 28 managers, 1 was Belgian, 8 were Dutch and 19 were Hungarian.

The problems which were identified by the managers related (1) to the internal and external changes; (2) to differences in national background and experiences; (3) and to differences in the interest of Hungarian and foreign managers.

Twelve out of the twenty-eight managers saw problems in adjusting to the internal and external changes. Among these managers nine were Hungarian and three were foreign managers. Nine of these managers (six Hungarians and three foreign) thought that the main problem was that C now had to be turned into a market oriented organisation. The problems only partially related to the issue of changing the mindset of the people and more to the fact that the new orientation was changing power relationships. As the Dutch director of sales said:

> In every western company even if there is a hundred years of experience there is a tension between production and sales. You can imagine that in a company where marketing and sales did not exist, that when it is established it takes away power from somewhere else. And if that is a new department and also it is run by a foreigner then by its nature there should be tension.

Or one of the Hungarian middle level managers working in sales said:

> Earlier in the company we had more emphasis on production than anything else. Now production is limited to providing services to the rest of the company while before they were the elite. They were on the top and everybody else was in a less powerful position compared to them.

Although the changes were treated as the source of problems, Hungarian managers also stated that these kinds of changes would have happened even without the foreign partner due to the changes in the environment. As one of the middle level Hungarian managers said:

> The causes of our problems do not relate to the fact that we work together with foreign managers. The problems originate from the

> changes which had been going on in this organisation even from before the foreigners showed up.

Three out of twelve managers thought that the most problematic part of the changes was laying off employees. Four out of the twelve managers attributed the problems to the fact that the internal changes had confused the information system within the organisation and a new effective information system had yet to be developed. Middle level managers often felt that they did not get the information which was crucial to their work and they were not often sure about what was expected from them under the restructured organisation. As one of the middle level Hungarian managers in the accounting area said:

> [The top management] do not ask our opinion and if you still stand up and do not shut up they are not really interested in what you say. They make decisions without informing us, we do not know why these decisions were made and then they are the ones who are surprised that nothing is happening in this respect. There are no forums where we could be informed about these decisions, although in our area I forced out that we should have meetings regularly. They usually say that there is no time for this kind of thing or that the time is not spent usefully at these meetings or they will say that all of these were already discussed in the top management meeting. But I have experienced in my day-to-day work such cases where they knew about some decision but failed to communicate it to me and they still expected me to act according to the decision. But how could I implement decisions which I do not know anything about? I actually think that this is the case in every area. They want something but they do not find their subordinates worthy enough to tell them what they want even if it would not necessarily mean that they would have to listen to their opinion about the matter.

One of the sources of this problem could be that the organisational changes had not been completed yet. It became obvious from the interviews that the middle managers did not know whether the top management had an idea about what would happen with the several layers of middle management which were not present in the organisational structure of the parent. It was not clear whether there would be new tasks assigned to these managers or whether their functions would eventually cease to exist. Since the managers in these functions felt that their areas were endangered but had no further information on what would happen or what was expected from them this situation was the cause of lots of uncertainty.

One of the plant managers however already seemed to know the restructuring concept and he claimed that it would follow the organisational and informational structure of foreign partner.

> This process [the restructuring] has already been going on. The framework of restructuring is already accepted. Now the basic task is that we should be able to make the new structure work. The new structure is formed on the basis of the Dutch model. The task is to be able to build up an information system which establishes the channels of communication within the new structure. Also we need to assign responsibilities to different functions and find the right people in the right places. The basis of effective functioning is going to be the right people to the right places with well described responsibilities.

Another middle manager found it problematic that the assignment of new responsibilities to some managers and curtailment of responsibilities of others did not happen in a well planned manner. She provided the following example to support her claim:

> The latest "hysteria" is that they changed who has the authority to sign what. They changed the old remitting and bank accounting systems, but they failed to inform those who previously had these authorities and who were deprived of them.

Another source of the communication problem could be that the managers at the top intentionally withhold information from their subordinates.

This was evident in the research where, despite permission from executive director and the top managerial team and a letter from the personnel manager asking managers to participate the foreign executive director refused to have his CM elicited. While he was very eager to learn about other managers' beliefs it appears that he did not want to provide any information which he could not control.

Eight of the twenty-eight managers raised problems which related to national differences. Among these managers four were Hungarians and four foreign. The foreign managers mostly criticised the unwillingness of the Hungarian managers to change and act (3 managers); the fact that Hungarian managers do not think in a business oriented way (1 manager); that the Hungarians consider information as a source of power and therefore do not give it to other people who need it (1 manager) and that the Hungarians are afraid to express their opinions (1 manager).

A Hungarian middle manager also said that Hungarians were afraid to express their views, but she did give a situational rather than a national reason for this. She said:

> People are all under stress here. Everybody is worried about keeping their jobs, so they are afraid to criticise the Dutch managers, even those who are at their own levels. Because of this there have been plenty of controversies within the company and if you asked the foreign managers why did they do something this way they would say with the truest sincerity that they did not mean to reach this outcome. Those Hungarians who should have told them that they were wrong were afraid to do so and the foreigners did not know the rules and it did not occur to them that they made a stupid decision here.

The four Hungarian managers who raised national problems mentioned that the foreign managers arrived to Hungary with prejudices against Hungarians and their interaction with Hungarians had been based on these prejudices. Two managers also mentioned the lack of trust which the foreign managers had in the Hungarians. Two managers also thought that the foreign managers often made decisions without having exact information or without making an effort to learn more about the context which should be taken into consideration when a decision has to be made. For example, one of the Hungarian middle level managers described how much effort they had to make just to get the foreign managers to understand that the Hungarian market is different from Western markets and therefore requires different marketing and sales policies. She said:

> There are plenty of good things which would be very nice to import from them. They had the chance to develop these methods for years so we do not have to reinvent these methods; we just have to think about how to implement them in Hungary. But you cannot implement everything, especially not in trade, where we have a different market here than they have there. We have problems making them understood that what we are saying is not just something which we bring up as an excuse but it is based in facts. The fact that they know their market and how to work on that market does not mean that you can follow the same strategy in all markets. They did not accept at first that such and such will not work here. They pushed it through and we got into a situation where we could have boasted that we had told them so; but it was not what we wanted.

From the four Hungarian managers who mentioned national differences two also argued that foreign managers did not understand the Hungarian culture. One of the Hungarian top managers gave me the following example:

> As you know this year 15 March [national holiday] fell on Monday so everybody was looking forward to spending a long weekend with their families. The Dutch wanted to organise a working weekend for managers to discuss issues. They wanted to put this working weekend on the 12-13-14th which would have destroyed our holidays. They thought that this was the best arrangement for us since

> we can then relax on Monday. This however shows that they do not understand the Hungarian culture and mentality. This decision caused such an outcry that the Dutch had to change their plans.

The above quote also shows an example of what kinds of issues the Hungarians consider to be part of Hungarian culture and are actually ready to stand up for.

Two Hungarian and two foreign managers mentioned that the foreign managers had different interests and responsibilities. While the Hungarian managers had more interest in ensuring their position and in the long term survival of C, the foreign managers were expected to produce short-term results which would convince shareholders of the correctness of the investment decision. As one of the foreign managers who was responsible for sales said:

> We [the foreign managers] are a little bit squeezed in doing business according to the expectations of the parent and also according to the rules of business in Hungary.

The Hungarian ex-CEO summarised the problem of the foreigners not knowing the context well and having a short term profit orientation the following way:

> So, just a quick example. We [the Hungarian managers] had to try to keep persuading them for two years to go down to the cheap coffee market which is half of the legal market in Hungary. We had to prove to them that without this step we will be unable to succeed even on the other market or to keep up with the competition. This was a hard fight from the side of the Hungarian management and shamefully we had to argue for it again and again. What is surprising to me is that they have such a short term profit orientation. This is very harmful since the other coffee companies around us are thinking in the long term.

Interestingly, one Hungarian manager complained that being bought by a multi-national company had increased rather than decreased the bureaucracy within the company.

While thinking about national differences and differences in interest one of the Hungarian managers thought that the only way to reconcile these differences was to have mutual adaptation on both sides. He said:

> I think that the adaptation has to be on both sides. The change was unproblematic only in those areas where they managed to connect to each other the old mentality with the new one. This meant that not only the Hungarian managers had to adjust, but the foreign managers as well. Any attempt which did not take into consideration that the foreigners also have to adjust has failed. It failed at the top because it could not be implemented, and failed at the bottom because people wanted to turn the clock back.

7.8 Analysis of cause maps

The above is the context in which managerial beliefs were formed and in which similarities and differences of these beliefs should be understood. As mentioned above, 28 managers were interviewed in this organisation and 27 managers' CMs were elicited. The interviews suggested that (1) functional area (especially marketing and sales); (2) national–cultural backgrounds; (3) and positions are the ones which are likely to influence managerial beliefs in this organisation. For finding whether these relationships are the most important or not the CMs were analysed. First the distance ratios between the CMs were calculated and then the Student t-test and the Wilcoxon-Mann-Whitney test were conducted. In the case of 27 maps 351 distance ratios were computed. The results of these computations are presented in table 7.1.

In addition to the above a cross-correlation table among managerial characteristics and between managerial characteristics and central maps

Subgroup	M	N_w	N_a	$\overline{x}_w$	$\overline{x}_a$	σ_w	σ_a	t	Z_{MW}
All	27	351		0.729		0.145			
SEX-Male	20	190	140	0.706	0.751	0.143	0.139	2.855	2.897
LANG-Multi	23	253	92	0.717	0.765	0.144	0.146	2.722	2.767
ED-Tech	11	55	176	0.677	0.721	0.127	0.147	2.000	1.611
POS-top	7	21	140	0.675	0.713	0.107	0.141	1.186	1.413
DFA-MA	11	55	176	0.705	0.733	0.146	0.157	1.175	1.103
FA-MA	9	36	162	0.701	0.727	0.134	0.157	0.940	1.055
LANG-Mono	4	6	92	0.718	0.765	0.148	0.146	0.753	1.023
NA-Frgn	8	28	152	0.719	0.737	0.129	0.147	0.605	0.444
FA-GM	4	6	92	0.742	0.725	0.140	0.146	−0.270	−0.052
FA-Fin	4	6	92	0.755	0.752	0.174	0.134	−0.060	−0.333
DFA-PE	6	15	126	0.740	0.725	0.126	0.140	−0.392	−0.468
NA-Hung	19	171	152	0.724	0.737	0.148	0.147	0.825	−0.515
FA-PE	6	15	126	0.725	0.715	0.125	0.146	−0.251	−0.585
SEX-Female	7	21	140	0.800	0.751	0.171	0.139	−1.467	−1.634
DFA-RD	4	6	92	0.848	0.748	0.091	0.140	−1.733	−1.741
POS-ntop	20	190	140	0.747	0.713	0.150	0.141	−2.067	−2.000
ED-Soft	16	120	176	0.765	0.721	0.143	0.147	−2.572	−2.745

M is the number of Maps, N_w is the number of distances between the maps within subgroups and N_a is the number of distances across subgroups (i.e, between maps which were within and outside of the subgroups). $\overline{x}_w$ is the mean distance between maps within subgroups and $\overline{x}_a$ is the mean distance across subgroups. σ_w is the estimated standard deviation within subgroups σ_a is the estimated standard deviation across subgroups. t is the result of the Student t-test and Z_{MW} is the Z statistic for the variant of the Wilcoxon-Mann-Whitney test.
Only subgroups which have at least four members are shown here. In the subgroup names SEX indicates gender which could be Male or Female, LANG-Multi marks those who speak more languages than their native language and LANG-Mono marks those who only speak their native language. ED is Education type (ED-Tech is technical education, ED-Other is non-technical education), FA indicates current Functional Area (FA-MA is marketing and sales, FA-PE is production, FA-GM is general management, FA-Fin is finance and FA-RD is R&D), DFA is Dominant Functional Area (for subdivision see functional area), POS is position (top is a top managerial level and ntop is others), NA is Nationality (NA-Hung is Hungarian, NA-Frgn is foreign), and PoS is position (PoS-Top is top managerial position, Pos-nTop is other position).

Table 7.1: Differences in intersubgroup means for company C

Figure 7.1 In and out degrees for map cluster-A in company C

Nodes	Arcs In	Sum In	Arcs Out	Sum Out
21 Flexibility	5	(3.71)	6	(10.74)
30 Leadership	6	(4.88)	6	(12.23)
36 Quality of products	5	(8.17)	6	(3.49)
41 Cost control	6	(8.15)	5	(5.29)
47 Efficiency	6	(10.28)	6	(7.21)
48 Distribution channels	6	(8.84)	5	(5.07)

was also computed (table 7.2).[2]

For four clusters of CMs were identified (with members 10, 6, 4, 7 respectively) which served as a basis for computing the central maps.

For four clusters A, B, C and D a limited qualitative analysis was also conducted on the central maps considering the nodes which were selected by the majority of managers and the indegrees and outdegrees which were calculated to each nodes.

The constructs in the central map A (figure 7.1) were divided between management (21, 30), production (36, 41, 47) and marketing issues (36, 48). Considering the joint indegrees and outdegrees it seemed to be the case that the majority of managers in this cluster attributed the strongest influence to management on the success factors (by 22.97 joint outdegrees).

Similarly to figure 7.1 two of the selected constructs in central map B (figure 7.2) related to management (21, 3), two to the market (20, 33)

[2]The listed managerial characteristics in table 7.1 are the same as in table 7.2 except that the cross-correlation table also contains how long managers have been working at the company (At-Comp), their age (Age), and the diversity of managerial experience in different functional areas (FuncDiv).

Figure 7.2 In and out degrees for map cluster-B in company C

Nodes	Arcs In	Sum In	Arcs Out	Sum Out
3 Strategy	6	(14.38)	6	(8.19)
20 Competition	6	(9.84)	6	(11.42)
21 Flexibility	6	(10.05)	6	(10.17)
28 External conditions	5	(3.92)	6	(9.92)
33 Market knowledge	5	(7.07)	5	(9.23)
47 Efficiency	6	(9.80)	5	(6.13)

HFA_PE	$-.38^{\dagger}$																	
FA_FI	−.29	−.22																
FA_GM	−.29	−.22	−.17															
DFA_MA	$.85^{***}$	$-.44^{*}$	−.35	.08														
DFA_PE	$-.38^{\dagger}$	$.36^{\dagger}$	−.22	.28	$-.44^{*}$													
DFA_RD	−.29	$.53^{**}$	.12	−.17	$-.35^{\dagger}$	−.22												
ED_Tech	−.27	$.64^{***}$	$-.35^{\dagger}$	.29	−.23	$.46^{*}$	.29											
NA_Hung	−.23	$.35^{\dagger}$	−.19	.04	−.29	$.35^{\dagger}$	.27	$.54^{**}$										
Age	−.15	−.03	.09	−.03	−.14	.06	−.06	−.09	.09									
At_Comp	−.21	.19	−.13	.01	−.31	.27	−.01	.29	$.54^{**}$	−.01								
Gender	−.06	.09	−.01	−.25	−.15	.09	−.01	−.15	$.38^{*}$	.07	$.56^{**}$							
FuncDiv	.29	−.11	−.19	−.13	.23	.06	$-.39^{*}$	−.19	−.30	$-.46^{*}$	−.26	.00						
Topman	−.13	−.03	.07	.07	−.20	−.03	.07	−.01	−.32	.25	−.16	−.28	−.00					
Multling	.29	.22	.17	−.12	$.35^{\dagger}$	−.28	.17	.13	−.27	−.12	$-.35^{\dagger}$	−.23	.00	.20				
Dist_A	.03	−.04	−.07	−.17	−.19	−.13	.32	−.06	.10	$-.43^{*}$	.31	.25	.24	.15	−.20			
Dist_B	.23	−.19	.28	−.14	.25	−.17	−.01	$-.46^{*}$	$-.34^{\dagger}$	−.11	−.32	−.09	.28	.15	.30	.06		
Dist_C	.18	−.02	.01	−.08	.34	−.09	−.21	−.16	−.17	.19	−.08	$.38^{\dagger}$	.15	−.18	.15	−.39	.13	
Dist_D	$-.46^{*}$	.04	.12	.18	$-.37^{\dagger}$	.27	.11	.04	.30	−.00	.29	.20	$-.45^{*}$	$-.33^{\dagger}$	$-.46^{*}$	.08	−.19	−.17
Mean	.33	.22	.15	.15	.41	.22	.15	.41	.70	41.59	6.33	1.26	.80	.19	.85	.71	.74	.86	.64
σ	.48	.42	.36	.36	.50	.42	.36	.50	.47	7.64	5.31	.45	.16	.40	.36	.20	.21	.13	.19
Variables	FA_MA	FA_PE	FA_FI	FA-GM	DFA_MA	DFA_PE	DFA_RD	ED_Tech	NA_Hun	Age	At_Co	Gend	FncDiv	Top	Multlin	Dist_A	Dist_B	Dist_C	Dist_D

$N = 27$ $^{\dagger}p < 0.1$; $^{*}p < .05$; $^{**}p < .01$; $^{***}p < .005$

Only subgroups which have at least four members are shown here. In the subgroup names `FA` indicates current Functional Area (`FA-MA` is marketing, `FA-PE` is production, `FA-Fi` is finance, `FA-GM` is general management), `DFA` is Dominant Fuctional Area (for subdivision see functional area), `ED` is Education type (`ED-Tech` is technical education, `ED-Other` is non-technical education), `NA` is Nationality (`NA-Hung` is Hungarian, `NA-Frgn` is foreign), `TopMan` is being in the top managerial position while `Non-Top` is the opposite, `Age` is age, `At_Comp` is the time spent at the company, `Gender` is gender (which here marks females) `FuncDiv` is functional diversity, and `Dist_A`–`Dist_D` are the distances from the central maps in cluster A, B, C, and D. In the table those managerial characteristics which are complementary to each other (Hungarian vs. foreign, technical education vs. non-technical education, top vs. non-top, male and female) are only listed under one of their possibilities.

Table 7.2: Correlations with distances from central maps in company C

Figure 7.3 In and out degrees for map cluster-C in company C

Nodes		Arcs In	Sum In	Arcs Out	Sum Out
5	Market share	4	(7.50)	4	(7.67)
6	Long term profit	4	(10.00)	4	(4.50)
21	Flexibility	4	(5.83)	4	(10.00)
33	Market knowledge	4	(8..34)	4	(9.5)

and one to production (47). The majority of managers in this cluster also found important the external conditions (28) in influencing organisational success. Managers in this cluster attributed the highest joint influence to market issues (with 20.65 joint outdegree) as opposed to the management.

In central map C (figure 7.3) constructs related to market (5, 33), one to the management (21) and one to the profit (6) although it have to be noted that the overlap of constructs was relatively limited.

The data in figure 7.4 suggest a strong agreement on the importance of market and sales issues in cluster D. Six of the constructs which the majority of managers selected in this cluster related to the market (5, 27, 33, 35, 36, 48), two to the production (36, 41), one to the management (3) and one to short-term profit (31). It is not surprising that the joint influence of the market related issues was found to be overwhelming (79.15 joint outdegree).

The constructs in the central maps were more or less in agreement with the most frequently selected constructs on the company level (in Fig-

Figure 7.4 In and out degrees for map cluster-D in company C

Nodes		Arcs In	Sum In	Arcs Out	Sum Out
3	Strategy	9	(15.99)	8	(18.33)
5	Market share	9	(20.18)	9	(11.33)
27	Customer relations	7	(14.66)	9	(16.66)
31	Short-term profit	9	(17.30)	7	(5.78)
33	Knowing market	5	(6.16)	9	(18.58)
35	Brand recognition	9	(16.33)	7	(14.08)
36	Quality of products	8	(12.83)	8	(18.50)
41	Cost control	8	(10.04)	7	(9.25)
48	Distribution channels	9	(11.98)	9	(11.00)

Figure 7.5 Frequently selected nodes in company C

(Construct)	Most freq. sel. construct	Frequency
(21)	Management flexibility	21
(41)	Cost control within the company	19
(33)	Knowledge of needs of company's market	19
(47)	Efficiency/productivity	18
(5)	Market share of the company	15
(3)	Strategic direction...	15
(48)	Quality of the distribution channels	14

ure 7.5).

Among the most frequently selected constructs three (33, 5, 48) were market related issues, two related to production (47, 41) and two to management (21, 3). These constructs seemed to be tied to ongoing issues within the organisation. At the time of the fieldwork the management of the company was working on forming the strategic plan of C. As part of this plan they had to decide on the competitive strategy concerning the coffee market. The decision was on whether they should specialise on high quality, but expensive coffee (i.e., differentiation) or to sell also cheap, but lower quality coffee (i.e., cost leadership strategy). Originally the foreign managers wanted to apply the former strategy, but the declining market share and the persuasion of the Hungarian managers who better understood the Hungarian market pushed the company to apply both strategies but in different market segments (Knowledge of needs of the company's market). Being a cost leader in coffee required costs to be kept low which was one of the most often selected constructs. The quality of the distribution channels was also a major consideration in the company given that the current inefficiency of these made it difficult to improve service to consumers. These concerns reflected the strong market orientation of the management in C. The selection of constructs also reflected a strong concern about the quality of management.

It was also tested whether there were substantial differences between the Hungarian and foreign managers considering short versus long term profit orientation given that the short term profit orientation of the foreign managers was mentioned as a salient issue by Hungarians managers. Twelve managers selected one of the profit cards among the ten most important cards, but after applying Fisher's Exact Test no significant differences were found between Hungarians and foreigners in this respect (4 Hungarian and 3 foreign managers chose the yearly profit card and 4 Hungarian and 1 foreigners chose the long term profit orientation card).

7.8.1 The results

One surprising result, reflected in both Table 7.1 and Table 7.2, is that male managers had more similar beliefs about business in C than female managers. In the cross-correlation table the CMs of the male managers are close to the central map in cluster C ($r = -.38$, $p = .050$). Both tables also suggest that multilingual managers seemed to have more similar business beliefs to each other than to the rest of the managers. The CMs of the multilingual managers are close to the central map in cluster D ($r = -.46$, $p = .016$). The business beliefs of those who received a technical education was more similar to each other than to the rest of the managers. Also managers in the top-position showed similarities in their beliefs. The CMs of these managers tended to be close to the central map in cluster B ($r = -.46$, $p = .017$). Both the Student t-test (together with the Wilcoxon-Mann Whitney test) and the cross-correlation table suggest that working in the marketing and sales functional areas seemed to have a substantial influence on the similarities in managerial beliefs in this company as did the effect of having most experience in the marketing and sales areas. Also, those who worked in the top positions showed similarities in their beliefs according to both types of analyses. The CMs of the managers who worked in the marketing and sales areas, had their dominant experience in these areas and occupied top positions were close to the central map in cluster D ($r = -.46$, $p = .015$; $r = -.37$, $p = .057$, $r = -.33$, $p = .1$ respectively). Not surprisingly those who work on the marketing and sales areas had their dominant experience from these areas as well ($r = .85$, $p < 10^{-7}$).

It is an interesting result that the more diverse the experience managers have in different functional areas the more similar their beliefs seems to be. This result was suggested by the cross-correlation table where functional diversity seemed to show substantial correlation with the central map in cluster D ($r = -.45$, $p = .017$).

A Pearson correlation was calculated to measure the relationship between age differences and distances in beliefs. The correlation found was very small although the cross-correlation table suggested that distances of CMs from the central maps in cluster A correlated with the differences of age among the managers ($r = -.44$, $p = .024$).

Similar to the result of companies A and B, nationality did not seem to be among the factors which had the largest influence on similarities and differences in managerial beliefs, although the cross-correlation table suggested some closeness of the Hungarians to the central map in cluster B, being Hungarian did not come high in its influence on managerial beliefs in the results of the student t-test (or the Wilcoxon-Mann-Whitney test). The correlation table also shows correlation results between different managerial characteristics considering the sample of the managers in company C.[3]

7.9 Evaluation of findings

7.9.1 The effect of gender

One of the striking results was that in C the male managers seemed to have more similar business beliefs to each other than to the female managers (although we have to note that central map in cluster C to which the CMs of male managers seemed to be relatively close showed only a limited agreement in the selected constructs). It would seem unlikely that

[3]Among the relevant correlations the following ones are worth noting. Hungarian managers, not surprisingly had longer company tenure than the foreign managers ($r = .54$, $p = .004$) and the female managers tended to be Hungarians ($r = .38$, $p = .048$). More Hungarian than foreign managers tended to have technical education ($r = .54$, $p = .004$) and older managers tended to have experience in more distinct functional areas than younger managers do ($r = .46$, $p = .016$).

this finding had anything to do with gender differences, but more to the fact that the women in the sample were highly represented in the middle level administrative areas threatened by future lay-offs (5 out of the 7 women could be put into this category while it does not seem to apply to any of the 20 men in the sample).[4] Because of their positions, they were particularly affected by the communication problems discussed above and was conceived by managers as differences in the access of information based on position. The uncertain position of the female managers together with the communication problems could be a plausible explanation for the less degree of consensus in their beliefs compared to the male managers. The cross-correlation table reflected another possible explanation. Women seemed to have worked longer in the company than males did (r = .56, p = .002), although it partially could be attributed to the fact that all foreigners were males (r = .38, p = .048) and foreigners had spent less time in the company than Hungarians did (r = .54, p = .004). First order partial correlations were calculated to see whether there was a correlation between being female and working at the company after controlling for nationality. The correlation still remained strong (r = .46 p = .0215). Based on this it could be suggested that given that women in the sample spent longer time in company C they might find it more difficult to adjust to the changes and this might also be reflected in the lack of consensus in their beliefs.

7.9.2 The effect of language knowledge

Several explanations could be offered as to why multilingual managers have more similar business beliefs to each other than to the rest of the managers'. Given that the marketing and sales managers were also closer in their beliefs to the central map in cluster D than the rest of the managers were, it is plausible that the group of multi-lingual and marketing and sales

[4] A Fisher exact test was calculated for these difference between male and female managers. This gave a significant difference p = .0003 between male and female managers in terms of who fell into the endangered positions. Admittedly, the determination of endangered positions was a post-hoc subjective judgement. Nonetheless, the result is so strong that a few miscategorizations would not have changed the general result.

managers overlapped in the way that working in the marketing and sales areas, also explains similarities in the beliefs of multi-lingual managers. This hypothesis was checked by calculating first order partial correlations between closeness to the central map in cluster D, being multi-lingual, and working in the marketing and sales areas, although being multi-lingual did not correlate with working in the marketing and sales areas in my sample ($r = .29$, $p = .13$). The distance from the central map in cluster D correlated with working in the marketing and sales areas and the distance from the central map in cluster D correlated more with being multi-lingual after controlling first for language knowledge and than for functional area ($r = .038$ $p = .059$; $r = .38$ $p = .058$ respectively). These findings suggest that working in the marketing and sales areas does not explain why multi-lingual managers have more similar beliefs to each other than to others.

It also might be the case that speaking foreign languages could explain similarity in managerial beliefs on its own merit. Communication between those managers who do not speak each others languages but can find a common foreign language to communicate might be easier and faster than among those who have to use interpreters for communication. It also might be the case that those who have learned fluently at least one foreign language would have a more open outlook and understanding towards foreign cultures than those who did not.

Another possible explanation is based on the cross-correlation table where being multi-lingual negatively correlates with lengths of time at the company ($r = -.36$, $p = .067$). Since the time spent at a company by managers also correlated substantially with being female first order partial correlations were calculated to see whether there is a relationship between being at company, being female and being multi-lingual. No considerable correlation was found between being female and being multi-lingual after tenure was controlled for. Surprisingly however, after controlling for the language knowledge, being female and being at company showed a substantial correlation ($r = .59$ $p = .065$) and also language knowledge and being at the company showed a substantial negative correlation ($r = -.41$ $p < .05$). This finding implies that the multi-lingual managers were the ones who were relatively new to the company and these new managers seemed to develop more consensus in their beliefs compared to those managers who had spent a longer time in the company. One could speculate that the effect of gender, the length of the time spent in the company, and language knowledge are the surface level appearance of the problems which relate to the speed of adjusting to change. One might find more consensus in the business beliefs of those managers who adjusted to the change more quickly which is likely to be from those managers who were multi-lingual and were relatively new at the company (which happens to correspond with being male).

7.9.3 The effect of education specialisation

The general argument, discussed regarding company A (in section 5.9.2), which explained the finding that technical people have similar beliefs in terms of the nature of the field (scientific mindset, ease of transfer of knowledge in this area), would predict the same finding in every company. However, our failure to find this universally suggests that we should look for an explanation which depends on particular facts about the particular organisation. Given that in the company those with technical education tend to be Hungarians first order partial correlations were calculated to see the relationship between technical education, Hungarian nationality and being close to the central map in cluster B. After controlling for the latter substantial correlation was found between being Hungarians and having technical education ($r = .46$, $0p = .004$). No substantial correlation was found between technical education and being close to the central map in cluster B after controlling for being Hungarian. This suggests that technical education by itself did not explain similarities in managerial beliefs, but rather this was a joint effect of being Hungarian and also having a technical education. When looking at the central map in cluster B to which these managers seem to be close it is interesting to see that this central map covers a range of issues beside technical and production issues which suggests that these managers acknowledge the importance of a broader set of issues in the success of their company.

7.9.4 The effect of functional area

In this company working in the marketing and sales areas had a relatively strong influence on the similarities in managerial beliefs as was also suggested by the managers themselves. It is not surprising that central map D to which the CMs of these managers are close to reflect an overwhelming marketing orientation which these managers seemed to share. The strong marketing orientation of these managers is also likely to relate to the strong effort in company C to shift the company from a production and technology driven company to a marketing and sales driven one.

Given that those who were multi-lingual, those who had experience in several functional areas, and managers who worked in top positions were also close to the central map in cluster D, first order partial correlations were calculated between these factors. These partial correlations showed that these factors influenced how close the CMs of managers were to the central map in cluster D largely independently of each other which suggests that these overlapping groups of managers recognised the substantial importance of market related issues to the success of the company.

7.9.5 The effect of position

As was also suggested by the managers during the interviews those who occupied top positions showed similarities in their business beliefs. Because strategic decisions were made on the top level but these often failed to be communicated to the lower levels managers in the top were likely to have a more clear picture about the goals and means of their organisation than those on the lower levels. As one of the major strategic decisions was to change the orientation of the company it is not surprising that the top managers tended to agree on the importance of market related issues and so their CMs tended to be close to the central map in cluster D.

7.9.6 The effect of age

Interestingly, in this company age did not show a substantial correlation with time at company. This was because in company C those foreign managers who were sent to restructure the company were not on average younger than those Hungarians who worked at the company. The influence of age on similarities in managerial beliefs therefore could not be attributed to national differences. One surprising finding was that age showed a negative correlation with functional diversity ($-.457$, $p = .016$). This suggested that younger managers worked in more diverse functional areas in their career than the older managers who tended to work in a given functional area. It is interesting that younger people tended to be close to central map A within which management was attributed a relatively strong influence on the success of the company. This finding might suggest that young managers tend to believe that the quality of management can make a substantial difference in an organisation.

7.9.7 National differences

As with the other companies investigated so far, nationality did not seem to have substantial influence on the similarities in managerial beliefs. The main effect which nationality seemed to have was that those Hungarians who also had technical education seemed to have more similar beliefs to each other than to the rest of the managers. This did not mean however that there were no obvious style differences between the Hungarian and foreign managers which were salient enough that they may explain why so many managers talked about national–cultural differences. One of the Hungarian managers for example was very annoyed that the foreign managers never knocked on his door before they entered his room. Several suggestions could be made as to why these behavioural differences existed between the Hungarians and foreigners, including different notions of privacy or that the foreigners were making an effort, by ignoring closed doors, to make Hungarians understand that they have to follow an open door policy. The particular Hungarian manager agreed with the latter explanation, but also said the following:

> Some of the foreign colleagues thought that if they leave their doors open they are open. But whether you are open depends on your thinking and not on your door. I, for example, also leave my door open except when I [write] but it is not my door which makes me an open person.

Chapter 8

Company D: Uncommonly good

8.1 The acquired company

D is a company in the food industry which specialises in biscuit, confectionery, and wafer production. It is located in a large town in Hungary which is approximately 150 km west of Budapest. The company was acquired by a British company U in 1991 when the foreign partner bought 84% of its shares. According to the original privatization contract U had to pay 8.1 million pounds for the 84% of the shares and it promised to invest and additional 3.5 million pounds into the company. Four percent of the shares were offered to the employees of D under very favourable conditions and the regional authorities received 12% of the shares for the land on which the company stood. In 1993 U managed to increase its ownership to 96% by buying the shares from the local authorities.

At the time of the study (May–June 1993) the number of employees in the company D was 1500 and has not changed substantially since then. The company was a profitable one and made around 470 million HUF in 1992. Most of the products which D produces are sold in the Hungarian market with only 6–7% of the return on sales originating from export (down from 8–10% at the time U acquired the company).

D operated in three plants. The biscuit, wafer and a large part of the confectionery production was at the same location as the Hungarian headquarters. In addition to this plant there was a newly-built crisp factory in the same town as the headquarters and there was another plant in a small village called J. In the latter plant various products were produced or processed including coffee, confectionery, salted peanuts and powder products (pudding powder etc.). The crisp factory is a modern building which was the first large investment of U in D and the staff were selected from the youngest employees of D (most of whom were in their twenties or early thirties). Thirty-two employees worked in this factory of whom 17 worked directly on the line.

At the time of the fieldwork there were serious problems surrounding the plant in J, because many of the products did not fit into the profile of U. The management of D tried to solve this problem by forming joint ventures (JVs) with other foreign companies to operate the machines and to ensure the employment of those employees involved in these products. The machines were handed over to the JVs, while the employees were contracted out to the JVs but still remained employed by D. The management of D found it problematic to deal with these employees and wanted to transfer them directly to the JVs. However the employees insisted on staying in D. They were afraid that the foreign partners in the JVs wanted only to exploit the short term possibilities of these JVs and then close them down. The employees were worried about losing their jobs especially because the plant provided the only industrial employment in J.

8.2 The history of the company

Company D had been established in 1900 as a privately owned company. It went public in 1931 and remained a share holder company until 1950. After 1950 the company was nationalised under the name of D. In 1963 D merged with a large state owned conglomerate, as part of the state-initiated mergers of companies with similar profiles (see section 4.1 for details about these mergers), and it worked as part of this conglomerate until 1981. As part of the large conglomerate D suffered from a shortage of investment resources. State officials wanted to achieve full employment all over the country and for this purpose required big conglomerates to redistribute their resources to plants which operated in the underdeveloped Eastern part of Hungary. As D operated in the relatively developed North Western part of Hungary where full employment had already been reached by that time, resources were constantly taken away from the company to be invested somewhere else. D only received resources which were absolute necessary for the maintenance of its technology but not for further development. D split from the conglomerate in 1981. Despite the insufficient investment which the company had received while it was part of the conglomerate, D managed to reach profitability from the first year of independence. Honouring this achievement the company was awarded the title of "Company of Excellence" by the state in 1982, in recognition of which it was also given a 440 million HUF state loan in 1982 under very favourable conditions. The importance of such a loan is illustrated by the fact that it required the signature from officials in 6 ministerial level governmental organisations (Fazekas, 1992).

Since 1981 D has maintained an increasing level of profitability. From 1984 the company belonged to those ones where the main ownership rights were transferred from the state into the hands of the company council as described in section 4.2. The management and the other members of the company council of D lived very much for the company and were highly concerned with its development. They turned as much profit as possible into investment even at the cost of giving smaller wage increases and bonuses to themselves and to the employees. One of the Hungarian managers described the situation the following way:

> The Hungarian management who had been working at the company for 15–30 years has always been tied emotionally to this company. We invested a lot of effort into it. We did not pay bonuses after the profit for 10 years despite the fact that we were always profitable. We put every forint into investment, never paid excess wages. We

did this just to save money for investment.

8.3 External conditions

After the ownership rights were handed to the company council the company maintained independence from the state and political organisations. Also the company did not depend on the banks like many Hungarian organisations since it did not have any loans. It even had extra money for financial investment.

What really affected D was the changing relationship with its customers. In the previous system D sold its products through ten wholesale companies so the company did not have direct contact with its customers. The management of company D had good connections with the wholesalers so it did not have to worry about non-payment. In the shortage economy the company also did not have a problem with the low quality of customer service which these wholesalers provided, given that the customers did not have other options. The import liberalisation, however, increased competition which meant that this poor customer service could not continue. The management of D realized that the changed situation required a new approach and decided to build up a marketing and sales force which would deal directly with each retailer. The new marketing and sales force were able to provide better services to the customers, but given that it had to deal with 120 retailers non-payment became more frequent. Reacting in time to the changing requirements of the market the company was able to maintain a high market share (more than 50%) in its basic products (biscuits, confectionery and wafers).

The management of the company also had to face a change on the supplier side. Instead of having a few reliable suppliers now the company had to deal with several suppliers which put extra requirements on those who were engaged in procurement and logistics.

8.4 The purpose of the partners

Managers mentioned two major reasons why the foreign partner came to Hungary: (1) it wanted to become the largest biscuit company in Europe; (2) it wanted to gain markets in Eastern Europe, and Hungary proved to be the most stable country to set up a company in this region. Several Hungarian managers thought that U bought D because D was a good company in the profile of U. The expansion strategy of company U was described as follows:

> Part of their strategy is to expand. At the same time as they bought us they also bought large companies in Holland, Denmark, and Finland and this process has not ended yet.

The reasons why D went along with the privatization was because the company council and the management knew that if they did not find a partner for themselves the State Property Agency will do it for them eventually. They therefore opted for spontaneous privatization (described in section 4.3). The executive director of the company described how hard it was to make this decision. He said:

> I would start first with describing the difficulties in this decision. We became independent in 1981. At that time we were in a very difficult economic position, but we still worked very hard, so that we were able to make a relatively large investment in every second year, so we could improve our production technology, market share and/or profitability. So, our management and our workers were able to fully appreciate our independence. Despite all of this we agreed to the acquisition because we all knew that if we did not select our partner the government would do it for us. So we pre-empted this process...But we also expected that by having a western partner we would be able to have access to modern managerial knowledge, production technology, and computers which would serve for our further development even more than the few million forints which we received from the privatization.

The company looked for a professional investor who wanted to develop the company further within its profile. The criteria for selecting a partner were described by one of the middle level Hungarian managers:

> We said that we should look for a partner which did not want to close down the company but rather wanted to develop it further. We wanted to have a partner who wanted to produce biscuits. We also considered when we selected U that it promised not to take out the profit from the company for five years and that it would not lay off people for two years. So far all the conditions have been met.

8.5 Characteristics of the company

8.5.1 New techniques, changes

U bought the company in April 1991 but it did not initiate changes until November 1992. Although in this period U sent an adviser to D, his authority only extended to giving advice. However by the end of 1992 it became clear to the management of U that the speed of change was not proceeding in line with the changes in the environment, so they decided to initiate faster changes themselves. They approached this problem very carefully. They sent five foreign managers and hired some western trained young Hungarian managers who were made responsible for introducing the changes. Since most of these people have worked in D only since November 1992, the changes they initiated were very recent and most of them were still in progress.

8.5.2 Restructuring

Some of the apparent changes were in the organisational structure, making the top of the hierarchical pyramid flatter. The size of the top managerial team increased from two to six managers and included the executive director, the engineering director, the commercial director, the economic director and the production director. In addition to the five directors the personnel manager also became part of the top managerial team, although at first she was not granted a directorial position. Of the six, four were Hungarian and two foreign. The Hungarian managers were the executive director, the engineering director, the economic director and the personnel manager. The personnel manager was one of the new recruits. She had been educated in the United States and was completely bilingual in English and Hungarian. The economic director was also appointed by U but she was selected from within the company. The foreign members were the production and commercial directors.

Along with the extension of the top managerial team there was some restructuring in certain functional areas. The head of the marketing and sales department previously did not have directorial status, nor was he part of the top managerial team. The engineering and production positions were also only recently separated into two directorial level positions. Both areas had previously belonged to one director who had formed the top managerial team together with the CEO. He was now the engineering director. Although he admitted that being responsible for both engineering and production was too much for one person to handle, he criticised the way the production area was taken away from him:

> I feel that first they should have asked the opinion of the Hungarian managers about the planned changes and not just confronted them with the new facts. There were decisions made which we only learnt about at the moment when they got implemented... Nobody asked my opinion, despite that they know that I have been a straightforward person all my life. I feel, that for ten years I had my heart in this company even though I was not paid well for my work. Now, I am paid well but my heart is not in the company any more. The CEO and I ran this company for years and this company was a very successful one. It never had any problems... Now six people run the company and I might be the sixth one in the row. But I do not feel that these six people had found the way to work together yet. The engineering area was pushed aside. They took the production away

> from me without discussing beforehand this issue with me. But one of my eyes is crying while the other is laughing. One is laughing since I agree that one director could not be responsible alone for two such important areas. But one is crying because I think the whole thing should had been done differently.

In addition to creating an extended top managerial team and restructuring some of the functional areas there were other changes in the organisational structure. Earlier, for example there were no product manager positions. Product managers were responsible for the marketing and sales of the products which were assigned to them. Two of the product managers were British and one was Hungarian. The Hungarian one was in her late twenties and had gained part of her training in Australia (in fact the executive search firm who recruited her contacted her in Australia). The two British managers were responsible for the crisp and biscuits marketing and the Hungarian manager was responsible for the confectionery. In addition to these three product managers a sales team was created with 15 new recruits. The new recruits were expected to cover the domestic market from September 1993 but at the time of the fieldwork they were only responsible for marketing crisps. Under the new system the sales managers were only responsible for selling in the internal market, whereas previously domestic sales were conducted by the same department as exports. That U did not concentrate on exports at the moment could be seen from the fact that they moved the previous head of sales to be the head of export sales. While the product managers all spoke several languages and were well trained young people, the new head of the export department did not speak any languages except Hungarian and had no working experience in any foreign country.

Parallel with the restructuring process there was a need to define the authority and responsibilities for the managers. U provided a great deal of support for educating people in D. However, the education was very specialised. It only trained people to be able to work better in their strict areas but did not give more universal education. This prepared the managers to fit better to the new responsibility system which was being introduced. The new system defined the authority and responsibilities more clearly than they were before mostly narrowing the area, but often deepening it as well.

8.5.3 Cost control

One unsolved area within the organisation was cost control. Although on the top level there was an awareness that costs had to be cut this problem had not been solved at the grass-roots level. Also, it was not clear yet how the cost should be allocated which made it difficult to identify cuts. It was also often not clear who spent what and whether the person spent the money wisely. One of the foreign managers described this situation:

> It was interesting looking at things like cost control. Nobody is aware what we spent and who spent it and who signed for it. I wonder sometimes how we make any money. People who spent the money were not held to be accountable for it.

8.5.4 Production, technology

One of the investments which all the interviewed managers were proud of was the opening of the new crisp factory. It cost 1 million pounds, but this money made it possible to build the factory to the most modern technological standards. The production process incorporated a new "quality assurance system" which the management of D planned to introduce into the production of traditional products as well. This was based on a different concept from the previous quality checking in that the workers themselves became responsible for the quality of the products and not the quality inspection department. The workers were given the production parameters which they were supposed to keep. They were responsible for comparing the real parameters with the target and recording the differences and reasons for them. The quality department's task was to check once a week whether the workers had recorded the same differences as they registered on that day. In the new system the quality of input materials was also checked more carefully than before.

In the privatization deal U offered access to its R&D results to D. This offer made it unnecessary for D to conduct its own R&D activity. U not only gave access to its R&D results but also provided production and technology advice service to D through its so-called "Production Advice Centre" to help D to make its production more efficient.

8.5.5 Bookkeeping

The first thing which changed after the acquisition was the information requirements. The contract was signed in April 1991 and by July D already had to send information to U according to the new accounting requirements. Earlier the books were closed every half year, now they had to be closed every 28 days. The information also had to be provided in the format as U requested. A parallel accounting system was therefore introduced to satisfy the requirements of U and also to meet the Hungarian accounting standards.

8.5.6 Incentive system

After U bought D the employees received a wage increase as promised to them in the acquisition deal. The wage increase was less than expected however. Employees were promised a wage increase each year which at least kept up with inflation, but only the wages before tax were increased by the rate of inflation which meant that net wages increased less because stoppages also increased during this period. This caused some bad feelings among the employees. Another source of tension concerned the salaries of the new product and sales managers and the foreign managers hired by U which were several times more than the rest of the managers' or the workers'. In addition D provided western cars to these new managers which counted as status symbols in Hungary. Although the salaries and wages were kept secret there were several rumours about the amount of money these people earned. People also saw the cars in the company car park.

One of the changes in the incentive system happened on the shop floor. The norm system which was widely applied in the socialist system was diminished. The norms previously described how much product the employees had to produce and these were treated as a bare minimum. Employees were usually encouraged to produce beyond the norms and their wages were tied (often progressively) to them (Haraszti, 1977). Companies were also expected to increase their norms every year. According to the new system it was not the norms but the technological conditions which determined how much product could be produced in one shift. If the workers produced less than the technical conditions made it possible to produce than it must be because some problem had occurred. But employees could not produce more than was requested otherwise the quality requirements could not be kept. So, employees were not expected to compete with each other to increase performance as was expected in the old system. Instead of competition, team work was encouraged at all levels of the organisation.

8.5.7 Marketing, sales

One of the challenge which the management of D was facing was to turn the previously production-driven organisation into a market-driven one. The first steps in this direction were already made when the product managers were appointed and the 15 member marketing and sales force was established, but there was still more to do. Under the socialist system D never had any problem selling its products on the domestic market. D and another company had basically dominated the market in biscuits, confectionery and wafers and the ten large wholesale companies took 92% of the product (volume). The main consideration of the company was therefore to produce enough to satisfy the demands of these customers. The 8–10% export was not large enough to make the organisation market-oriented. Introducing market orientation required new ways of thinking from those managers who worked under the old system.

8.5.8 Introduction of the changes

One of the noticeable things in D was that the foreign managers included the Hungarian managers in the strategy making and change process. The executive of the company was Hungarian and so was the majority of the top managerial team. Although U sent foreign managers to key areas (like production and marketing) it also appointed foreign educated Hungarian managers to places where it could (for example the personnel manager and one of the product managers) and kept the forward looking managers, like the executive director, in their place or appointed them to higher positions (like the appointment of the economic director). U also seemed to apply a relatively "gentle" approach towards the less forward looking Hungarian managers. For example, it took away production from the production-engineering manager but left his place in the top management team as an engineering manager. Or the previous head of the sales department was moved to another (similar rank) position rather than being laid off. U relied on the top management of D to work out the organisational strategy rather than imposing it from outside. This was developed with the help of a western facilitating company. At the end of the data collection period the top management team was completing the conceptualisation of the strategy for D and travelled to a meeting in Amsterdam to present this to the managers of U. By the time of the feedback session (September 1993) the strategy had been accepted without major changes.

The inclusion of Hungarians did not necessarily mean that U did not have the means to push forward changes according to their wishes. An example for this was given by a Hungarian middle level personnel manager:

> It is very interesting how they pressure you into the direction they want you to go. They let you do what you want but then at the end it will happen as they want. Let me tell you an example for this. We were looking for a shop floor manager in the crisp factory.

> We hired a head hunting firm to find the right candidates and then we went through all the work included in the process of selection. When we finished with this we introduced the new candidate to U. But at the end it was not him who was appointed. They paid the cost so we could play our little game here but in the meantime they appointed the manager who they wanted to appoint. And I have seen examples of this behaviour several times.

8.5.9 Changes in the relative positions of areas

The major task in company D was to turn the company from a production oriented company to a market driven one. Changing the orientation of the company was still at an early stage as described by one of the British managers:

> It has just started to happen now. The company had been totally production driven in the past. With the development of the marketing department it will be more and more market driven. There will be a certain learning process to go through though, so that the existing senior managers in the company will understand the business mechanism by which market drives forward the business...

Although there were some changes in the production area, the marketing and sales areas received most. One of the Hungarian managers compared the changes in the sales and production sides:

> Our production did not change much... You can not change the production much. You can improve the efficiency, which we already did. You can improve the quality, which we already did. These are positive changes, but these do not require such a large step forward as we have to take in the marketing and sales area.

8.6 Salient issues identified by the managers

As in other companies managers were also asked to identify problems and salient issues within the company. Twenty-two managers were interviewed as well as having their CMs elicited. Among the 22 managers 5 were foreign and 17 were Hungarian. Among the foreign managers 4 were British and 1 was Finnish.

The issues mentioned related to the internal changes (4 Hungarian managers); to national differences (3 Hungarian managers and 1 foreign manager); and to technical and contextual issues (4 Hungarian and 2 foreign managers).

The change-related problems were: the uncertainty of the employees in plant J (1 Hungarian manager), the differences between the wages and other fringe benefits of the the newly hired or appointed managers and the rest of the managers and other employees (3 Hungarian managers) and changes in the organisational culture (1 Hungarian manager).

The following quote illustrates the feelings of one of those Hungarian managers who thought that differences in the wages and other benefits were a source of tension.

> ... a new managerial group was formed here, and I refer now to the sales managers, who get western cars and huge salaries and other benefits. Can you imagine this? [This] is a small town and nothing remains hidden. They have not sold a gramme of product yet, but they already organised a party which lasted for two days. So, this causes a lot of tension.

In terms of changes in the organisational culture, one of the Hungarian managers described the previous organisational culture as one which had many "family-like characteristics". Generations of people worked in the organisation and everybody knew everybody else. She thought that this family-like environment also had a feudalistic feature. It meant that generations followed the same career path in D and there were no "outsiders" (people not from the town) in the organisation. This Hungarian manager also thought the U had a similar family-like atmosphere and it wanted to maintain this in D as well, but still the feudalistic characteristics were disappearing (there were many outsiders working at D at the moment).

Concerning the national differences one foreign manager found it frustrating that Hungarians insisted on having their own responsibilities defined and were unwilling to work in teams; and one Hungarian manager criticised fellow Hungarian managers for respecting more what foreign managers said than what Hungarian managers said:

> If [the foreign managers] said something it was seen by the Hungarian colleagues as being said by those who represent the owners, or even by those who are not Hungarians. It is true that you cannot be a prophet in your own country. The shadowy side of all of this that [the foreigners] are not always right.

One Hungarian manager criticised the foreign managers for not always recognising that Hungary was a different context where methods which work in the West might not apply:

> They do not always recognise that this is Eastern Europe. U has always worked in the developed West before. Here the purchasing power is much lower than in the West. I think that we should apply different methods here than among the developed market conditions in the West.

It was striking to see how few managers thought about the problems as national problems. This may relate to the soft approach applied by the foreign management and also to the effort which both sides seemed to make to overcome national differences. For example this was the only organisation where the majority of the foreign managers made an effort to learn Hungarian.[1] The executive director characterised the effort of the foreign managers as follows:

[1] In the other organisations studied there was always one or two foreigners who made

> I feel that they invest a lot of effort to overcome any national differences. I believe that their presence makes our [organisation] stronger not only from the professional side but from the side of the organisational culture as well.

Among the technical problems, language problems were mentioned by three Hungarian and one foreign manager. Even if both the foreign and the Hungarian managers made an effort to learn each others language it was still a slow process and made communication difficult. Those Hungarian managers who spoke English or other languages such as German or sometimes French were in a more advantageous situation to communicate with the foreign managers than the others. Also, those foreigners who spoke languages other than English (particularly German) could communicate better within the organisation. Because of this situation one of the Hungarian managers suggested that instead of looking for national differences in managerial belief, differences should be looked for in the beliefs between those managers who spoke or did not speak second languages. Among the Hungarian managers it was a source of tension that those Hungarians who could not communicate directly with the foreign managers felt vulnerable to those who could. It made matters worse that it was mostly the newly-hired managers who spoke foreign languages while those who had worked at the company for a long time did not. One of the Hungarian managers who did not speak any foreign languages described the situation:

> The managers who have been working at the company for a long time are not bad professionally but they do not speak any foreign languages. This situation exposes these professionals to those who speak foreign languages. So, if a new manager [who speak languages] wants to work against an old one, s/he could. This causes some tension.

Another technical problem which was mentioned by one of the Hun-

an effort to learn the language but this usually remained an individual initiative rather than a typical approach from the foreign managers.

garian managers was that being acquired by an international company increased rather than decreased the bureaucracy in D:

> I think many managers feel that in the new organisation making a decision is more problematic than in the old organisation. The foreigners do not say that it would be nice to have new technology or a new factory so let's have it, but they really plan out everything very carefully. Our traditional way of making these decision was that we said: let's change a production line, so we changed it. Now it is a kind of step back that we go round and round each issue at least six times before a decision is made and we have to really argue for everything which we want. So, it is no wonder that people feel that it was more difficult to reach a decision now than it was before.

One of the foreign managers was concerned at the limited availability of services which were often taken for granted in the West. He said:

> There are some frustrations. You lack services here which you take for granted in the UK. If you want an agency to provide some service, for example, if you just want a simple service, like a case design or something like that nobody seems to have any contacts, or they may have just one. You phone that one person up and if he does not turn up when he says he will, you end up pulling your hair out because there were very few alternatives.

Another foreign manager found it frustrating that information for decision making was often not readily available:

> The lack of readily available information on a regular basis makes you wonder how people can plan this business successfully without information. You hear about things such as marketing cost put against production budgets and you just wonder sometimes what is the reality.

8.7 Analysis of the CMs

The above was the context in which managerial beliefs were formed and in which similarities and differences of these beliefs are interpreted. The interviews suggested that (1) functional area (especially the marketing and sales areas); (2) language knowledge; (3) national cultural backgrounds; (4) and age are those managerial characteristics which might influence managerial beliefs in this organisation. To identify the relative importance of these and other factors in influencing managerial beliefs the CMs of 22 managers were elicited. As in the other companies the distance ratios between the CMs were first calculated and then the Student *t*-test and the Wilcoxon-Mann-Whitney test were conducted. In the case of 22 maps, 231 distance ratios were computed. The results of these computations are presented in Table 8.1.

A cross-correlation table was also computed among managerial characteristics and between managerial characteristics and central maps (Table 8.2).[2] Four clusters of CMs were identified (with 7, 6, 3, 6 CMs respectively) which served as a basis for computing the central maps.

In case of cluster-D the nodes which were selected by more than half of the managers in the cluster and the indegrees and outdegrees which belong to each nodes are listed in Figure 8.1.

In the central map in cluster D (figure 8.1) the market related issues were the dominant ones (5, 33, 36, 49). The constructs in the central map also related to management (21), finance (6), and production (36, 41, 47) issues. It is not surprising that the joint market related issues were most influential to the success of the company with 51.60 joint outdegree although these issues were also highly influenced with 51.76 joint indegree.

Figure 8.2 lists those constructs which were selected by more than half of the managers.

[2]In Table 8.1 the listed managerial characteristics are the same as in Table 8.2 except that the cross-correlation table also contains how long managers have been working at the company (At-Comp), their age (Age), and the diversity of managerial experience in different functional areas (FuncDiv).

Subgroup	M	N_w	N_a	$\overline{x}_w$	$\overline{x}_a$	σ_w	σ_a	t	Z_{MW}
All	22	231		0.742		0.142			
NA-Frgn	5	10	85	0.514	0.734	0.136	0.144	4.588	3.741
DFA-MA	6	15	96	0.573	0.734	0.140	0.141	4.114	3.541
Lang-Multi	10	45	120	0.663	0.756	0.134	0.140	3.856	3.516
FA-MA	5	10	85	0.592	0.718	0.130	0.148	2.567	2.498
ED-Other	16	120	96	0.732	0.750	0.146	0.139	0.935	0.898
Pos-Top	6	15	96	0.699	0.727	0.126	0.143	0.694	0.384
SEX-Male	14	91	112	0.741	0.733	0.157	0.140	−0.378	−0.700
Lang-Mono	12	66	120	0.770	0.756	0.133	0.140	−0.651	−0.723
DFA-PE	10	45	120	0.783	0.766	0.130	0.124	−0.760	−0.917
ED-Tech	6	15	96	0.772	0.750	0.133	0.139	−0.569	−0.936
NA-Hung	17	136	85	0.763	0.734	0.126	0.144	−1.602	−1.181
Pos-NonTop	16	120	96	0.759	0.727	0.142	0.143	−1.667	−1.862
SEX-Fem	8	28	112	0.780	0.733	0.084	0.140	−1.722	−1.928
FA-PE	6	15	96	0.831	0.743	0.116	0.137	−2.342	−2.234

M is the number of Maps, N_w is the number of distances between the maps within subgroups and N_a is the number of distances across subgroups (i.e, between maps which were within and outside of the subgroups). $\overline{x}_w$ is the mean distance between maps within subgroups and $\overline{x}_a$ is the mean distance across subgroups. σ_w is the estimated standard deviation within subgroups σ_a is the estimated standard deviation across subgroups. t is the result of the Student t-test and Z_{MW} is the Z statistic for the variant of the Wilcoxon-Mann-Whitney test.
Only subgroups which have at least four members are shown here. In the subgroup names NA is Nationality (NA-Hung is Hungarian, NA-Frgn is foreign), ED is Education type (ED-Tech is technical education, ED-Other is non-technical education), FA indicates current Functional Area (FA-MA is marketing and sales, FA-PE is production), DFA is Dominant Functional Area (for subdivision see functional area), POS is position (top is a top managerial level and ntop is everything else), LA is language knowledge (Lang-multi is multilingual, Lang-mono is monolingual) and PoS is position (PoS-Top is top managerial position, Pos-NonTop is non-top managerial position) SEX is gender (which could be Male for male or Fem for female).

Table 8.1: Differences in intersubgroup means for company D

FA_PE	−.33															
DFA_MA	.89***	−.15														
DFA_PE	−.50*	.47*	−.56**													
ED_Tech	−.33	.31	−.37†	.47*												
NA_Hung	−.48*	−.15	−.64***	.28	.33											
Age	−.54**	.17	−.62***	.64***	.59***	.63***										
At_Comp	−.61***	.00	−.69***	.60***	.54**	.61***	.86***									
FuncDiv	−.15	.37†	−.15	.20	.05	−.19	.12	−.00								
Topman	−.09	.08	.08	−.15	−.15	−.15	−.09	−.31	.11							
Multling	.59***	−.15	.67***	−.47*	−.56**	−.59***	−.70***	−.75***	−.14	.47*						
Gender	−.18	−.25	−.25	−.12	.17	.41†	−.02	.13	−.08	−.04	−.12					
Dist_A	−.13	.12	.02	−.11	.20	−.00	.06	.08	.11	−.18	−.26	−.01				
Dist_B	−.33	−.03	−.32	.20	.15	−.11	.25	.54**	.06	−.33	−.27	.09	.04			
Dist_C	.20	−.25	.29	−.42**	−.25	−.30	−.53*	−.52*	.05	.28	.35	.05	−.01	−.40†		
Dist_D	−.36†	.22	−.54**	.57**	.10	.61***	.45*	.37†	.07	−.18	−.36†	.07	−.08	−.15	−.61***	
Mean	.23	.27	.27	.45	.27	.77	42.09	15.32	.80	.27	.45	.36	.62	.80	.77	.67
σ	.43	.46	.46	.51	.46	.43	7.63	12.78	.16	.46	.51	.49	.17	.19	.19	.24
Vars.	FA_MA	FA_PE	DFA_MA	DFA_PE	ED_Tech	NA_Hung	Age	At_Comp	FuncDiv	Topman	Multlin	Gender	Dist_A	Dist_B	Dist_C	Dist_D

$N = 22$, $^{\dagger}p < 0.1$; $^{*}p < .05$; $^{**}p < .01$; $^{***}p < .005$

Variables are as in table 8.1, with the addition of `Age` is age in years, `At_Comp` is the time spent at the company, `Gender` is gender (which here marks females) `FuncDiv` is functional diversity, and `Dist_A`–`Dist_D` are the distances from the central maps in cluster A, B, C, and D. In the table those managerial characteristics which are complementary to each other (Hungarian vs. foreign, technical education vs. non-technical education, top vs. non-top, male and female) are only listed under one of their possibilities.

Table 8.2: Correlations with distances from central maps in company D

Figure 8.1 In and out degrees for map cluster-D in company D

Nodes	In Arcs	In Sum	Out Arcs	Out Sum
3 Strategy	8	(13.78)	8	(19.01)
5 Market share	6	(13.75)	7	(10.83)
6 Long term profitability	6	(17.75)	6	(12.67)
21 Flexibility	8	(11.99)	8	(21.67)
33 Knowing market	7	(11.75)	8	(16.16)
36 Quality of products	8	(12.51)	8	(11.86)
41 Cost control	8	(12.41)	7	(9.40)
47 Efficiency	8	(17.25)	8	(14.00)
49 Suppliers	8	(13.75)	7	(12.75)

Among the most frequently selected constructs two related to the market (36, 33), two to production (36, 41) and two to management issues (21, 3). Although the most frequently selected issues seemed to be equally divided between production-and market-related issues both constructs which were categorised as production issues were strongly tied to the marketing strategy of D, that is that the management of the company planned to maintain its cost-leader position, in terms of selling cheap products, but in the meantime they also wanted to increase the quality of certain products and to conduct a differentiating strategy for these.

A check was also made on how many Hungarian and foreign managers selected one of the two profit cards to see whether there were national differences in this respect. Thirteen managers selected one of the profit cards, among whom 7 selected the long term profitability card (6 Hungarian and 1 foreign managers), and 6 managers chose the yearly profit card (4 Hungarians and 2 foreigners). Using Fisher's Exact test no significant differences

Figure 8.2 Frequently selected constructs in company D

(Construct)	Most freq. sel. construct	Frequency
(36)	Quality of products and services	17
(3)	Vision and strategic direction	16
(33)	Knowledge of needs of company's market	15
(41)	Cost control within the company	13
(21)	Management flexibility	13

were found between Hungarians and foreigners in terms of selecting one of the profit cards ($p = .437$).

8.7.1 The results

One of the interesting results which was reflected in both table 8.1 and in table (table 8.2) and received some support from the interviews was that in D, nationality seemed to be among the most important factors which influenced managerial beliefs, at least as far as the foreign managers were concerned. In the cross-correlation table the CMs of the foreign managers were also close to the central map in cluster D ($r = -.61$, $p = 0.003$).

Both tables also suggested that managers who spoke at least one foreign language seemed to have more similar business beliefs to each other than to the rest of the managers which was suggested by the managers as well. The CMs of the multilingual managers were close to the central map in cluster D ($r = -.36$, $p = .098$).

Both the Student t-test (together with the Wilcoxon-Mann Whitney test) and the cross-correlation table suggested that working in the marketing and sales functional areas had a substantial influence on the similarities in managerial beliefs in this company. The effect of having the dominant experience in the marketing and sales areas was similar. The CMs of the managers who worked in the marketing and sales areas and those who had their major experience in these areas were close to the central map in cluster D ($r = -.36$, $p = .097$; $r = -.54$, $p = .009$ respectively). Not surprisingly those who worked in the marketing and sales areas had their dominant experience from these areas as well ($r = .89$, $p < 10^{-7}$).

A Pearson correlation was calculated to measure the relationship between age differences and distances in beliefs. The correlation which was found was relatively small although the cross-correlation table suggested that distances of CMs from the central maps in cluster C correlated with the differences of age among the managers ($r = -.53$, $p = .012$). While the older managers seemed to be close to the central map in cluster C the younger managers were also close to the central map in cluster D ($r = -.45$, $p = .037$). Time spent at the company showed a similar pattern which was not surprising given that age strongly correlated with this managerial characteristics ($r = -.86$, $p < 10^{-7}$).

Although the cross-correlation table showed that those who had their dominant experience in the production area were close to the central map in cluster C and far from the central map in cluster D the student t-test and the Wilcoxon-Mann-Whitney test results did not show a similar importance of the dominant experience in production in this respect.

The correlation table also showed results between different managerial characteristics relating to the sample of the managers in company C.[3]

8.8 Evaluation of findings

8.8.1 National differences

One surprising finding was that D was the only IMMO in the sample where nationality played such and important role in influencing managerial beliefs while this was also the company where national differences were the least problematic for the interviewed managers. The striking relative similarity in the business beliefs of the foreign managers compared to other managers could be simply attributed to the small number of foreign managers (five) in D which made it easier for them to communicate frequently and develop common business beliefs. Another possible explanation could be tied to the age of these managers. They were very young in absolute terms (the average age of 33.4 with a standard deviation 3.4) and compared to the Hungarian managers in the company (the correlation between being foreign and age was $r = .63$, $p = .002$). First order partial corre-

[3]Among the relevant correlations the following ones which were worth noting. The marketing and sales managers in the sample tended to be foreign ($r = .48$, $p = .023$), younger ($r = .54$, $p = .009$), spent less time in the company ($r = .61$, $p = .002$) and tended to be multi-lingual ($r = .59$, $p = .004$). The Hungarian managers were older ($r = .63$, $p = .002$), spent more time in the company ($r = .61$, $p = .002$), tended to have technical education ($r = .59$, $p = .004$), and tended to speak mainly Hungarian.

lations were calculated to see the relationship between age, being foreign and closeness to central map in cluster D. It was found that even after controlling for age, the CMs of foreign managers remained close to the central map which suggest that national background rather than age accounted for the similarities in managerial beliefs. This however raises the question of why Hungarian managers reported so few problems concerning national differences? It could be because foreigners applied a "gentle pressure" and a shared approach which did not create bad feelings and distrust towards foreign managers and change. The lack of distrust probably also related to the fact that there was no scheduled lay-offs in this company so people did not feel threatened in this respect either.

8.8.2 The effect of language knowledge

Since the cross-correlation table reflects that multi-lingualism was correlated with several managerial characteristics, further calculations were needed to see the effect of multi-lingualism and the related factors on the relative similarity in the beliefs of managers. A first order partial correlation was calculated to see the relationship between being multi-lingual, Hungarian and older. There was no substantial negative correlation found between being Hungarian and being multi-lingual after controlling for age ($r = -.27$), but there was a strong negative correlation between age and being multi-lingual ($r = -.51$, $p = .0020$) after controlling for nationality. The relationship was also calculated between age, being multi-lingual and working in the marketing area. Again a strong correlation was found between age and being multi-lingual after controlling for the functional area ($r = -.55$, $p = .004$), but there was no strong correlation between working in the marketing area and being multi-lingual ($r = .35$, $p = .137$). The relationship between the distance from central map in cluster D, age and being multi-lingual was also calculated. After controlling for age or multilinguality neither the younger people nor the multi-lingual people were close to the central map in D any more. This suggested that those younger people who were also multi-lingual were the ones who had relatively more similar beliefs to each other than to other managers.

8.8.3 The effect of functional areas

Working in the marketing and sales area had a strong relative influence on the business beliefs of the managers in D as it was predicted by the interviews as well. This marketing orientation could be best explained with the emerging market orientation of the company. A first order partial correlation was calculated between nationality, closeness to the central map in cluster D and working in the marketing and functional area to see whether marketing and sales managers still tended to stay close to the central map after controlling for nationality which turned out to be the case. This suggests that marketing managers, independent of their nationalities tended to be close to the central map in cluster D which central map not surprisingly suggests an agreement on the importance of the market related issues to organisational success.

8.8.4 The effect of age

It was discussed above, that age was not very close to the central map in cluster C after controlling for nationality. The correlation between age and the central map in cluster C could therefore be attributed to the effect of foreign managers being younger than the Hungarian managers.

Chapter 9

Company E: The surreal thing

9.1 The acquired company

Company E specialises in bottling one of the most famous and well known soft drinks in the world and other soft drinks licensed by the same American company. Company E was established by company CA through the acquisition of three large independent companies and three smaller bottling companies and currently employees around 1300 employees. CA is an Australian company, 51% owned by the American company who developed and licensed these soft drinks. The first step for setting up E was in May 1991 when CA acquired 50% ownership in the company called BUL which became the major plant and the headquarters of E. Three months later CA became the exclusive owner of BUL. The management of the company was not willing to give out information about the price of the acquisition, but they stated that CA made large investments (each and every year) into the company. In 1991 the investment was 28 million dollars, at the end of 1992 it was 72 million dollars and at the end of 1993 it was more than a hundred million dollars. Although the company was profitable, this investment exceeded the profit. In 1991 the profit was 1.2 million dollars, and 8.5 million dollars in 1992. The acquisition of BUL was followed by the rapid expansion of the company. In November 1991 CA made an agreement with company GVS about the transfer of GVS's franchise territory to E. This territory included the westernmost part of Hungary giving E control of 63% of the Hungarian market in this particular soft drink. In March 1992 CA also acquired the assets of GVS. In early March 1992 the management of CA signed an agreement with company BMUV to acquire the franchise rights in the south east part of the country increasing the market share to 71%. In August 1992 CA also bought the assets of BMUV. In the same month CA increased its franchise rights to a territory west from Budapest. In February 1993 a company in town K joined the franchise territory. In December 1993 E announced the building a new bottling and selling plant in town D (Világgazdaság, 1993) where the new headquarters of E is planned.

9.2 The history of the company

BUL, which became the headquarters of E was a large, state owned spirit company in one of the industrial districts of Budapest. In the second wave of state-induced mergers in 1971 (see section 4.1) BUL was merged with a large conglomerate which was responsible for the supply of spirits and soft drinks in Hungary. It separated from the conglomerate in 1983 and from 1985 it was directed by a company council. BUL had signed an agreement in 1968 with the American company, who licensed the soft drink, to produce, bottle and sell it in Hungary. According to this contract the American company provided the concentrate for the drink, technology for the production, money for the marketing and the right to use the brand name. Given the import constraints at that time this was the only way for the American company to have its soft drink produced and sold in Hungary. BUL continued producing the drink while it was merged with the conglomerate but when this was dissolved all of the other plants which had been part of the conglomerate also started bottling the soft drink. In 1985 BUL conducted a profile clearance activity during which it sold its spirit producing technology and specialised on soft drink production and marketing. At the end of the eighties the management of BUL had to face the problem that the contract with the American company would expire in

1990 and that the company would not have the capital to switch entirely to other soft drinks or change its profile. The company council decided to pre-empt the disaster by spontaneous privatization (see section 4.3). In 1989 the management of BUL started negotiating with the Austrian branch of CA about the privatization conditions. At that time CA was already in Austria and, encouraged by their success there had decided to acquire the franchise right from the American licensing company to the Eastern European market as well. The privatization deal was negotiated by the ex-CEO and the Chief-Accountant of the company. Although the selling price and the conditions were negotiated secretly some employees of the company felt that these two managers sold BUL very cheaply for the sake of gaining personal advantages from the deal. These complaints are consistent with the stories which were published about spontaneous privatization in the media (see section 4.3).

9.3 External conditions

The company was positively affected by the change in foreign currency regulations in 1991. The previous restrictions basically determined BUL's production of the drink to the amount of concentrate it could buy with the limited hard currency it could exchange. From 1991, when BUL signed the contract with CA, there was no limit on the amount of hard currency that the company could use.

A major change in the environment of the company was that the import liberalisation and the introduction of laws which made foreign investment possible increased competition. The major competitors of the world famous soft drink which were previously excluded from the Hungarian market started an offensive marketing campaign for their products. This required a new approach from the company to maintain its market share by improving its services to customers and changing it servicing policy. The company switched from selling its products through wholesalers to direct contact with the retailers, but this led to problems of non-payment.

Other changes occurred on the side of the suppliers. The main component of soft drinks in addition to water and the concentrate is sugar. The Hungarian sugar companies were privatized in a way that the majority of the sugar production became concentrated in the hands of a few owners. The sugar companies formed a price cartel and kept sugar prices so high that even the Hungarian Competition Agency initiated an investigation against these companies and the companies had to pay a fine in the end. The high sugar price and the increasing energy prices added to costs. Given that the customers of E were highly price sensitive, increased costs could not be passed on to consumers so cutting costs became a major consideration of the management.

Given that government decisions concerning import restrictions, privatization of suppliers, devaluation of the HUF and inflation had directly influenced the company, many managers in E felt that the influence of the government was still too high and it was still necessary to lobby and negotiate with governmental agencies. There was however some decrease in the power of government in the sense that it could not collect the same amount of information from companies as it did before. One of the Hungarian managers described the change in this respect:

> It is an important change that when earlier one of the ministry asked for any kind of data everybody rushed to satisfy the request. Today the foreign owner does not give out data and treats most of the information as confidential.

9.4 The purpose of the partners

During the interviews most of the managers agreed that company CA acquired E because: (1) it wanted to be present at the Eastern European market; (2) its domestic market had become saturated and could not grow further; and (3) the American licensing company had given the franchise right to CA for the Eastern European market. They also agreed that CA acquired those companies which were already engaged in producing and marketing the particular soft drink. One of the Hungarian managers explained the expansion of CA in the Eastern European markets as follows:

> I think that their purpose was to expand in the Eastern European market which is a new area for them. They managed to buy the franchise right from [the American licensing company] to Hungary, and given that they were already in Austria they saw that changes in this region made it possible to enter, so they tried to expand into the neighbouring countries. It is obvious that their goal was to gain market and market share.

There was a relative consensus not only among the Hungarian but also the Australian managers that the Hungarian companies agreed to be acquired simply because they did not have much choice: (1) the franchise right was due to expire; (2) they did not have enough capital to buy new technology or for future development. As one of the Australian managers put it:

> It was a series of Hungarian companies [that were acquired]. A lot of small bottlers in themselves. Some were shaky financially. They had to do something. On the other hand I suspect that the [American licensing company] held a loaded gun at their heads as well.

9.5 New techniques, changes

9.5.1 Restructuring

After CA acquired the company it sent a managerial team to introduce the necessary changes in E. The previous management of the company was mainly put aside and their places were occupied by foreign managers or newly hired Hungarian managers. In the top managerial team among the nine managers six were foreign managers (executive director, general sales manager, country operational manager, MIS manager, general technical manager and chief finance officer), two were newly hired Hungarian managers (HRM manager, business development manager) and only one worked previously to BUL (public relations manager). The foreign managers claimed that they came for Hungary just for a limited time. They planned to restructure the company and train those Hungarian managers who would replace them. The Hungarian managers, however, complained that so far there was no sign of an emerging Hungarian management team who would replace the foreigners. As one of the Hungarian managers said:

> In this company it is a major concern that the foreign management should be able to transfer at least part of the authority and responsibility to a Hungarian management team who should by now wait impatiently in front of the door. Péter Nagy [an imaginary Hungarian manager] should by now know that in three years he will be appointed to such and such a position if he proves to be good and he should already go through the proper training for his future task. There is no sign of this at the moment.

One of the major issues which the management of E had to face was to create a functioning organisation from several independent companies. At the time of the fieldwork in the company (September and October 1993) the company's structure was still in a fluid form and it was constantly changing. E did not have a set of by-laws, and the responsibilities were ill defined. As one of the Hungarian managers said:

> There are no by-laws, there is no collective agreement. There are no internal regulations. . . the operational and functional activities are not separated.

Another Hungarian regional manager also saw the problem of integrating the company as an unsolved task. He said:

> A company was created with more than a thousand employees which contains companies with different backgrounds, stage of development and cultures. And in addition, the foreign partner also brought in a new culture. Integrating these is the biggest task which we have

> to solve. To create communication and information channels, to create the organisation itself. . . We still have to look for the barriers of the authorities. It is very difficult to place yourself as a manager in the system or place the organisation you direct into the organisation as a whole. There are daily problems when I have to think whether I can or can not make a decision. And if I can not who should make it?

Despite these problems of integrating the acquired companies there were several major changes which had already taken place in the structure of E. A network of 14 depots was created around the country organised on a regional basis, each containing a regional centre and 3 or 4 depots. There were five regions in the country, including one in Budapest. The depots were basically storage houses with 17–20 employees. The employees were roughly divided equally between administrators, stockkeepers and sales persons. The regional centres were often production sites as well. Plants were specialised (like putting soft drink into cans or 2 litre bottles) so there was delivery needed across regions as well.

One of the big developments in the company was the creation of a new sales network. The company hired and trained around 220 sales representatives all round the country who went directly to the retailers. Each sales representatives visited around 40–60 shops a day to take orders. The company was able to deliver within 48 hours of taking an order.

9.5.2 Cost control

The management of the company was in a time advantage compared to its competitors. When the foreign managers arrived their major concern was to use this time advantage to build up their market in the whole country. They also wanted to create a competitive sales force before the competition appeared. It was such an urgent task that the management basically neglected everything else. This changed with the arrival of the competitors which redirected the attention of managers to maintaining market share.

This required attention to issues like cost control. The competitors initiated priced based competition at the same time that the input materials and the energy became more expensive. Previously the management of CA had almost ignored costs, except of keeping down wages and salaries of the Hungarian employees (compared to other foreign owned companies) which they were able to do because of the high unemployment. No attempts had been made to lay off of excess employees although all agreed that was overdue. As cost control became a major issue, however, lay-offs could not be postponed any more. As the Australian executive director put it:

> For this company to prosper, for this country to prosper, there has to be change. We employ a lot more people now than we need, and we have done that because of acquisitions and we haven't really gone through the process of determining the exact numbers. We're in the process of doing that now. This company when you put it together is like an old vine: it needs to be cut and trimmed so that it will grow and flourish again, and that is pretty much what is happening around the country.

9.5.3 Production, technology

Although the Australian owner invested in new technology and introduced new production procedures the main investment sources were channelled into developing a country level sales network. In order to improve direct consumer service a large amount of investment was put into placing thousands of refrigerated vending machines throughout the country. This was a substantial cost, considering that each of these units cost more than 3000 Australian dollars. The company also put a few thousand post-mix machines on the market, which mix the concentrates and sparkling water. In terms of new technology the company installed a new canned soft drinks line in their plant in GY. The green field investment was also planned to contain a modern bottling line.

In the production area there were not very striking changes. The management of the company made efforts to improve the efficiency of production and placed higher emphasis on quality. To improve the information system within the company a computer network was set up in the headquarters and between the different plants. An Australian manager was responsible for making this network effective in improving communication and information circulation within the company.

9.5.4 Bookkeeping

As with the other investigated companies E also ran a parallel book keeping system to satisfy the requirements of the parent company and the Hungarian accounting standards. The management of the company only started placing a higher emphasis on accounting when cost control was placed more in the centre of attention. As one of the Australian managers said:

> Now the focus is on trying to bring in uniform accounting procedures so we get some ability to control cost as growth in the market places starts flattening out. [This is] increasingly important to being able to make profit.

Some of the Hungarian managers thought that the foreign management did not always consider the Hungarian environment when they introduced their accounting and finance systems. One of the Hungarian managers, for example, complained that the Australians introduced an Australian billing system which could not be used in Hungary. The Hungarian customers did not want to pay using those bills because the Hungarian tax agency did not accepted them as tax documents.

9.5.5 Employment policy

After CA gained ownership of E the company experienced relatively high employee turnover. Several employees left mainly because they were not satisfied with the wages and benefits. Due to the recruitment of young managers mainly in the marketing and sales areas, the number of employees did not decrease. Hiring these young people was an intentional policy of the top management of the company because they thought that young people would be more easily shaped to the policy of CA. One of the Hungarian managers described this policy as follows:

> I am talking now about sales, which has completely changed. We recruited young people who do not have bad conditioning from a bad distribution system. This policy has its advantages but also disadvantages. The disadvantage is that these people are inexperienced, but the advantage is that they could be shaped more easily.

While there was hiring in the sales area, the management of the company had made it clear that there were going to be lay-offs in the future. At the time of the study the rumour was that the number of employees would be decreased to around 800 employees. Uncertainty around who would be laid off created tension within the company.

9.5.6 Incentive system and training

There was some dissatisfaction among the employees with the incentive system within the company. The wages and salaries were kept at the country average level which was low compared to other IMMOs in Hungary. The acquired companies also applied premiums for positive incentives before the acquisition, and this system was stopped by the new owner. The only area where there was a substantial improvement in the salaries and benefits was the sales area. The company, for example, bought 120 western cars for the use of sales representatives. One of the Hungarian managers described the situation the following way:

> I do not think that anybody would love the sales people here, because they were the ones who got everything good. They believed that the sales people are handed everything on a silver platter, which is true after all, because sales is very important for the company.

The foreign management put a high emphasis on training. The company supported language training and provided intensive training for sales personnel. The latter was a half year course in the second half of 1993 on customer service which provided a weekly one and a half hour training session.

9.6 Marketing, sales

The major change in the company occurred in the marketing and sales area. The foreign managers had always represented a marketing orientation. As described above, upon arrival their priority was to build up E's market and then later the maintenance of this market. Both required a market oriented approach different from the previous production orientation of the Hungarian managers. As one of the foreign managers said:

> The major issue is the introduction of a market oriented thinking which did not exist before. The most important change in the company is that we switch from the priority of the production to the priority of marketing.

9.7 Changes in the relative positions of areas

The changes in the priorities of the management improved the position of those who were working in the marketing and sales areas, while the position of those who worked in production and other areas were weakened. This created a great deal of tension and bad feelings. One of the newly hired, young Hungarian managers described the situation the following way:

> I think that towards those who have worked here the requirements have substantially changed. The importance of production fell back and their importance fell back with it, given that this was a production oriented company. They find it difficult to understand this. Their anger is directed towards the new group which is rising rapidly. They are full of complaints against them, like they do not sell any-

> thing and so on and so on. So, I feel that there is a tension between the sales and production people.

9.8 Salient issues identified by the managers

During the interviews which followed the elicitation of the CMs, managers were asked to identify problems and salient issues which relate for example to the internal and external changes or to the fact that an international management team works together.

Twenty-two managers were interviewed among which 8 were foreigners (7 were Australian and 1 was American).

The problem areas identified related to (1) internal and external changes; (2) differences in national backgrounds and experiences; and (3) language problems. There were also managers who did not see major problems within the organisation.

Eight managers talked about problems related to change. Three Hungarian managers thought that the source of problems was that a new organisation was created from different companies and the top management had not succeed in integrating them. Two managers thought that the organisation grew so rapidly that the management was not able to handle the speed of change properly which was the source of a lot of tension between different groups. One of these managers said:

> The source of the problem is the strategy of CA. It bought six, originally state owned, companies with existing organisational structures and employees and it is obvious that when acquiring six companies there is no time for consolidation, to form a unified organisational strategy. There is a process of polarisation within the company as a consequence, between all sorts of groups, such as between Hungarians and foreigners, between Budapest and the countryside, between top and middle management, between the sales and production areas, between younger and older employees.

Three Hungarian and one foreign managers thought that the incentive system and the potential lay-offs were the source of tension within the company. One of the Hungarian managers said:

> When I came here the major source of tension was the change in the incentives system which led to serious employment turnover in the last few years. Today one of the major questions is the fate of excess employees. This has caused less conflict so far than the issues around the incentive system, but laying off the employees in the future will definitely be difficult.

Fourteen managers mentioned some national related issue as problematic issues. Four foreign and one Hungarian manager thought that Hungarians avoided conflict, that they were not ready to express their opinion openly, and they did not tell the foreign managers if they did not understand a task or instruction. As one of the foreign managers put it:

> [One problem is] people's willingness to always say "yes", whether what you say is right or wrong. They always say "yes", whether they agree to it or not, whether they understood what was said or not. You say something very simple, you think it got through, do you understand it, "yes" and you find out a week later or two months later that people did not understand it, but they did not want to say "no".

The Hungarian manager who shared the above opinion of the foreign managers explained that the issue was more complex than to attribute it merely to national differences. He thought that the passivity of Hungarian managers had several explanations: mental, emotional, attitudinal problems, lack of competence and also fear of being laid off.

Two of the foreign managers thought that Hungarians tended to follow the rules blindly and they perceived their ways of doing things as if it were the law itself. One of the Australian managers gave an example for this behaviour:

> In Hungary there was one accounting system and that was the law. That is the way it was. We are trying to change it and they say: you can not do this, because this is against the law. Where in fact it was not against the law, it was just the practice to which they had to adjust. Breaking down the barrier of the law as such to what they understood the law to be, to what actually the law is. That is a real problem. Because everybody did it the same way. People have not been exposed to different ways of doing the same thing.

Contrary to the opinion of the foreigners seven of the Hungarian managers thought that the foreigners were the ones who did not understand the political, legal and economic environment, the Hungarian mentality and culture. One of the Hungarian managers said:

> The expansion was very rapid and the Australians did not have time to learn more about the market, or the country in which this company works. I think that they do not have much knowledge about this country, the culture of this country or its history.

Another Hungarian manager described the lack of knowledge of the legal system in the following way:

> As you see, I selected the card Legal expertise of the company [construct 29]. In a large company like this, which has extended relationships all over the country, there is a need for a complex knowledge of the legal system which extends from the credit policy, to the competition laws, the labour laws and to several other issues. The Australians do not know the Hungarian laws, only those which they receive in a translated form in English. But it is not enough to read the laws in English. You must know the background and you have to be able to read between the lines to be able to interpret what it really says.

Two Hungarian managers said that the foreigners did not trust the Hungarians. They did not give Hungarians enough authority even to fulfill the tasks which was assigned to them. They often had prejudices against the Hungarian managers.

Three Hungarian and three foreign managers saw the main problem as not knowing each other's language well. There was a Hungarian course organised for the foreign managers but most of them gave up learning Hungarian fairly soon because they claimed that they had no time for it. They also thought that the Hungarians were not supportive of the language learning efforts of the foreigners because they laughed at them when they tried to speak Hungarian. At the same time the foreign managers expected Hungarians to learn English rapidly which was supported by organised language courses but sometimes was forced by more dramatic measures. As an example, one of the regional managers described the meetings of the regional managers the following way:

> Two of the four regional managers did not speak a word of English but the regional meetings were in English without an interpreter. If the chap was lucky, he sat next to a Hungarian colleague who translated for him, but then that Hungarian did not have time to pay proper attention. It is impossible to follow a meeting when you have to translate for somebody. There were times when these colleagues sat through meetings without understanding a word of what was going on and they did not have a chance to express their opinions either. What could they do? It was told to them, that yes, this is a drastic way to force somebody to learn a language. Can you imagine the mental pressure on these people?

9.9 Analysis of cause maps

The above is the context in which managerial beliefs were formed and in which similarities and differences of these beliefs should be understood. During the interviews managers suggested the influence of the following managerial characteristics on managerial thinking: (1) national–cultural backgrounds; (2) functional area (especially the sales and marketing ar-

Figure 9.1 In and out degrees for map cluster-A in company E

Nodes	Arcs In	Sum In	Arcs Out	Sum Out
20 Competition	5	(3.83)	5	(9.33)
21 Flexibility	3	(5.00)	5	(4.84)
31 Short term profit	5	(8.00)	5	(7.67)
41 Cost control	5	(6.64)	4	(5.93)
47 Efficiency	5	(7.85)	5	(6.55)
48 Distribution channels	5	(5.25)	4	(2.25)

eas); (3) position; (4) age. To see which managerial characteristics are important in influencing managerial beliefs in this IMMO 22 managers CMs were elicited. For analysis, first the distance ratios between the CMs were calculated and then the Student t-test and the Wilcoxon-Mann-Whitney test were conducted. In the case of 22 maps 231 distance ratios were computed. The results of these computations are presented in Table 9.1.

In addition a cross-correlation table was also computed among managerial characteristics and between managerial characteristics (Table 9.2).[1] Five clusters of CMs were identified (with 5, 4, 5, 5, 3 CMs of managers) which served as a basis for calculating the central maps.

For clusters A and C where the distances of CMs of managers showed correlation with managerial characteristics which were found relevant by the student t-test as well the nodes of the central map and the indegree and outdegree which were calculated to each nodes are also listed in Figure 9.1 and in Figure 9.2.

In the central map in cluster A (figure 9.1) the constructs are almost evenly divided between functional areas: two of the constructs relate to the market (20, 48), two to production (41, 47), two to profit and financial issues (31, 41) and one to management (21). Considering the largest joint outdegree the production issues seemed to be attributed the largest influence.

[1]In Table 9.1 the listed managerial characteristics are the same as in Table 9.2 except that the cross-correlation table also contains how long managers have been working at the company (At-Comp), their age (Age), and the diversity of managerial experience in different functional areas (FuncDiv).

Subgroup	M	N_w	N_a	$\overline{x}_w$	$\overline{x}_a$	σ_w	σ_a	t	Z_{MW}
All	22	231		0.805		0.129			
DFA-MA	9	36	117	0.751	0.813	0.137	0.130	2.475	2.239
LANG-Mono	8	28	112	0.757	0.811	0.122	0.138	1.901	2.209
SEX-Male	17	136	85	0.795	0.821	0.127	0.136	1.440	1.615
FA-MA	4	6	72	0.707	0.776	0.154	0.133	1.211	1.088
POS-Top	10	45	120	0.775	0.796	0.147	0.129	0.914	0.794
SEX-Female	5	10	85	0.801	0.821	0.097	0.136	0.441	0.722
NA-Oz	7	21	105	0.779	0.798	0.126	0.139	0.594	0.691
NA-Frgn	8	28	112	0.790	0.804	0.126	0.136	0.496	0.649
ED-Other	13	78	117	0.798	0.804	0.134	0.130	0.342	0.198
DFA-PE+RD	8	28	112	0.817	0.811	0.119	0.129	−0.248	−0.076
LANG-Multi	14	91	112	0.812	0.811	0.119	0.138	−0.040	−0.184
NA-Hung	14	91	112	0.810	0.804	0.124	0.136	−0.371	−0.229
ED-Tech	9	36	117	0.820	0.804	0.121	0.130	−0.662	−0.546
FA-PE	4	6	72	0.837	0.809	0.135	0.124	−0.520	−0.553
FA-GM	8	28	112	0.813	0.793	0.134	0.131	−0.713	−0.677
POS-NonTop	12	66	120	0.840	0.796	0.111	0.129	−2.332	−2.165

M is the number of Maps, N_w is the number of distances between the maps within subgroups and N_a is the number of distances across subgroups (i.e, between maps which were within and outside of the subgroups). $\overline{x}_w$ is the mean distance between maps within subgroups and $\overline{x}_a$ is the mean distance across subgroups. σ_w is the estimated standard deviation within subgroups σ_a is the estimated standard deviation across subgroups. t is the result of the Student t-test and Z_{MW} is the Z statistic for the variant of the Wilcoxon-Mann-Whitney test.
Only subgroups which have at least four members are shown here. In the subgroup names NA is Nationality (NA-Hung is Hungarian, NA-Frgn, NA-OZ Australian is foreign), ED is Education type (ED-Tech is technical education, ED-Other is non-technical education), FA indicates current Functional Area (FA-MA is marketing and sales, FA-PE is production, FA-GM General Management), DFA is Dominant Functional Area (for subdivision see functional area), POS is position (top is a top managerial level and ntop is everything else), LA is language knowledge (Lang-multi is multilingual, Lang-mono is monolingual) and PoS is position (PoS-Top is top managerial position, Pos-NonTop is non-top managerial position).

Table 9.1: Differences in intersubgroup means for company E

Variables	FA_MA	FA_PE	FA_GM	DFA_MA	DFA_PERD	ED_Tech	NA_Fr	Gend	Age	At_Comp	FncDiv	Top	Multlin	Dist_A	Dist_B	Dist_C	Dist_D	Dist_E
FA_PE	$-.22$																	
FA_GM	$-.36^{\dagger}$	$-.36^{\dagger}$																
DFA_MA	$.57^{**}$	$-.39^{\dagger}$	.14															
DFA_PE+RD	$-.36^{\dagger}$	$.62^{***}$	.21	$-.63^{***}$														
ED_Tech	$-.15$	.33	.14	$-.50^{*}$	$.72^{***}$													
NA_Frgn	.13	.13	$-.38^{\dagger}$	$-.05$	$-.18$	$-.44^{*}$												
Gender	$-.26$	.03	.04	$-.01$	.04	$-.01$	$-.41^{\dagger}$											
Age	$-.30$	.12	$.55^{**}$	.06	.32	.03	.05	$-.01$										
At_Comp	$-.12$	$-.10$	.34	.25	$-.12$	$-.15$	$-.16$	.32	.32									
FuncDiv	$.42^{\dagger}$	.29	$-.22$	.32	$-.00$	$-.19$	.10	$-.01$	.28	.17								
Topman	.04	.04	$-.12$	.17	$-.31$	$-.57^{**}$	$.64^{***}$	$-.06$	.14	.21	.29							
Multling	$-.13$	$-.13$	.18	.05	$-.02$	.24	$-.80^{***}$	.41	$-.12$	.07	$-.05$	$-.45^{*}$						
Dist_A	$-.13$	.04	$.39^{\dagger}$	.10	.29	.23	$-.11$	.10	$.42^{*}$	.20	$-.09$	$-.22$	$-.14$					
Dist_B	.30	$-.23$	.04	.27	$-.26$	$-.42^{*}$	.27	$-.24$	$-.11$	.20	.26	.35	$-.27$	$-.15$				
Dist_C	$-.39^{\dagger}$	.34	$-.33$	$-.66^{***}$	$.38^{\dagger}$	.32	.04	$-.05$	$-.35$	$-.46^{*}$	$-.18$	$-.17$	.01	$-.28$	$-.29$			
Dist_D	$-.19$	$-.14$	$-.03$	$-.03$	$-.16$	$-.07$	.00	.30	.07	.12	$-.14$	$-.25$	.18	.09	$-.24$	.05		
Dist_E	.14	$-.19$	$-.11$	.24	$-.33$	$-.29$	.07	$-.11$	.04	.06	.04	.14	$-.03$	$-.50^{*}$	$-.16$	$-.00$	$-.11$	
Mean	.18	.18	.36	.41	.36	.41	.36	1.23	39.55	3.14	.76	.45	.64	.81	.89	.73	.75	.88
σ	.39	.39	.49	.50	.49	.50	.49	.43	7.74	5.67	.18	.51	.49	.17	.14	.21	.22	.17

$N = 22$ $^{\dagger}p < 0.1$; $^{*}p < .05$; $^{**}p < .01$; $^{***}p < .005$

Only subgroups which have at least four members are shown here. In the subgroup names FA indicates current Functional Area (FA-MA is marketing, FA-PE is production, FA-PE+RD is production and R&D, FA-GM is general management), DFA is Dominant Fuctional Area (for subdivision see functional area), ED is Education type (ED-Tech is technical education, ED-Other is non-technical education), NA is Nationality (NA-Hung is Hungarian, NA-Frgn is foreign), TopMan is being in the top managerial position while Non-Top is the opposite, Age is age, At_Comp is the time spent at the company, Gender is gender (which here marks females) FuncDiv is functional diversity, and Dist_A–Dist_E are the distances from the central maps in cluster A, B, C, D and E. In the table those managerial characteristics which are complementary to each other (Hungarian vs. foreign, technical education vs. non-technical education, top vs. non-top, male and female) are only listed under one of their possibilities.

Table 9.2: Correlations with distances from central maps in company E

Figure 9.2 In and out degrees for map cluster-C in company E

Nodes		Arcs In	Sum In	Arcs Out	Sum Out
5	Market share	7	(12.92)	7	(14.92)
21	Flexibility	7	(1.08)	7	(8.25)
27	Customer relations	7	(13.48)	7	(14.92)
30	Leadership	7	(12.17)	7	(11.67)
33	Market knowledge	7	(11.50)	6	(7.83)
36	Quality of products	6	(10.25)	7	(12.00)
41	Cost control	7	(12.17)	7	(15.83)
46	Training	7	(13.59)	7	(10.74)

In the central map in cluster C (figure 9.2) the market related constructs dominate (5, 27, 33, 36), which is followed by the management (21, 30) and production categories (36, 41). There is also an HRM (46) and a finance issue (41) which was found important. It is not surprising that the largest joint influence on the success factors was attributed to the market related issues by a 49.67 joint outdegree.

Figure 9.3 lists those constructs which were selected by more than half of the managers.

Among the most frequently selected constructs, three (3, 21, 30) were categorised as issues relating to the management of the organisation, one as a production and also a financial issue (41) and one as related to the market (27). The most frequently selected issues seemed to reflect the ongoing issues within the organisation. Cost control had become the number one issue mainly because the organisation wanted to maintain its market share with increasing price competition. Cost control was therefore strongly related to the existing market orientation of the organisation. It was striking how much importance was attributed to the quality of management and

Figure 9.3 Frequently selected constructs in company E

(Construct)	Most freq. sel. construct	Frequency
(41)	Cost control within the company	15
(27)	Customer relations	14
(3)	Vision and strategic direction	12
(21)	Management flexibility	11
(30)	Leadership within the organisation	11

to the need for strategy within E. Managers during the feed back session argued that managers had a high degree of discretion in this organisation given the uncertain situation.

Differences between the Hungarian and foreign managers considering short versus long term profit orientation were also tested. Nine managers selected one of the profit cards as one of the ten most important cards, but after applying Fisher's Exact Test significant differences were not found in this respect between Hungarians and foreigners (5 Hungarian and 2 foreign managers chose the yearly profit card and 1 Hungarian and 1 foreigner chose the long term profit orientation card).

9.9.1 The results

In company E the marketing and sales functional areas and dominant experience in the marketing and sales functional areas were the factors which seemed to influence managerial beliefs the most which was also suggested by some of the managers as well. These findings were reflected in both table 9.1 and in table 9.2 where especially the effect of dominant marketing area seemed to be strong. Managers who worked in the marketing and sales areas or had their dominant experiences from these areas tended to be close to the central map in cluster C. Being mono-lingual showed some influence in table 9.1 on similarities in managerial beliefs, although this finding was not reinforced by the cross-correlation table. Table 9.1 also suggested some effect on managerial beliefs of top managerial position but the effect of this also did not reach significance in the cross-correlation table, so its influence is not as uncontroversial as it was suggested by some of the managers.

A Pearson correlation was calculated to measure the relationship between age differences and distances in beliefs. No correlation was found in this respect although according to the cross-correlation table younger managers were closer to the central map in cluster A than older managers. Those managers who spent a longer time in company E seemed to be closer to the central map in cluster C. The cross-correlation table also suggested that those with technical education were close to the central map in cluster B but this was not supported by the results in table 9.1.

The correlation table also showed correlations between different managerial characteristics considering the sample of the managers in company E.[2]

9.10 Evaluation of findings

9.10.1 The effect of functional areas

Similarities in the business beliefs between those worked in marketing and sales areas and those who had their major experience in these areas could be explained by the market orientation of company E. These managers seemed to be close to central map in cluster C which reflects a clear agreement between these managers concerning the importance of market related issues to organisational success.

9.10.2 The effect of age

In E younger managers seemed to think more alike than older managers did as it was also suggested by some of the managers in the sample. This influence of age on the similarities in managerial beliefs could not be attributed to either the effect of national differences (that foreigners were younger) nor to the shorter time spent at the company which could have increased the adaptability of managers, since neither nationality nor time spent at the company showed correlation with age. It seems therefore that the relative similarity in the business beliefs of younger managers could be attributed to generational differences. Although less time spent in the

[2]Considering the correlations between managerial characteristics the following ones are worth noting. The foreign managers seemed to fill the top managerial positions ($r = .64$, $p = .001$), tended not to be multi-linguals ($r = .80$, $p < .0001$), while the Hungarian managers tended to be educated in the technical field ($r = .44$, $p = .042$). Also, those managers who worked in the production and R&D areas tended to be, not surprisingly, educated in the technical field. General managers tended to be Hungarians which was consistent with the findings that general managers were not top managers. As in all of the companies there were no foreign female managers.

company did not appear to have an influence on similarities in managerial beliefs, the more time managers spent in the company the more similar their beliefs became to each other. This could be attributed to growing experience within the company.

9.10.3 National differences

As with other companies investigated so far, nationality did not seem to have substantial influence on the similarities in managerial beliefs although some influence of being Australian was found (table 9.1) which would also largely explain the effect of being mono-lingual, given that none of the Australians spoke any foreign languages. The unconvincing statistical results concerning similarities and differences of managerial beliefs on the basis of nationality did not oppose the claim that there are some very obvious style differences between the Hungarian and foreign managers which might explain why several managers talked about national–cultural differences as problematic. These style differences could often cause bad feelings without the other partner being aware of it. As one of the young Hungarian managers, for example, found that the Australian managers were very impolite compared to Hungarian managers. She said:

> They could be terribly rude. They are here in large groups but they never make any effort to introduce themselves. There are sometimes ten or twenty guys wandering around and you do not know who they are. Well, they must be Australians.

But another Hungarian manager who mostly worked in close daily connection with the Australians thought that although the differences were sometimes felt to be big, Hungarian and foreign managers were basically similar. He said:

> Our [the foreign and the Hungarian managers] way of thinking is roughly 95% the same since we are all human, but that remaining 5% still means a lot.

Chapter 10

Cross-organisational findings

The previous five chapters investigated how different managerial characteristics influenced managerial beliefs about organisational success within five IMMOs. The changes and the salient issues within each organisation were also described as were the contexts within which similarities and differences in managerial beliefs were formed. This part investigates whether the relative importance of managerial characteristics in influencing managerial beliefs corresponds to particular similarities and differences in the context of the five investigated IMMOs. With this method it is possible to uncover whether certain organisational characteristics entail a relatively high influence of certain managerial characteristics on managerial beliefs. It may also be seen whether explanations for the relative importance of managerial characteristics drawn in each organisation hold across other organisations as well.

Traces of the existence of "industry recipes" (Spender, 1989) are also looked for (section 2.4), namely whether in those circles of organisations which belonged to the same industry managerial beliefs were more similar to each other than to those of managers in different industries.

The question of whether there were substantial differences between managers in the issues they selected as the ten most important ones for the success of their organisations based on their national or functional backgrounds is also discussed (section 2.1). Similarities and differences in this respect might give support to the importance of national differences in identifying main issues about business (e.g., Schneider and de Meyer, 1991) and to the existence of similarities in beliefs among certain professional groups as opposed to others (e.g., Child, 1982). Differences in construct selection based on differences in the national backgrounds or functional areas of the managers are also related to the descriptions which were given about these managers during the interviews.

10.1 Comparing companies

As explained in section 3.2 the cross-company comparison comprised two steps: first in each organisation the relative importance of managerial characteristics was established; and then this was compared with the similarities and differences between organisations.

To make this comparison first similarities and differences between organisations are identified based on their characteristics, the changes which took place in them and the salient issues which were mentioned in them.

10.1.1 Company characteristics

Characteristics	**A**	**B**	**C**	**D**	**E**
Sector	manuf.	manuf.	food	food	food
Set-up	acq.	JV/acq.	acq.	acq.	acq.
Mkt. orientation	exporter	exporter	internal	internal	internal
Market before IMMO	competitive	—	monop.	monop.	monop.
Foreign parent	US	US	US	UK	US
Privatization	by bank	-	spont.	spont.	spont.
Profit	loss	loss	profit	profit	profit
Purpose of frgn part.	market cheap input	market cheap input	market	market	market
Purpose of Hungarian partner	capital techn. expertise	capital techn. expertise	capital techn. expertise	capital techn. expertise	capital techn. licence

Table 10.1: Company Characteristics

Characteristics of the investigated IMMOs based on the case studies in the previous chapters are summarised in Table 10.1. Considering the

Changes	**A**	**B**	**C**	**D**	**E**
Dominance[a]	foreign	Hung.	foreign	Hung.	foreign
Cost control	problem	efficient	problem	problem	problem
Production	new fact[b]	new fact.	prof. clear	new fact.	new fact.
Technology	part new	new	part new	part new	part new
Bookkeeping	parallel	parallel	parallel	parallel	parallel
Employment	laying off	hiring	laying off	hiring	laying off
Pref. in hiring	prod.	sales	sales	sales	sales
Wages	ab.av[c]	ab.av.	ab.av.	ab.av.	average
Rel.Incentives	prod.	sales	sales	sales	sales
Orientation	prod.	sales	sales	sales	sales
Training	yes	yes	yes	yes	yes
Changes	forced	shared	forced	shared	forced

[a]Dominance was calculated based on who has majority in the key positions (e.g., executive director and those managers who are one level down to him/her). Key positions are dominated by the foreign (Hungarian) partner if the majority of the top management team is foreign (Hungarian) or if the number of Hungarian and foreign managers are the same in this team, but the executive director is foreign (Hungarian). [b]New fact = new factory. In company A there was also a profile clearance. [c]Ab.av. = above average.

Table 10.2: Company Changes

organisational characteristics with discriminatory power the following similarities and differences were found across organisations:

1. A, C, D, and E were acquisitions of previously state owned large organisations, while B was first formed as a joint venture between a Hungarian and an American company and then it was acquired by the foreign parent.

2. Three organisations were in the food industry (C, D and E) while two organisations were in the manufacturing industry (A and B).

3. Three of the four organisations which existed before the formation of the IMMOs (C, D and E) had always been oriented to the internal markets, while A had always been on a competitive international market. Those investigated organisations which were oriented to the internal market enjoyed a monopoly position in the previous system.

4. Companies C, D and E were privatized by spontaneous privatization while company A was sold by the bank which held the shares of the company. Company B is a special case, given that it first was established as a joint venture and then the Hungarian partner sold off its shares to the foreign partner.

5. Companies A and B were not profitable although the huge loss produced by company A in 1992 cannot be compared to the slight loss of company B. Companies C, D, and E were profitable although the management of C was fighting declining profitability at the time of the fieldwork.

10.1.2 Changes which took place in IMMOs

The changes which took place in the IMMOs after the foreign partner acquired them are listed in Table 10.2 on the page before. An exception is B where the columns contains those measures which were taken after the joint venture was established.

Key similarities and differences between IMMOs in the sample in terms of these changes were:

1. In three IMMOs (A, C, E) the key positions (including the position of the executive director) were dominated by foreign managers which meant that they held the majority of top management positions, and in two organisations (B, D) the top management was dominated by Hungarian managers.

2. In four organisations improving cost control was still a major issue (A, C, D, E) while in one organisation (company B) cost control was already efficient.

3. In two of the companies the foreigners had profile clearance in production (A, C), while in four companies (as there is some overlap in these respect) the foreigners extended the production capacity by opening new factories (A, B, D, E).

4. Three companies were involved in dismissing employees (A, C, E) while two organisations were hiring employees (B, D) (in both cases net laying off and net hiring were considered);

5. Four IMMOs gave preferences to hiring in the marketing and sales areas (B, C, D, E) (even those companies who were laying off overall) while A gave preference to hiring employees in the production and R&D areas.

6. Four companies (B, C, D, E) gave higher salaries and benefits to those people who worked in marketing and sales while one organisation (A) gave higher incentives in the production and R&D areas.

7. In three of the companies (A, C, E) changes were forced through by the foreign partners while in two companies (B and D) Hungarian managers were included in the changes and in the strategy making process. D was even a special case because in this company the

foreigners applied a more gentle approach than in any of the other investigated companies.

10.1.3 Salient issues within the companies

Managers were ask about the problems within their IMMOs during the interviews. A list of these problems was prepared for each company and similar problems were placed under broader labels as is accepted practice in content analysis (see for Miles and Huberman (1984)). If at least two managers found it important to mention issues as problematic which fell under the same general label then that label was considered as a salient issue in the given IMMO. Although this crude method was not able to differentiate among issues according to their relative importance it still could provide a general picture about the types of problems which were raised in the investigated IMMOs. These issues are listed in Table 10.3.

As may be seen from Table 10.3, company D was the one where the least types of problems were mentioned on the basis of national differences between Hungarians and foreigners while in company B the least types of general problems were raised. This question will be discussed in more detail section 11.1.

10.2 Comparing subgroup results

Comparing the relative importance of managerial characteristics in influencing managerial business beliefs across IMMOs the following managerial characteristics were found relevant as they are shown in table 10.4.

There are several issues which may be noted about Table 10.4. Functional area seemed to be a significant managerial characteristic which influenced similarities in the business beliefs of managers in each IMMO. The only difference in this respect between the companies was that while in A the beliefs of the production and R&D managers seemed to be closer to each other than to the rest of the managers, in the other four companies the sales and marketing people had relatively similar beliefs. The influence

Problems	**A**	**B**	**C**	**D**	**E**
Concerning foreigners					
Foreign techniques[a]	X	X	X	X	X
Not knowing context	X	X	X	-	X
Prejudice	X	X	X	-	X
Short term orientation	X	-	X	-	X
Concerning Hungarians					
Not underst. business[b]	X	X	X	X	X
Not work orient	X	X	-	-	-
Not taking resp.[c]	X	X	X	X	X
Lack of loyalty	X	X	-	-	X
No willingness to change	X	X	X	-	-
General issues					
Comm. problems[d]	X	-	X	-	X
Language problems	X	-	X	X	X
Increased bureaucracy	X	-	X	X	X
Change between areas	X	-	X	X	X
Lay offs	X	-	X	-	X
Uncertainty	X	-	X	-	X
Authority not defined	X	-	X	-	X
Lack of trust	X	-	X	-	X
Wage differences	X	-	X	X	X

[a]Foreign techniques here refer to the complaints by Hungarians that foreigners push for the application of their management techniques without considering the context. [b]Not understanding business is a general label which includes the following issues: lack of understanding of business, lack of understanding of efficiency, not having a market orientation, not having a sense of urgency, not having global beliefs, not understanding that the shareholder must be satisfied. [c]Not taking responsibilities is also a general label which includes the following criticisms: not having willingness to take risk, not speaking up in case of disagreement or in case of not understanding what was told, not taking responsibilities, preference for well defined rules, following the rules blindly. [d]Communication problems.

Table 10.3: Salient issues mentioned in IMMO

	A	B	C	D	E
Technical Education	×		×		
Prod. and R&D DFA	×				
Prod. and R&D FA	×				
Prod. FA	×				
Prod. DFA	×				
Marketing FA		×	×	×	×
Marketing DFA			×	×	×
Male			×		×
Language knowledge	×		×	×	×
Foreigner				×	
Pos-top			×		
Age	×		×	×	×

Table 10.4: Which factors matter in which organisation

of dominant functional areas was clearly based on the same grounds as the influence of functional area on similarities in managerial beliefs. The latter showed a similar pattern as the functional areas except in company B where the marketing and the sales area seemed to influence managerial beliefs the most, although still weakly.

National background was only relevant in influencing similarities in managerial beliefs in company D which suggests that, considering other factors, national background was less important. However, when looking at differences in section 10.3 we will see that there were some differences in the factors which managers selected as important for the success of the IMMOs on the basis of national differences.

The remaining managerial characteristics which were found to influence similarities in managerial beliefs seemed to characterise at most three companies, except for language knowledge which was influential in four of the companies but in the opposite direction in two of the companies (in two companies the multi-linguals had similar beliefs while in the other two companies it was the mono-linguals) and age which will be addressed later (in section 11.5).

In addition to comparing the relevance of managerial characteristics across organisations based on their influence on managerial beliefs the influence of the organisational context was also investigated on the similarities and differences in managerial beliefs across organisations. By using a student t-test the organisational specificity of the CMs was investigated. In four of the five organisations (A, B, C, D) the beliefs of managers within each company were substantially more similar to each other than to managers in other companies. The result of the t-test for companies, A, B, C, D are 2.58, 1.58, 5.82, 3.87 respectively. Only in company E were the managers' business beliefs not more similar to each other than to managers in other companies. It should be noted, however, that this was the only company which was not an acquisition of a single company but an amalgam of companies which were acquired by the foreign partner over time. The managers whose CMs were elicited were from these various companies which could explain the diversity in their thinking.

Among the contextual factors the effect of industry was also calculated. By using a student t-test (and also a Wilcoxon-Mann-Whitney test) it was measured whether the CMs of the managers in the same industry were closer to each other than to the CMs of managers in a different industry. The result of the student t-test (and the Wilcoxon-Mann-Whitney test) supported the effect of industry in case of the food industry where managers showed striking similarity in their beliefs compared to managers in other industries ($t \approx 10.8$, $z \approx 10.59$) while this effect of the industry could not be found in the manufacturing industry ($t \approx 0.08$, $z \approx 0.325$).

Note, that differences between the business beliefs of managers who belonged to the food industry compared to managers in the manufacturing industry was larger than when differences in managerial beliefs was compared across companies (see section 3.7). This suggests that the effect of industry differences on managerial beliefs was larger, at least as the food industry was concerned than the effect of organisational differences. A similar conclusion was drawn for the effect of industry by Chatman and Jehn

(1994) who found less variation in organisational culture within industry than across industries as discussed in in section 2.4.

10.2.1 Organisational features and managerial characteristics

Similarities and differences between organisational features and the effect of managerial characteristics and industry on similarities in managerial beliefs are summarised in Table 10.4 and in Table 10.5.[1]

The information in these tables suggest an interesting connection between organisational features and the relative importance of managerial characteristics and industry in influencing similarities and differences in managerial beliefs. In those organisations which were market oriented, the beliefs of the marketing and sales managers seemed to be more similar, while in the organisation with production and R&D orientation the production and R&D managers beliefs were more closer. The orientation of the organisation showed up in their hiring patterns and incentives as well. The orientation of the companies was clearly evident in the interviews and in the selection of constructs in each company.

Managers in the food industry seemed to have beliefs which were closer to each other than to managers in other industry, but given that IMMOs in the food industry were also similar in other respects it is difficult to tell which had the largest influence on the result. The three organisations in the food industry (C, D, and E) were also those which concentrated on the domestic market, were privatized in the form of spontaneous privatization and were profitable.

The investigated IMMOs could not be grouped on any other features in the same way that they were grouped with respect to managerial characteristics, except by age as discussed in section 11.5.

[1]Note that table 10.5 summarises the information from tables 10.1 and 10.2 along which companies could be differentiated from each other (i.e., it does not contain information which characterises all companies in the sample).

	A	**B**	**C**	**D**	**E**
Acquisition	×		×	×	×
Joint venture		×			
Food industry			×	×	×
Manufact. industry	×	×			
Improving cost control	×		×	×	×
Efficient cost control		×			
Internal market			×	×	×
External market	×	×			
Monopoly market before		–	×	×	×
Competitive market before	×	–			
Spontaneous privatization			×	×	×
Outsider's privatized	×	×			
Profitable			×	×	×
Loss making	×	×			
American partner	×	×	×		×
British partner				×	
Foreign dominance	×		×		×
Hungarian dominance		×		×	
Profile clearance	×		×	×	×
Expanded activity	×	×			
Net lay-offs	×		×		×
Net hiring		×		×	
Hiring in sales		×	×	×	×
Hiring in production/R&D	×				
Incentives to sales		×	×	×	×
Incentives to production/R&D	×				
Market and Sales orientation		×	×	×	×
Production/R&D orientation	×				
Forced changes	×		×		×
Shared approach		×		×	
Above average wage	×	×	×	×	
Average wage					×

Table 10.5: Summary of difference and similarities

Who		Construct	p
Hungarian	42	Incentives given to employees	0.0060
	21	Management flexibility	0.0339
Foreigner	48	Quality of the distribution channels	0.0020
	38	Your understanding the mentality of the host country managers	0.0056
	8	Inflation of host country currency	0.0152
	40	Relative valuation of host country currency	0.0152
	31	Yearly profit of the company	0.0788
	37	Survival of the company	0.0898
Production	14	The quality of the production technology	0.0027
	42	Incentives given to employees	0.0298
Marketing	27	Customer relations	0.0002
	48	Quality of the distribution channels	0.0128
	5	Market share of the company	0.0569

Table 10.6: Who selected more of which construct

10.3 Construct-selection

The effect of national differences was also investigated on the selection of relevant constructs for the whole sample of managers (111 managers). Given that marketing, sales and production areas showed up as important factors in influencing managerial beliefs the effect of these was also checked on the construct selection. Fisher's Exact Test was applied to test differences between managers with different national backgrounds and between managers with different functional backgrounds in terms of construct selection. Those constructs which were found to be chosen by significantly more (or less) members of one of the above subgroups compared to others at $p < 0.10$ are listed in tables 10.6 and 10.7.

Table 10.6 suggests that Hungarian managers attribute greater importance to human issues than the foreign managers (by selecting constructs 42 and 21).

The foreign managers, surprisingly, tended to select constructs which

Who		Construct	p
Production	40	Relative valuation of currency	0.0472
Marketing	1	Hiring and firing policy	0.0341

Table 10.7: Who selected fewer of which construct

many Hungarian managers suggested they did not care about. Significantly more foreign managers than Hungarian chose constructs which were related to the environment (48, 8, 40). Foreign managers also showed a short term orientation in their construct selection compared to the Hungarian managers (31, 37). The short term orientation of the foreign managers however did not mean that Hungarian managers were found to have a long-term orientation which explains why only in company A was a significant difference found between Hungarian and foreign managers concerning the selection of yearly profit (31) and the long term profitability of the company (6).

Significantly more production managers thought that the quality of the production technology was one of the ten most important success factors than non-production managers (14). They seemed to be also more concerned than the non-production managers with the incentives given to the employees (42) and less concerned with the relative valuation of the host-country currency (40).

As it could be expected marketing managers attributed greater importance for organisational success to market related issues than other managers (27, 48, 5) and cared less about the hiring and firing policy of their organisations (1).

Chapter 11

Evaluation of the findings

The previous chapter explored whether the relative importance of managerial characteristics corresponded to particular similarities and differences in managerial beliefs in the investigated organisations. It also compared the problems which managers mentioned in each IMMO and investigated differences in construct selection between Hungarian and foreign managers. This chapter evaluates the findings, addresses their theoretical and practical relevance as well as makes suggestion for future research in this area.

11.1 The influence of national backgrounds

One of the notable findings is that national differences seem to have less influence on similarities and differences in managerial beliefs than other managerial characteristics do which goes against the importance which has been attributed to national cultural differences (e.g., Hofstede, 1991; Baird et al., 1993) or to the effect of the differences in the system of industrial governance (e.g., Child and Markóczy, 1993). Studies which concentrated on national differences inevitably found these differences, but they did not identify how important these differences were either because they have not asked this question or because their applied methods controlled for factors other than national differences. Studies like this one which considered not only a broad range of managerial and organisational characteristics (including national differences) on the business beliefs of managers but their relative importance as well are in short supply. This work, however, does not contradict the results which show national differences. It merely contradicts the claim that national differences are the most important differences.

Finding national cultural differences less important in influencing managerial beliefs also seems to conflict with the importance that managers themselves assigned to national cultural differences when they talked about the sources of problems in their organisations (see table 10.3 on page 242). In fact, some of the problems mentioned by the managers were consistent with those culturally related work attitudes which were found of Hungarian managers (such as unwillingness to take responsibility, lack of work orientation) and of Anglo-Saxon managers (forcing through changes, short-term orientation, avoiding responsibility) in other studies described in section 4.7. This suggests that the problems are culturally rooted. However, many problems which were raised are also in line with those problems which characterise all newly formed international joint ventures (see section 2.2.2.2), such as conflict of loyalty, screening information, compensation gaps between employee groups, unfamiliarity with environment of the host country, communication blockages. (Shenkar and Zeira, 1987). This suggests that the problems are situationally rather than culturally rooted even if they might appear differently on the surface.

Furthermore, the concrete company examples suggest a lack of correspondence between the found national cultural differences in managerial beliefs and the attribution of problems to national cultural differences by the managers which suggests false attributions. For example, in the investigated companies, national differences were least mentioned as a problem in company D where the beliefs of foreign managers were found to be closer to each other than the rest of the managers. To solve this mystery it was investigated how this organisation was different from the other investigated organisations where introducing change was necessary.[1] Company D was different in a sense that the foreign managers applied a gentle, shared,

[1]These were companies A, C, D, and E which existed before the formation of the IMMOs and required change. Company B will be discussed separately from these companies.

"courtship/just friendship" integration approach (see section 2.2.1) for introducing change as opposed to "pillage and plunder" technique (pushing Western techniques through the organisation). In D the majority of the top managerial positions were held by Hungarians as opposed to foreigners and the Hungarian managers were included in the strategy making process. The fact that in D managers mentioned fewer cultural problems suggests that those problems which managers in other companies attributed to national cultural differences might rather be the consequence of a forced approach to change and foreign dominance as opposed to cultural differences.

The question still remains why D applied a different approach for introducing change than other companies and why it allowed Hungarian managers to dominate top positions. National differences still could be a candidate for an explanation. D is different from the other companies which introduced change in nationality. While other companies had American partners D had a British partner. As it was discussed in section 4.7, British managers tend to be more person oriented and tend to care more about the well-being of their subordinates than American managers do which could explain why they would chose a shared approach in management (e.g., Child and Kieser, 1979; Child, 1981). However, D also differed from other companies which introduced change in several other aspects as well which could serve as equally plausible explanations. These are (1) in D there was no planned lay-offs as in the other companies; and (2) D was in an earlier stage of introducing change than the other companies were. Not being afraid of future lay-offs removed tension in D which Hungarian managers experienced in other companies. But the gentle approach and the practice of not laying off employees might be reversed if these methods do not prove viable. As described in section 7.5 in the early stage company C also left the Hungarian management to manage the adaptation process of the company to the changing environment and only when this failed were the Westerners sent to the company to force through more substantial changes. Also, although in D the top managers stated that they did not plan any lay-offs the foreign partners were only tied not to do so for two years according to the privatization contract. Given that the management of D has not yet addressed the issue of cost control seriously this situation may change when cost becomes a major issue.

B was left out of the above comparison because it was a new company, and its management therefore did not have the task of changing an existing company to adapt it to the changing context and the needs of the foreign partner. In this company national differences were mentioned as frequently as in other companies despite the fact that the foreign managers applied a shared approach and allowed the Hungarians to dominate key positions (under the strategic control of the management of GRD Europe). It should be noted, however, that members of the top management were selected by the foreign partners and that much of the criticism came from lower levels from those who did not even have contact with the foreign managers. Given that the foreign partners were Americans, however, the shared approach to strategy making and dominance of top positions by Hungarians in B questions the effect of national difference between Americans and British partners in choosing a forced vs. shared approach to change. The relative newness of the company and the lack of pressure of laying off employees may very likely account for B having the least number of general problems identified by the managers.

The above suggests that differences between IMMOs in respect to the problems which were identified seemed to be tied more to the effect of situational factors than culturally explainable issues. These situational factors also seem to be interrelated. In those organisations where foreign partners dominated they also tended to apply a forced approach and tended to lay off employees. While in those IMMOs were the Hungarian managers were dominant in the top positions the western partner applied a shared approach and no lay-offs were applied as can be seen in table 10.5 on page 246. Finding the coexistence of certain situational factors was possible when we looked beyond the national cultural explanation. This underlines the validity of applying a "culture free approach" approach (in addition to the national cultural explanation) for analysis as done by the structural contingency theory (e.g., Pugh et al., 1969; Miller, 1987).

When national differences were looked for especially by analysing the differences in the construct selection between Hungarians and foreigners some notable national differences were identified as described in section 10.3 which seemed to support hypothesis 2.1 on page 53. Four alternative explanations could be considered for why foreign managers tended to concentrate more on local and contextual issues than the Hungarians despite the contrary view of the Hungarian managers in four companies:

1. The foreign managers were being insincere in their construct selection;

2. The problem of understanding and adapting was more salient to the foreigners, so they were more likely to select such constructs even if it was not really that important to them;

3. The Hungarian managers were misreporting the orientation of the foreigners because they didn't understand or know what the foreigners found important, or they were using the accusation as an excuse to resist various changes;

4. Everyone was (more or less) correct and sincere in that the foreigners didn't understand the local context but placed a high priority on coming to understand it, while the Hungarians recognised the foreigners' lack of understanding and complained about it.

Explanation 2 can be eliminated most easily by recalling how the constructs were selected. As described in section 3.4.2 managers did not know that the target number in their construct selection was ten. During the process they deselected the cards explicitly thereby saying that the card which they eliminated was less important than the remaining cards. Being confronted with such a task it seems very unlikely that explanation 2 was applicable.

Explanation 1 can also be dismissed (to a very large extent) by the nature of the selection task. Since managers did not know that they were selecting a top ten, any insincerity would result in such constructs being rated highly, but not necessarily in the top ten; while managers often found the deselection of constructs in the later stages very difficult and did not want to eliminate anything. Under such conditions it seems that a manager might hold on to an insincerely ranked card until the later stages, but probably not all the way to the top ten especially if that would have eliminated a favoured card. Also, as described in section 3.4.3 measures were adopted in the method to detect insincerity.

This leaves explanations 3 and 4. The interview results suggested that some Hungarian managers believed that the foreign managers wanted to understand the local context but were unable to (this is consistent with both 3 and 4). However the majority of Hungarian managers did not think that the foreigners cared about the local conditions (which is inconsistent with 4).

Explanation 3 is supported by the short-term orientation of the foreign managers which suggests that they were more aware of the situation of their organisation than the Hungarians. Although three of the companies were profitable (C, D, E), in C the profitability was declining and in E the management had to struggle to maintain the profitability. While foreigners treated the declining profitability or the losses as a serious problem, Hungarian managers who came from large, state owned companies did not recognise the danger in this but, as could be expected based on chapter 4, they hoped that the foreign partners would save the company in case of bankruptcy as the state had done before.

The foreigners argued, again as suggested by explanation 3, that Hungarians took the stand that “Hungary is a different context” because they did not want to do business in a new way. They preferred to say that this was the law in Hungary rather than see whether anything could be done differently. The foreign CEO in company E said that if he encountered this excuse he would always say to the Hungarians that "if the context does not allow us to do something then it is time to change that context".

The constructs which the Hungarian managers actually selected indicated that they were more concerned with the incentive system and the management of the IMMOs than with the context which they mentioned so often in the interviews. Although the Hungarians expected to receive Western wages and benefits in the formation of the IMMOs (e.g., Heimer, 1992) their salaries were still far behind the foreigners who worked in the IMMOs. Also, since foreigners dominated key positions in three organisations Hungarians attributed more discretion to these foreigners than the foreigners themselves thought they had.

It seems that differences between Hungarians and foreigners in the selection of constructs could also be explained by several factors among which only one is the effect of national differences. These are (1) national differences (Hungarians did not understand the foreigners beliefs, as explanation 3 suggests); (2) resistance to change (using the excuse of "different context", which also fits with explanation 3); and (3) situational differences (dominance, differences in salaries, differences in goals).

The question still remains why so many managers tend to attribute so many problems to national differences as opposed to situational factors when situational factors appear at least as relevant as national cultural differences. Fiske and Taylor (1991) suggest that the national cultural background provides guidance for the expected behaviour in a given situation and also for how the behaviours of the others may be interpreted. This guidance is applied unconsciously by those who use it and its importance is only evident when it can not be applied in a different cultural context. When people with different national cultural backgrounds meet they often lack the necessary guiding tools for how to behave and how to interpret the behaviours and gestures of the others and this may be the source of misunderstanding. Because these problems are important and often sources of some unpleasantness, people attribute great significance to these cultural differences. Also, resistance towards change could be well justified with reference to deeply rooted national cultural differences.

11.2 Role of organisational membership

One of the factors which was found relatively important in influencing similarities and differences in managerial beliefs was the organisational itself. Managers who worked in a given organisation seemed to have more shared beliefs about the factors which influence the success of their organisation compared to managers outside of the organisation. This shared beliefs could be attributed to two things. In the one hand, as explained in section 3.4.2, as a first step in eliciting the CMs managers were specifically asked to select those constructs which they saw influential to the success of *their* organisations. So, it is reasonable to assume that in different organisations different factors are relevant to reach success. This explanation was supported, for example, by the large distance of the CMs of the same manager who switched from company B to company E during the fieldwork. His CMs were elicited twice but in reference of to two different companies as it was described in section 3.7 which would explain the large distance between his CMs. Organisational specificity of the CMs also could be explained by the shared organisational culture in which these beliefs could be rooted. That this explanation could also have some validity is suggested by the findings that only in company E which was an amalgam of organisations were managerial beliefs not relatively more similar to each other. If organisational specificity of the findings were explainable only by the construct selection procedure, managerial beliefs should be relatively more similar within company E as occurred with the other organisations. However, if shared beliefs are also rooted in organisational culture, that would explain why in an organisation which was newly formed from an amalgam of organisations managers would not have organisation specific beliefs given that this organisation probably did not have time to develop a shared culture yet.

11.3 Role of industry recipes

The other contextual factors which was found to be relatively important in influencing similarities in managerial beliefs was the industry as far as the food industry was concerned. This suggests the existence of shared industry recipes (considering the limited meaning of industry recipes defined in section 2.4) in the food industry. Given that these organisations grouped together in other features as well, however, it is difficult to sort out how much effect each of these had. It could also be argued that industry recipes developed because companies in the food industry faced similar issues in a large number of respects which distinguished them from the other companies. Although one might take the Weickian view (Weick, 1979) that managers enact their environment by identifying the relevant issues and acting on their own perception of reality as opposed to acting on the objective reality – such a perception is likely to be based on the industry recipes – this identification and interpretation of the main issues could not be far from the real environmental conditions for long without serious consequences on the organisation and industry performance (Abrahamson and Fombrun, 1994).

However, if we take the view the managers in the food industry thought relatively similarly because they faced with similar issues, than we also have to consider that companies A and B which both belonged to the manufacturing industry were also similar in many respects and managers in them still did not hold similar beliefs. Both of these companies were exporters, loss makers and were privatized by their owners rather than their company councils. But these similarities between company A and B covered substantial differences between them: company A worked in the lighting industry while company B was in the glass industry. Both companies exported to different markets. B was a newly established company while A was an existing company which was acquired by the foreign partner. A suffered from serious losses while B was close to turning into a profitable company; A had 9500 employees while B was large only in terms of capital not the number of employees which was just 276. These differences between these companies could explain why shared industry recipes were not found between their managers while they seemed to exist between managers in the other three companies. Companies A and B in fact did not even belong to the same industry considering the definition of industry of Spender (1989) who categorised only those organisations which held similar recipes into the same industry.

11.4 Strategic interest

One of the main findings of the research was that in each of the investigated IMMOs functional area was relatively important in influencing similarities and differences in the business beliefs of managers.[2] A relationship was also indicated between the orientation of the given organisation and the functional area which counted as relevant. It was not the orientation by itself which seemed to matter, however, but rather a *change in emphasis* between different functional area as was also implied by several managers during the interviews. This change in emphasis, which happens through a longer process, is called here the **process of strategic interest**. Strategic interest is important at the time of organisational change when one or a few areas are given preference in their expansion. The areas which are at the centre of strategic interest are defined by the managers as the *preferred* orientations of the company towards which the organisation is moving or would like to move. These are the **areas of strategic interest**. These areas receive relatively more resources than other areas in terms of finance and the number of managerial positions. The expansion of these areas is also likely to be accompanied by a relative increase in the number of employees and the relatively higher financial and other benefits which are given to these areas compared to other ones. It what follows "strategic interest" will be used to refer to the process or the areas depending on context.

[2]Although company B showed no strong result at all, functional area showed the least weak effect.

Companies C, D, E and partially B show a strong strategic interest in sales and marketing (see table 10.2). In organisations C, D and E, managers pointed out that one of the main organisational goals was to change the previous production orientation of the company to a market orientation. Company B was different from the three companies in the sense that it was a newly set up company which, in essence, had a market orientation from the beginning. However there was a clear shift in the attention of the management. First the main effort of the management turned towards setting up the company, and building up the production facilities, which included hiring people to this area. Only later did they put their main emphasis on solving marketing and sales issues. Still, because there was no such a shift in orientations in company B compared to the other three companies, this could explain why in company B the marketing and sales managers did not show such strong similarity in their business beliefs to each other compared to other managers as they did in the other three companies. The marketing orientation of the managers in the marketing and sales areas also was clearly identifiable from the central maps to which the CMs of these managers tended to be close to. In companies B, C, D and E market issues dominated in these central maps and in three of these IMMOs (other than D) market issues were considered to have more influence on other success factors than the other way round.

The management in company A placed its emphasis on functional areas other than B, C, D and E. This company showed a strategic interest in the production and R&D areas. Although company A was always more production and R&D driven than marketing and sales driven – despite its good results in sales in the Western markets – after the acquisition production and R&D gained a strong preference compared to other areas. While the marketing and sales areas were largely moved to the European headquarters the production and R&D areas received investment resources. For example, after the general lay-offs it even hired employees, and received exclusive rights to certain R&D projects from the foreign parent. As a recent development the foreign parents also closed down two of its foreign plants and moved the production facilities from there to company A. In this company the production and R&D managers were close to a central map where the production issues dominated and attributed higher influence to the production issues on other success factors than the other way around.

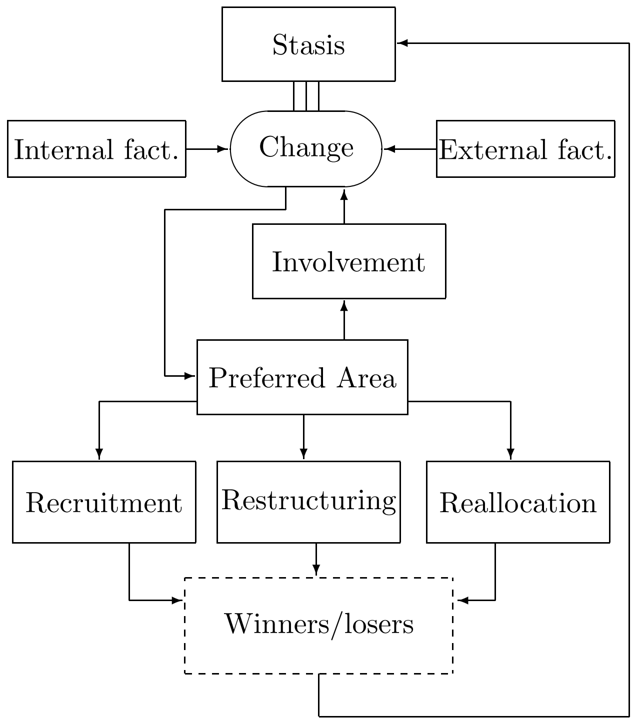
From tables 10.5 and 10.4 on page 243 it can be seen that in the four companies where the strategic interest turned towards the marketing and sales areas, managers in these areas had relatively more similar beliefs to each other than to the rest of the managers. In company A where the strategic interest was in the expansion of production and R&D activities managers in these areas had relatively more similar beliefs. Although this finding partially supports Dearborn and Simon (1958) that (some) functional area influences managerial perceptions, this effect was moderated by the strategic interest of a given organisation in a way that only those functional areas had relevant influence on managerial beliefs which fell in the area of strategic interest.

11.4.1 Outline of the Strategic Interest Model

This thesis proposes that what was found of the investigated organisations is a general property of organisations undergoing changes in their strategic orientation. The strategic interest process is a dynamic change process which is realized over time and is often accompanied with conflicts and power fights in which there are winners and losers. The general model of strategic interest process is sketched in figure 11.1.

Before the change process starts it is assumed that there is a certain equilibrium within the organisation between areas. This equilibrium not only exists in reality, but also in the minds of the managers. All managers know what the organisation treats as important even if they personally disagree with that judgement. In the investigated IMMOs, for example, local managers implied that they once knew where all of the areas stood.

Figure 11.1 Strategic Interest Process



Proposition 1 *At the time of equilibrium managers will have a shared view about what the organisation treats as important.*

The change process can be triggered by changes in external or internal conditions. Among the external conditions, changes in the market conditions might put pressure on the organisation to change its orientation. Among the internal factors, declining performance, changes in the ownership, or changes in the top managers might trigger reorientation. Among the investigated IMMOs both the internal and external factors went through substantial changes which started a reorientation process within the organisations.

Proposition 2 *The reorientation process is triggered by identifiable changes within internal and/or external factors of an organisation.*

During times of change managers will see the change as either a threat to their area (which they will try to protect) and/or an opportunity to promote their area. How much they succeed will be largely influenced by the changes in the internal and external factors. For example, the increase in competition is likely to favour the power position of those managers who work in the marketing and sales areas.

Proposition 3 *Changes in the internal and external factors will influence the selection of the areas of strategic interest within the organisations.*

In addition to the internal and external factors an internal political struggle will also influence which areas end up being included into the strategic interest of an organisation. This political struggle will end up in a self-reinforcing loop. Those top managers who are the most influential ones will be able to push their areas to be included in the strategic interest. The more they achieve their goal the more power they going to gain. The more these areas will be accepted as being in the preferred orientation of the organisation the more likely that middle level managers from the areas of strategic interest will be included in the decision process because top managers need to rely for information and decision preparation on these managers.

Proposition 4 *Managers in the area of growing preference will be more highly represented in the the strategic decision making process then managers from other areas.*

The more these managers are included into the strategic decision process the more influence they will have on which areas should be included in the areas of strategic interest and what should be the associated goals and means.

Proposition 5 *Those top and middle level managers who are higher represented in the the strategic decision making process will have more opportunity to include their areas in the strategic interest and influence the formation of the associated goals and means.*

The areas of strategic interest, the goals and means will influence the degree of reallocation of resources, the restructuring of the organisation and the hiring and firing policy which favour the areas of strategic interest.

PROPOSITION 6 *Which areas will be included in the strategic interest, and the associated goals and means will influence which areas and to what degree will be favoured in the reallocation of resources, restructuring and the hiring policy of the organisation.*

In the process of resource reallocation and restructuring there will be winners and losers. This will further enhance or decrease certain groups' negotiation positions concerning the inclusion of areas in the areas of strategic interest, and defining the associated goals and means.

PROPOSITION 7 *The reallocation of resources and the restructuring will favour those areas which are included among the areas of strategic interest.*

PROPOSITION 8 *The reallocation of resources and restructuring of organisation will increase the power position of those managers who work in these areas which will improve their chance to influence the inclusion of areas in the strategic interest and the associated goals and means.*

Over time the suggested model will reach an equilibrium, because beyond a certain level the winners will not receive additional marginal benefit to improve their conditions. Also, internal and external conditions will limit what resources could be reallocated in favour of the areas in the strategic interest. Beyond a certain degree of reallocation of resources the organisation would not be able to function any more which would not be in the interest of anybody including those who work in the area of strategic interest. It is reasonable to propose that no-one in the organisation believes that their area should be allocated all resources and authority.

PROPOSITION 9 *As managers in the area of strategic interest gain power and control of resources beyond a certain point, they will reduce the extent to which they push for more power and control of resources.*

It is also possible that managers in areas which have seen a dramatic decrease their areas importance to a certain level, may perceive their efforts as more than just a fight for setting the agenda of the organisation as a whole, but as a struggle for the survival of their area.

PROPOSITION 10 *There is a level of preference below which the managers of the dispreferred area will increase their efforts to retain what little power and control of resources they possess.*

Without propositions 9 or 10, the system would not reach a new equilibrium, but would feedback on itself until the new areas became the entire organisation, quickly followed by a collapse of the organisation. In any particular instance, both or only one the these breaking mechanisms may apply, depending on whether the "level of preference below which" mention in 10 is reached before the resources "beyond a certain point" of 9.

11.4.2 Strategic Interest to belief differences

Several potential scenarios could be suggested for the process through which the strategic interest of an organisation exerts its influence on similarities and differences in managerial beliefs which was the focus of this thesis.

11.4.2.1 Scenario 1

One possible scenario is based on the assumption that the higher level involvement in the strategic decision process of those who work in the areas of strategic interest (see proposition 4) will contribute to the development of shared managerial beliefs among these managers. Higher involvement of the decision making process is also likely to increase the understanding and identification with the goals and means which are formulated in this process. It also have to be noted that it is easier to identify with goals and means which give preference to the functional areas in which the given individual works as opposed to other functional areas.

PROPOSITION 11 *Those in the areas of strategic interest will develop a more clear picture and understanding of the strategic goals and means of their organisation and develop a higher level identification with these than other managers.*

This scenario would explain why managers in the areas of strategic interest developed relatively more similar beliefs while managers from other functional areas did not.

11.4.2.2 Scenario 2

Another possible scenario is based on the recruiting policy of the areas of strategic interest. The expansion of the areas of strategic interest gives a chance to the organisation to recruit managers whose personal motivations fit best to the strategic goals of the company. The better fit could be reached between the personal motivations of managers and the organisational goals the more likely that managers will develop an identification with the goals and ready to put effort to implement these (Dutton, Dukerich and Harquail, 1994).

PROPOSITION 12 *Those top and middle level managers will be recruited to the areas of strategic interest whose personal motivations fit to the new requirements of the preferred orientation of the organisation.*

In addition to external selection an internal selection procedure is possible. Given the increasing relevance of the areas of strategic interest during the strategic interest process the organisation could not afford to leave those in these areas who do not fit to the new requirements. Therefore, it is likely that more emphasis will be given in the areas of strategic interest compared to other areas to move those who do not fit to the new requirements to other positions (as occurred in some of the investigated IMMOs).

PROPOSITION 13 *In the areas of strategic interest an internal selection procedure will take place which favours those who fit to the requirements* *of the strategic interest.*

It is also expected that there will be relatively stronger pressure in these areas on those who could not meet the new challenge to resign themselves and leave the areas of strategic interest or the organisation itself. As the consequence of the above selection procedures a selected group of top and middle level managers will be formed in the areas of strategic interest whose ambitions and beliefs will likely to be relatively similar.

PROPOSITION 14 *A selected group of managers will be formed in the areas of strategic interest whose personal motivations and beliefs will be relatively similar and will have a good match with the organisational goals and requirements.*

11.4.2.3 Scenario 3

The influence of strategic interest also could be realized through a political process. As proposition 8 suggested the preferred strategic orientation of organisations increases the relative power positions of those who work in the area of strategic interest. These managers receive relatively more resources, are less endangered of being laid off, receive higher incentives and fringe benefits, are more likely to be included into the strategic decision process and have more chance to raise into top positions than managers from other areas (see proposition 6). This higher level of involvement and privileges is likely to contribute to the formation of an elite group which would draw jealousy and resentment from those who are outside of the areas of strategic interest. Those who are within the privileged group will likely to make an effort to keep their privileges from others because privileges disappear as soon as everybody have access to them. This attitude may hinder trust between members of the elite group and those who are outside. The lack of trust across groups will likely to influence the frequency of communication and also will likely to constrain it to formal channels. The elite group might even consider withholding information as a way to maintain its power.

PROPOSITION 15 *Managers who work in the area of strategic interest may enjoy privileges which they will try to defend against the outsiders. This attitude will break down trust and effective communication between insiders and outsiders and effectively will isolate the elite group.*

Not only the attitude of the insiders, but also those of the outsiders will isolate the elite group. The jealousy and the resentment of those who are not part of the elite group can contribute to the breakdown of effective communication between these two groups. This scenario similarly to the others would also explain why managers in the areas of strategic interest develop similarities in their beliefs or even a groupthink (Janis, 1972).

PROPOSITION 16 *Managers who work in the area of strategic interest will likely to enjoy privileges which will meet the resentment of those who are outside of the area of strategic interest. This resentment will break down trust and effective communication between insiders and outsiders and effectively will isolate the elite group.*

However, under this scenario it is difficult to explain why no contra subgroups were formed along other functional lines which would show similar beliefs compared to other groups. Still, based on Propositions 15 and 16 we can propose 17.

PROPOSITION 17 *Managers in the areas of strategic interest will have more frequent and effective within group than across group communication which will lead to the development of relatively more similar beliefs within the elite group compared to those who are outside of this elite group.*

Which of the above propositions (if not all of them) explain the influence of the strategic interest process on similarities and differences in managerial beliefs is needed to be tested by future research.

11.5 Other findings

Although the area of strategic interest were suggested to be an important moderator between the influence of functional areas on managerial beliefs the construct selection by the marketing and production managers also suggested some direct influence of the functional areas (see tables 10.6 and 10.7 on page 247) which provides support to hypothesis 2.7. According to tables 10.6 and 10.7 production managers tended to express more interest in issues internal to the organisation, among them those which related to the technology and incentives to the employees while cared less about such external issues as the relative evaluation of the HUF. Not surprisingly, the marketing managers tended to be more market oriented than the non-marketing managers. They also worried less about the hiring and firing policy, which however does not seem to be a specificity of a given function, but rather relates to the fact that in four out of five investigated companies hiring took place in the marketing and sales areas while managers in these positions were not endangered by being laid off.

Among the managerial characteristics which appeared to influence managerial beliefs, age was a salient factor. It would be very tempting to attribute this effect to a resistance towards change by the older managers and more flexibility to the younger managers. However, when the effect of age was investigated in each organisation its influence was more complex. In company A it was not the Hungarian, but the foreign managers whose age difference seemed to have an influence on managerial beliefs. In company C the younger managers showed similarity in their beliefs while in D both the younger and older managers' CMs were close to different central maps. In E the older managers seemed to have more similar beliefs, but not the younger managers. In most of the cases the calculated partial correlations suggested that the effect of age could be explained away with other managerial characteristics (like the national composition of managers in company A, D, and E). Only in company C was there some suggestion of the existence of an old guard (especially in the case of female managers) as was suggested by hypothesis 4.3 on page 104. while in company E there was some implication that older managers showed a technocratic way of thinking despite spending longer time at the company. There was therefore no clear evidence that managerial business beliefs could be divided along the line of old guards versus technocrats as suggested in section 4.6.

Other managerial characteristics which seemed to be important in influencing similarities and differences in managerial beliefs characterised at most three organisations. This suggests that the degree of influence of those managerial characteristics which were predicted to effect managerial beliefs in hypotheses 2.5, 2.6, 2.9 and 2.10 (page 53 and following) varies across organisations; and this implies that the relative influence of the given managerial characteristics on managerial beliefs was tied more to the specific organisational situation and/or to the personalities within the organisations than to any generalisable issues. In analysing the results in each of the case-studies certain explanations were given, some of these however were not supported by the cross-organisational analysis.

The influence of technical education on the similarities in managerial beliefs was explained by managers in company A as resulting from the fact that those educated in a clear discipline could have a more clear cut way of thinking about issues and this would influence the similarities in beliefs which they held. Also, Trompanaars (1993, p. 6) argued that technologies work by the same universal rules everywhere which does not apply to other managerial methods. He differentiated the logic which was appropriate to machines (analytic–rational) from a logic more appropriate to social relations (synthetic–intuitive) and assumed more similarities in the former. However, given that, in addition to A, only in company C was technical education found important in influencing managerial beliefs, this explanation did not seem to hold generally.

One of the explanations which was made in company A was also that managers in the production and R&D areas were found to have relatively more similar beliefs because these were the areas where Western techniques could be transferred with the least difficulty, given that these areas were less tied to the context. Although it is very tempting to accept this argument similarities in the beliefs of production and R&D managers were found to be tied to the strategic interest of the organisation rather than to context specificity of the given area. If either of these two explanations were correct than we would expect similar results in all of the companies and not just in A and C.

In company C similarities in the beliefs of multi-linguals was explained partially by the more open minded approach towards foreign culture by those who speak any foreign languages. This argument however was not supported by the cross-organisational analysis which found that in two organisations (company A and E) the mono-linguals had relatively more similar beliefs to each other. But it is interesting to note that in both companies A and E mono-linguality showed strong correlation with being foreign which suggests that the mono-lingual, foreign managers were the ones who showed more similarity in their beliefs compared to other managers which might be attributed to the difficulty of communication between this group and the local managers. In those organisations where multi-linguals had relatively more similar beliefs compared to each other than to other managers (companies C and D) most of the foreigners were also multi-linguals. In these companies multi-linguals coincided with the newly hired young Hungarian managers and with the foreign managers who had better access to information and more readiness to identify with the new organisational goals than those senior Hungarian managers who had spent a longer time in the company and were mono-lingual.

In chapter 4 which discussed the general context of organisations hypotheses 4.1 and 4.2 on page 98 suggested that spontaneous privatization created a different initial relationship between the company and the foreign owner than a privatization initiated by the state or by an owner (see section 4.3). Given that in those companies which were privatized spontaneously the Hungarian managers had an influence on the privatization contract, it was predicted that a more shared approach would be applied between Hungarians and foreigners in these organisations and less drastic lay-offs could be expected than in companies which were privatized by other methods. Among the three companies (C, D, and E) which were privatized this way, however, only D applied a more shared approach and only in this company did employees feel less threatened by being laid off. No convincing evidence was found therefore for the existence of the predicted relationship between the modes of privatization and the approaches of management.

11.6 Theoretical implications

This research made it possible to discover the central role of strategic interest in influencing similarities and differences in managerial beliefs within organisations. The importance of strategic interest seems to go beyond the framework of this study. Dividing managers based on whether they fell into the areas of strategic interest in a changing organisational setting or not, especially in young IMMOs, might be a better starting point to understand the sources of differences in beliefs, attitudes, behaviours, the sources of conflict, the changes in power positions than dividing managers based on their nationalities and investigating the effect of nationality as the majority of studies in multi-cultural organisations have done so far (e.g., Markóczy, 1993b; Child and Markóczy, 1993; Baird et al., 1993). Strategic interest might also be a useful starting point in combination with national differences. For example, it could be a good starting point to investigate learning, trust, identification and loyalty issues within IMMOs between those local managers who fall into the strategic interest of the IMMO as opposed to those local managers who are left out of the areas of strategic interest. It could be predicted that those local managers who fall into the strategic interest of an IMMO will learn new methods faster, will identify easier with the organisation and its goals and will develop more loyalty towards the organisation than those locals who are left out of the strategic interest of an organisation. Shifts in the preferred functional areas might be a useful category for historical analysis as well. Many changes within an organisations are likely to be the consequences of redirecting the strategic interest of an organisation.

The strategic interest concept might be a more fruitful approach to investigate strategic leadership in countries which are transforming towards a market economy than the top management team or "upper echelon" approach. As discussed in section 2.3, research on TMTs assumes that major decisions in an organisation are done by the top management team and not by individuals. Managers within the TMT are assumed to have equal influence on the strategic decisions. However, in transforming economies, like Hungary, some of the managers membership in the TMT is often symbolic position and does not mean real influence on the strategic decisions. As discussed in section 4.3 during the time of the spontaneous privatization it was often part of the deal between the Hungarian top managers and the potential buyers that some of these Hungarian managers would be kept in top positions. These symbolic positions, however, were usually not in the area of strategic interest. Also, managers one level below the TMT, but in the area of strategic interest seemed to be more influential than those in the TMT, but outside of the area of strategic interest. Therefore, TMT does not cover the real strategists in an organisation and it is a more valid approach to define this team by the area of strategic interest and by position (top level and one level below) as opposed to merely by position (top level).

This study also highlights that in a multi-cultural organisational setting there are several other factors apart from nationality which could influence managerial beliefs. Studies which do not investigate the relative influence of other factors but concentrate on national differences alone should be treated with caution because they do not necessarily concentrate on the most important factor which explain the basic differences. Studies which concentrate on national differences should also make an effort to differentiate the effect of situational differences from the effect of real national cultural differences.

This study implies that the similarities and differences of business beliefs of the managers seem to be the outcome of several factors: managerial characteristics with particular emphasis of the functional area in which managers work in; the strategic interest of the given organisation which moderates the influence of functional area on managerial beliefs; and in a limited extent to organisational and industry characteristics.

11.7 Limitations and Suggestions for further research

Some of the limitations of this thesis relate to the causal mapping technique which was used while others relate to constraints of time and resources and to the effort of focusing on the basic questions of the thesis as opposed to addressing all potentially interesting topics. These limitations and suggestions for future works are detailed below.

11.7.1 Limitations of the causal mapping technique

The causal mapping technique which was used here was developed with the purpose of using causal maps for a survey type of analysis. To ensure the systematic, reliable comparison of the causal maps these needed to be elicited in a systematic manner. The systematic elicitation required the application of a predefined list of constructs from which managers could select those which they found relevant. Providing a predefined list of constructs eliminated the chance of selecting novel constructs from outside of the list and this way reduced the idiosyncrasy of the maps. Both the list of constructs and the selection procedure were limited to items which were potentially relevant for the success of a given IMMO which constrained the investigation on managerial beliefs to success factors. Other issues could have been potentially as relevant to investigate similarities and differences in managerial beliefs as those which related to organisational success but including all of these into the list would have extended it to an unmanageable degree and would have confused the selection procedure.

During the selection procedure managers were constrained to select ten constructs which they found important for influencing the success of their organisation. Restricting their selection to ten constructs meant that their CMs did not include all of those constructs which managers might found relevant but only those which they selected among the ten most important ones. Limiting the selection of constructs to ten potentially increased the distances of the CMs of the managers because an increase in the number of the selectable nodes increases the chance of overlap between the selected nodes in the CMs of other managers. Constraining the selection of constructs to ten also made these maps less suitable to in-depth analysis (as it was discussed in section 3.3) and to analyse issues like complexity or comprehensiveness of the CMs.

The CMs which were elicited here only contained information on the nodes which subject selected to be among the ten most important ones and various information on the influence relationship between these nodes. They did not contain information on the relative importance of the nodes compared to the other nodes in the map, nor information whether a node could be treated as subordinate or superordinate to other nodes or whether they stand for tight or loose constructs. As pointed out by Markóczy and Goldberg (1995) the method treats all selected constructs the same way and could not deal with the fact that some constructs might be more different than others. For example, imagine three maps (A, B, and C) which are identical except that where A has the node yearly profit of the company, B has the node survival of the company, and C has node understanding the mentality of host-country managers. Given the measure of the CMs these maps will be treated equidistant from each other even if one would expect that the latter node is more different than the other two ones.

As mentioned by many authors, including Markóczy and Goldberg (1993), causal maps provide only a very limited model of belief systems.

For instance, the nodes of causal maps are atomic unanalysable entities while the actual constructs in a belief system are extremely rich with a vast amount of internal structure. In true belief structures relationships between constructs will include more than the simple influence relations allowed for in causal maps. It may even be the case that belief structures constitute **non-linear systems** as suggested by Bettis and Prahalad (1995), while the causal maps with their simple -3 to $+3$ influence relations are linear. Nevertheless, it must be noted that researchers build models not to capture every fact about the thing modelled, but to abstract away from many of the complexities of the world in order to produce a model which is both workable and good enough for the task at hand. Causal maps are a limited model of a limited part of belief structures.

For comparing the CMs a mathematical formula was used which, although took into consideration all information which were contained in the CMs when it compared these, it presented the differences in one number for each pair of CMs. Reducing the distances between CMs to one number made it possible to subject these into statistical analysis but for this benefit the complex information on which these distance data was based on was not directly utilised in the analysis.

11.7.2 Other limitations and suggestions for future work

Given that this research concentrated on similarities and differences in managerial beliefs at a given time it could not measure change over time. It is therefore only a first step to answer questions like whether learning has occurred in the investigated IMMOs. Investigating whether learning occurs between managerial groups could be one possible development of this study.

This work also concentrated on identifying the similarities and differences in managerial beliefs and the relative importance of organisational and personal factors which influenced these rather than going into detailed and deep analysis of the content of managerial beliefs and identifying national differences in this respect. For example, it was not investigated whether different participants attach different meaning to the same concepts (e.g., Bougon, 1992b) or whether these beliefs are embedded into different values and different general belief systems. Further studies, using different methods, are needed if one is interested in what the different beliefs actually are.

The managerial characteristics considered in this study were those which were found relevant in the literature or thought to be potentially relevant in IMMOs or in an economy under transformation and also which were expected to be accessible to investigation. The study therefore could not include among the investigated managerial characteristics, personality tests and could not collect data on social-networks and interaction of the managers. Personality tests were not included because these tend to be distrusted at a time of lay-offs and also because a large amount of data already had to be collected on each occasion. It was initially hoped to investigate the communication patterns of managers but this proved infeasible as managers were very suspicious and unwilling to answer questions about who they regularly talk to. It should noted, for example, that the first question of the first manager who was interviewed was: "who sent you to me?"

This study was oriented towards investigating differences and similarities in managerial beliefs but it did not go far enough to tie these to to differences and similarities in managerial behaviour and organisational performance. Studies which investigated the relationship between consensus, decision making and performance have so far produced controversial results as it was discussed in section 2.3 so further work is needed to sort out this problem.

The sample of IMMOs only contained those companies with Anglo-Saxon partners. As Child et al. (1994) pointed out the cultural-gap between the local managers and the foreign partner might also influence the problems and similarities and differences in managerial beliefs which could be traced in organisations. It would be an interesting further development of this study to compare its results to studies which are conducted in Hungarian IMMOs with partners other than Anglo-Saxons. For example, in Hungary it is likely that there is a smaller cultural-gap between Hungarian and German or Austrian partners and larger differences between Hungarian and Japanese partners than the difference between Hungarians and Anglo-Saxons. It would also be a good further step to replicate this study in other transforming economies to see whether differences in the national cultures, and attitude towards the market economy among these countries might change the results from country to country.

This work concentrated on the IMMOs themselves as opposed to investigating the strategy, structure and philosophy of the foreign parent(s) which might have a substantial influence on whether the foreign partner chooses to use a forced versus a shared approach in introducing changes. There are other studies which have investigated the parents and the IMMOs and the relationship between these from this respect (see section 2.2.1).

This study included a wide range of managerial and organisational factors to establish the potential influence of these on similarities and differences in managerial beliefs. Because it considered so many factors it was not a powerful study to test and sort out the effect of a few particular factors. The robustness of the study was consequently sacrificed for the sake of discovering new relationships and underlying forces. This study however could be a good starting point to design robust studies to test the effect of strategic interest, or to separate the effect of cultural, system and situational differences within the national differences.

11.8 Practical implications

Both the immediate findings of this research and future works which could be based on this work have potential use to practising managers in ways discussed below.

11.8.1 Getting the ball rolling

The causal mapping technique which was developed for this research was found to be a good tool for providing initial material for dynamic and useful feedback sessions for the participants for the following reasons:

1. The method asked previously unasked questions, thus it forced subjects to explicitly think about things which they may have only known implicitly. This led to novel introspection on the part of the subjects.

2. The participants expressed their view that the method and the researcher brought specialised knowledge to the situation which they could not have done themselves.

3. The results which were generated by the method were considered credible by the managers.

4. The data elicitation part related to issues that the participants thought mattered.

5. While some of the results were in line with the participant's perceptions, others were surprising and generated useful discussion among the participants.

These advantages are, of course, not particular to the causal mapping technique which was used in this work. Methods with similar characteristics could also be well used in feedback sessions.

11.8.2 Identifying the reasons of differences

There is a tendency among practising managers in IMMOs to interpret major problems within their organisations from the point of view of national differences. This study suggests, and this was reinforced during feedback sessions by managers, that it is worthwhile to go down to the roots of the problems: to differentiate from national differences those issues which are tied to the change in the strategic interest of the organisations, to the changing interest and situation of the managers. The findings also imply that Westerners would be advised to approach IMMOs in transforming economies with an open mind rather than with certain prejudices. Prejudices may lead to self-fulfilling prophecies (Snyder, 1984) where local managers behave as is expected from them. It is a better approach to try to overcome the initial differences which relate to styles, routines, and are often sources for misunderstanding, and then to try to jointly clarify the common goals on which the future success of an organisations might depend. This study also implies that a shared approach in setting strategic goals and a "gentle push" towards the new direction lead to less conflict and less "cultural differences" than a forced approach. This goes against the argument of Newman (1992) who suggested a "focussed approach" in the former or existing socialist countries and supports a shared approach recommended by Lawrence and Vlachoutsicos (1993) (see section 2.2.1).

11.8.3 To clarify intra-organisation communication

By identifying which groups of individuals have common beliefs in organisations, works like this could be used to identify where information is *not* flowing. If certain managerial groups show striking similarities in their beliefs compared to the rest of the managers there are reasons to believe that this managerial group became relatively isolated from the rest of the organisation. This isolation might be the consequence of the unwillingness of the group members to share information with the others, but also of the resentment of others to communicate with the members of the given group. Either way, the method applied here could be put to direct use to identify communication blockages which could be the first step to discovering their causes and taking steps to resolve them.

11.8.4 Contribution to theory

It should go without saying that research which contributes to management theory should eventually lead to better prescriptions for managers.

Although the theoretical contribution of this work will not provide immediate benefits to the participating managers it should in the long term contribute to practice through its theoretical contribution.

Appendix A

Aide Memoire Used for Interviews

This appendix contains the "aide memoire" used as a guide to the researcher during interviews.

A.1 Information collected in each IMMO

This following information was collected from various sources, but missing information was requested from the main contact person within the organisations (either the HRM or PR managers).

1. Name of the IMMO:
2. Date of the foundation of the IMMO:
3. Location:
4. Name of the parent companies:
5. Amount of investment by each partner:
6. Products:
7. Annual profit since the formation of the IMMO:
8. Number of employees:
9. Number of foreigners in the company:

10. What is the nationality of the foreign managers:
11. What positions the foreigners fill in the company:
12. The structure of the organisation (organisational chart):

A.2 Questions asked of each manager

These questions were asked of each manager, after the elicitation of the causal maps.

1. If a managers mentioned during the card selection that some of the constructs are important in the company or some of the influence relationships are important the following question should be asked: You mentioned during the elicitation that the ... constructs or ... influence relationships are important in your organisation. Could you tell me more about these?
2. What do you think was the purpose of the Hungarian partner in setting up the IMMO?
3. What do you think was the purpose of the foreign partner in setting up the IMMO?
4. What kinds of changes took place within the company since the formation of the IMMO?
5. What kinds of western managerial techniques were introduced?
6. What kinds of changes took place in the environment?
7. What kinds of problems do you see exist in the organisation?

Appendix B

Biographical Questionnaire

Figures B.1 and B.2 contain the replica of the English language version of the biographical questionnaire which was completed by all individuals in the sample. The "ID" in the upper right corner was provided by the researcher and encoded the organisation and the date of interview as well as a unique identifier. The Hungarian language version of the questionnaire is available upon request.

Figure B.1 First page of Biographical Questionnaire

Figure B.2 Second Page of Biographical Questionnaire

Appendix C

Construct List

This appendix contains the English language list of constructs with their descriptions as presented to the subjects. See chapter 3 for a discussion of how these were developed and used. The Hungarian language version of this list is available from the author upon request.

1 Quality and implementability of hiring and firing policy

The extent to which hiring and dismissal policy is able to ensure the selection of qualified employees and the firing of those who are not qualified or laying off of surplus employees.

2 Satisfied employees

The extent to which the employees of the company are satisfied with their conditions within the company.

3 Vision and strategic direction of the company's leadership

The extent to which the leadership of the company has a vision and a clear picture of the strategic direction to follow and the extent to which this vision is appropriate given the conditions of the company.

4 Host country national culture (values, society's attitude towards business)

The extent to which the host country culture is supportive and conducive towards the company's activities and towards business in general.

5 Market share of the company

The proportion of sales of the company to the total sales of all products (both company's and competitors') in the relevant markets.

6 Long term profitability of the company

The return on investment over a long term (at least 5 years).

7 Parent company's support

The extent to which the parent(s) provide(s) financial, technical or other support (like expertise) when necessary.

8 Inflation of host country currency

The rate of inflation of the currency of the country in which the company operates.

9 Access to external R&D

The extent that the results of research and development which were produced by other organisations are available to the company.

10 Lobbying capabilities with the government

The extent and quality of the company's contacts with the authorities and its ability to influence governmental policies which affect the company.

11 Satisfying shareholders or owners

The extent that shareholders (owners) are satisfied with how the company is doing.

12 Employees attitude

The employees attitude towards the organisation, towards the company's activity, toward changes and towards each other.

13 Debt/Equity ratio

The degree that the company is indebted compared to its equity.

14 The quality of the production technology

The overall level of the production technology, and the extent to which it is appropriate to the given production requirements.

15 Growth of the company

The growth of the company in terms of its value, assets and income.

16 Responsibility to the community

The extent that the company satisfies the interest of the community in which it works. (e.g., social responsibility, including environmental issues).

17 Job security for the employees of the company

The degree to which employees can be sure that they will remain employed.

18 Investment intensity of the company

The relative portion of company income dedicated to investment purposes.

19 The degree of unionization of the employees within the company

The portion of the employees who belong to trade unions and the overall power of these unions.

20 Competition in the market

The number and strength of competitors and potential competitors in the market, their market share, and the intensity of the competition.

21 Management flexibility

The degree to which managers are able to recognize internal and external threats and opportunities relatively quickly and are able to adjust their policies and practices to new conditions.

22 Prices applied by the company

The level of prices of the company in comparison to the quality of their products and to prices applied by the competitors.

23 Internal R&D capability/Product development

The relative strength the company's research and development activities compared to its competitors in terms of both new product development and production techniques.

24 Shared organisational culture

The extent that members of the company have shared values and beliefs concerning issues which relate to organisational practices.

25 Economy of scale of the production

The extent that the scale of production is adequate given the unit cost, the technology applied and the size of the company's market.

26 Size (number of employees)

The size of the company given the number of employees

27 Customer relations

The connections which the company has with its customers through which it collects information of their requirements towards the products and through which its provides services for supporting the usage and maintenance of the products.

28 Economic and political conditions (excluding inflation and currency exchange-rate)

The political, economic and legal conditions of the host country which establish the 'rules of the game' in the market (with suppliers, customers etc.) and which defines the relationship between the company and governmental, public and legal organisations. (This does not include currency valuation which is listed elsewhere)

29 Legal expertise of the company

The extent to which the company knows the legal system and able to use this knowledge to its benefit.

30 Leadership within the organisation

The extent to which the leaders are able to influence people so that they strive willingly and enthusiastically towards the accomplishment of group goals.

31 Yearly profit of the company (net income after tax)

The net income of the company after deducting costs and after paying tax.

32 Size of the company's market

The size of the market in which the company operates. [note: this is not market share, but size of the market including the competition].

33 Knowledge of needs of the company's market

The company's awareness of the needs of its customers (what the market wants).

34 Returns on sales

The absolute income generated by sales [exclusive of costs]

35 Brand recognition of the company's products

The extent to which the customers are familiar with the brand name of the company's products and developed a trust towards these products with this brand name.

36 Quality of products and services

The level of quality of the products and services the company produces.

37 Survival of the company

The ability of the company to survive.

38 Management's understanding the mentality of the host country managers

The degree to which management (both foreign and host country) understand the ways of thinking of host country managers.

39 Purpose of the parents in establishing the company

The extent to which the original purpose of the parents is 'good' for the daughter company.

40 Relative valuation of host country currency

The price of the currency as a portion of purchasing power.

41 Cost control within the company

The extent that there is effective cost control within the company which is able to reduce costs or keep them low.

42 Incentives given to employees (financial and fringe benefits)

Financial benefits (e.g., pay, bonuses) or fringe benefits (e.g., company car) given to employees attached to personal or organisational achievements or positions.

43 Bank connections

The quality of the company's connections with banks or financial institutions in terms of getting advantageous loans, ensuring efficient financial transactions etc.

44 Familiarity with environmental conditions

The company's managers' knowledge of the political, economic, legal, cultural conditions. [note: 'environmental' does not mean 'green' here]

45 Individual contribution of employees

The effort made by the individual employees to enhance organisational performance.

46 In house training

The amount and quality of the training which is organized by the company for its (usually new) employees.

47 Efficiency/productivity

The ratio of the company's output to the resources it consumes. (the output-input ratio)

48 Quality of the distribution channels

The effective functioning of the distribution channels which ensure good service for the customers in a cost-effective way.

49 Relationships with suppliers

The extent that the organisations have suppliers which ensure that the necessary input reaches the organisations in the required time, with the appropriate quality and cost.

Appendix D

Distance Ratio Calculations: An Example

This appendix contains an example of the causal map comparison method discussed in chapter 3 particularly in section 3.4.4. Many parts of this appendix are taken from work produced by the author together with Jeff Goldberg, and have been adapted to function as an appendix to this thesis. In what follows, "the formula" will refer to the formula in figure 3.3 on page 75.

The example here will consider two fabricated example maps. In order to preserve space so that all of each example map can fit on a piece of paper, it is best to limit each map to five nodes each and the field of possible nodes to eight. (The actual maps elicited have ten nodes each out of a field of 49.) The two maps A and B are shown in figure D.1.

In figures D.2 and D.3 we see each map as an extended association

Figure D.1 Example cause maps A and B

	1	2	3	4	5
1	0	2	3	0	−2
2	0	0	1	1	3
3	−2	0	0	2	0
4	1	−2	3	0	−1
5	2	1	2	−1	0

Map A

	1	2	3	6	8
1	0	2	2	1	3
2	−1	0	2	−1	−1
3	3	0	0	2	1
6	0	−1	3	0	2
8	1	1	1	−1	0

Map B

Figure D.2 Extended Association Matrix for Map A

	1	2	3	4	5	6	7	8
1	0	2	3	0	−2	0	0	0
2	0	0	1	1	3	0	0	0
3	−2	0	0	2	0	0	0	0
4	1	−2	3	0	−1	0	0	0
5	2	1	2	−1	0	0	0	0
6	0	0	0	0	0	0	0	0
7	0	0	0	0	0	0	0	0
8	0	0	0	0	0	0	0	0

$$N_A = \{1, 2, 3, 4, 5\}$$

matrix in which columns and rows exist for nodes which do not actually occur in the maps. Each such matrix is also accompanied by a set of nodes which actually do exist in the map.

Recall that the formula applies to extended association matrices. Given the formula, we can initially calculate the terms p_c, number of nodes common to the pair of maps, as 3; p_{u_A}, number of nodes unique to map A, as 2; and p_{u_B} is also 2. With these numbers we can first calculate the denominator of the formula to be 64, which is the largest sum we could get for the numerator given these values.

The numerator is the sum of the adding up the differences on a cell by

Figure D.3 Extended Association Matrix for Map B

	1	2	3	4	5	6	7	8
1	0	2	2	0	0	1	0	3
2	−1	0	2	0	0	−1	0	−1
3	3	0	0	0	0	2	0	1
4	0	0	0	0	0	0	0	0
5	0	0	0	0	0	0	0	0
6	0	−1	3	0	0	0	0	2
7	0	0	0	0	0	0	0	0
8	1	1	1	0	0	−1	0	0

$$N_B = \{1, 2, 3, 6, 8\}$$

cell basis for all 64 cells[1], that is $\sum_{i=1}^{8}\sum_{j=1}^{8} \text{diff}(i,j)$. When considering those differences there are three possible cases.

1. The first is when the cell is on a diagonal (where $i = j$) in which case the added difference is zero. These will be cells $(1,1),(2,2),\cdots(8,8)$ in this example. Each of these cells contribute nothing to the difference between the maps since $\text{diff}(i,i)$ is always 0.

2. The second case is where exactly one map has both nodes i and j, while the other map is missing at least one of them. In these maps that will be $(6,1),(6,2),(6,3),(6,8)$ and $(1,6),(2,6),(3,6),(8,6)$ and $(8,1),(8,2),(8,3)$ and $(1,8),(2,8),(3,8)$ as pairs of node in map B which aren't in map A; and $(4,1),(4,2),(4,3),(4,5)$ and $(1,4),(2,4),(3,4),(5,4)$ and $(5,1),(5,2),(5,3)$ and $(1,5),(2,5),(3,5)$ as pairs of node in map A and not in map B. According to the second clause of the definition of the 'diff' function, each such cell contributes a difference of one. Since there are 28 such cells the total contribution is 28.

3. The third case actually covers two distinct cases (which can be calculated the same way).

   (a) Where both maps have both nodes. In the example that will cover the six cells $(1,2),(2,1),(1,3),(3,1),(2,3),(3,2)$ which is $0+1+1+5+1+0=8$. For example, $\text{diff}(3,1)=5$ since $|a_{3,1}-b_{3,1}|=|-2-3|$, while with $\text{diff}(1,2)=|2-2|=0$.

   (b) Where neither map has both nodes, This will cover all rows and columns involving node 7 except for $(7,7)$ which was covered by clause 1, and the cells $(4,6),(4,8),(8,4),(6,4)$ and

[1] It is a coincidence that with this example the number of cells in each association matrix (8×8) is the number calculated for the denominator. If, for example, there were nine possible nodes, but with the same maps, the extended association matrix would have 81 cells, but the denominator would still be 64 and entire calculation would lead to the same result.

$(5,6),(5,8),(8,5),(6,5)$. Since each such cell in both maps will contain the same number, zero, the total difference difference from these cells is zero.[2]

Summing the different contributions to distance we arrive at a numerator of 36. This leads to a final result of 36/64 or 0.5625.

[2]Notice that it is not essential that zero be used in the association matrix to mark cells for which there could be no arc since at least one of the nodes does not exist in the map: if the number 99 were used instead, all of these comparisons would be $99 - 99$ so the result would be zero.

Appendix E

Example of IO-degree Calculation

This appendix describes the calculation of what is called **in-degree** and **out-degree** in this thesis. It should be noted that these terms are not used here in the usual or traditional sense.

The **traditional in-degree** of a node is the number of arcs leading to that node. The **traditional out-degree** of a node is the number arcs leading from that node. In figure E.1 we have a small causal map. If we consider n_1, we see that it influences nodes n_2, n_3 and n_5. This gives it a traditional out-degree of 3. We also see that it is influenced by nodes n_3 and n_5. This gives it a traditional in-degree of 2. Figure E.2 lists the same map with the traditional out-degrees shown at the right of each row and the traditional in-degree shown at the bottom of each column. The number in the lower right corner is the sum of the traditional out-degrees (or the

Figure E.1 Example cause map

	1	2	3	4	5
1	0	2	3	0	−2
2	0	0	1	1	3
3	−2	0	0	2	0
4	0	−2	3	0	−1
5	2	1	2	−1	0

Figure E.2 Map showing traditional in-degrees and out-degrees

	1	2	3	4	5	T-Out
1	0	2	3	0	−2	3
2	0	0	1	1	3	3
3	−2	0	0	0	0	1
4	0	−2	3	0	−1	3
5	2	1	2	−1	0	4
T-In	2	3	4	2	3	14

traditional in-degree) and represents the number of arcs in the map.[1].

Unlike the traditional notion, I use not the number of arcs, but the sum of the absolute values of the labels of the arcs in or out of a node. For example we see that n_1 has a 2 influence on n_2, a 3 influence on n_3, a 0 influence on n_4 and a -2 influence on n_5. Adding up the absolute values of these influences we get $|2| + |3| + |0| + |-2| = 7$.

Similarly for the in-degree for n_1 we see -2 influence on it by n_3 and a 2 influence on it by n_5, leading to an in-degree of 4. Figure E.3 lists these.

Figure E.3 Map showing in-degrees and out-degrees

	1	2	3	4	5	Out
1	0	2	3	0	−2	7
2	0	0	1	1	3	5
3	−2	0	0	0	0	2
4	0	−2	3	0	−1	6
5	2	1	2	−1	0	6
In	4	5	9	2	6	26

[1]The total of the in-degrees must be equal to the total of the out-degrees

Appendix F

Finding the Software

Several software tools were developed by Jeff Goldberg for the method used here. A number of people have asked for those tools, and he has made many of them available to the research community over the Internet. He provides the following brief descriptions of the programs in the packages.

distrat Performs the distance ratio calculations. Can handle large numbers of maps efficiently.

askmap Interactive program for help in eliciting maps. Intended for use by the researcher and not for self-administration.

avmap Calculates central maps.

iodeg Calculates in-degree and out-degree.

drsort Prepares output of **distrat** for use with third party statistical packages.

The software is available on the Internet Management Archive[1] by `ftp` or `gopher`. For more information contact either the author or Jeff Goldberg at J.Goldberg@Cranfield.ac.uk.

[1] Internet address `ursus.jun.alaska.edu`.

Bibliography

ABRAHAMSON, ERIC and CHARLES FOMBRUN (1994). 'Macrocultures: Determinants and Consequences', *Academy of Management Review* **19**(4): 728–755.

ACKERMANN, FRAN, STEVE CROPPER, COLIN EDEN and JOHN COOK (1991). 'Cognitive Mapping for Policy Analysis in the Public Sector', Meeting of the Academy of Management, Miami.

ADLER, LEE and JOHN D. HLAVACEK (1976). *Joint Ventures for Product Innovation*, American Management Association, New York.

ALLPORT, GORDON W., P. E. VERNON and G. LINDZEY (1970). *Study of Values*, Houghton Mifflin, New York.

BADARACCO, JOSEPH L. (1991). *The Knowledge Link: How Firms Compete through Strategic Alliances*, Harvard Business School Press, Boston. Mass.

BAIRD, INGA S., MARJORIE A. LYLES and J. B. ORRIS (1993). 'A Sino-Hungarian-U.S. Perspective on Joint Venture Success', in Paul Shrivastava, Anne S. Huff and Jane Dutton (eds), *Advances in Stategic Management*, Vol. 9, Jai Press, Greenwich, Conn.

BALIGH, HELMY H. (1994). 'Components of Culture: Nature, Interconnections, and Relevance to the Decisions on the Organization Structure', *Management Science* **40**(1): 14–27.

Bantel, Karen A. and Susan E. Jackson (1989). 'Top Management and Innovation in Banking: Does the Composition of the Top Team Make a Difference?', *Strategic Management Journal* **10**: 107–124.

Bán, Zsuzsa (1992). 'A Philips még reménykedik (Philips Still Thinks That There Is Hope)', *Népszabadság*.

Barney, Jay B. and Robert E. Hoskisson (1990). 'Strategic Groups: Untested Assertions and Research Proposals', *Managerial and Decision Economics* **11**: 187–198.

Barr, Pamela S., J. L. Stimpert and Anne S. Huff (1992). 'Cognitive Change, Strategic Action, and Organizational Renewal', *Strategic Management Journal* **13**: 15–36.

Bedeian, A. G., E. R. Kermery and K. W. Mossholder (1989). 'Testing for Cross-Level Interactions: An Empirical Demonstration', *Behavioral Science* **34**: 70–78.

Berend, T. Iván (1983). 'Gazdasági útkeresés 1956–1965 (Looking for a New Path for the Economy between 1956–1965)'.

Bettis, Richard A. and C. K. Prahalad (1995). 'The Dominant Logic: Retrospective and Extension', *Strategic Management Journal* **16**(1): 5–14.

Bettman, James R. and Barton A. Weitz (1983). 'Attributions in the Board Room: Causal Reasoning in Corporate Annual Reports', *Administrative Science Quarterly* **28**: 165–183.

Boisot, Max (1994). 'The Lessons from China', in Max Boisot (ed.), *East–West Business Collaboration: The Challenge of Governance in Post-Socialist Enterprises*, Routledge, London, pp. 24–50.

Borys, Bryan and David B. Jemison (1989). 'Hybrid Arrangements as Strategic Alliances: Theoretical Issues in Organizational Combinations', *Academy of Management Review* **14**(2): 234–249.

Bossányi, Katalin (1994a). 'Egységes állami vagyonkezelőre lenne szükség (Unitary State Property Management Is Required)', *Népszabadság* p. 11.

Bossányi, Katalin (1994b). 'A jó multi, a számító befektető meg a karvalytőke (The Good Multinational, the Reliable Investor, and the Crual Capital)', *Népszabadság*.

Bougon, Michel G. (1992a). 'Congregate Cognitive Maps: A Unified Dynamic Theory of Organization and Strategy', *Journal of Management Studies* **29**(3): 369–389.

Bougon, Michel G. (1992b). 'Congregate Cognitive Maps: A Unified Dynamic Theory of Organizations and Strategy', *Journal of Management Studies* **29**(3): 369–389.

Bougon, Michel G., Karl E. Weick and Din Binkhorst (1977). 'Cognition in Organizations: An Analysis of the Utrecht Jazz Orchestra', *Academy of Management Review* **22**: 606–639.

Bourgeois, L. J. (1980). 'Performance and Consensus', *Strategic Management Journal* **1**: 227–248.

Brown, Alan and Frank Heller (1981). 'Usefulness of Group Feedback Analysis as a Research Method: Its Application to a Qestionnaire Study', *Human Relations* **34**(2): 141–156.

Brown, L. T., A. M. Rugman and A. Verbeke (1989). 'Japanese Joint Ventures with Western Multi-Nationals: Synthesising the Economic and Cultural Explanations of Failure', *Asia Pacific Journal of Management* **6**(2): 225–242.

Buono, Anthony F. and James L. Bowditch (1989). *The Human Side of Mergers and Acquisitions: Managing Collisions between People, Cultures, and Organizations*, Jossey-Bass, San Francisco, CA.

Burawoy, Michael and János Lukács (1985). 'Mythologies of Work: A Comparison of Firm in State Socialism and Advanced Capitalism', *American Sociological Review.*

B. Varga, Judit (1993). 'A G esete a A-val (The Case of G with A)', *Figyelő: Top 200, 1993*, Figyelő, Budapest, p. 50.

Carlson, Gosta and Katarina Karlson (1970). 'Age, Cohort and Generation of Generation', *American Sociological Review* **35**: 710–718.

Centers, R. and D. E. Bugental (1966). 'Intrinsic and Extrinsic Job Motivations among Different Segments of the Working Population', *Journal of Applied Psychology* **50**: 193–197.

Chatman, Jennifer A. and Karen J. Jehn (1994). 'Assessing the Relationship between Industry Characteristics and Organizational Culture: How Different Can You Be?', *Academy of Management Journal* **37**(3): 522–553.

Child, John (1972). 'Organizational Structure, Environment and Performance: The Role of Strategic Choice', *Sociology* **6**: 2–22.

Child, John (1981). 'Culture, Contingency and Capitalism in the Cross-National Study of Organizations', in Barry M. Stow and L. L. Cummings (eds), *Research in Organizational Behavior*, Vol. 3, Jai, Greenwich, CT.

Child, John (1982). 'Professionals in the Corporate World: Values, Interests and Control', in D. Dunkerley and G. Salaman (eds), *The International Yearbook of Organization Studies*, Routledge & Kegan, London.

Child, John and Arthur Kieser (1979). 'Organization and Managerial Roles in British and West German Companies: An Examination of the Culture-free Thesis', in C. Lammers and David Hickson (eds), *Organizations Alike and Unlike*, Routledge, London.

CHILD, JOHN and CHRISTOPHER SMITH (1987). 'The Context and Process of Organizational Transformation: Cadbury Limited in Its Sector', *Journal of Management Studies*.

CHILD, JOHN and LÍVIA MARKÓCZY (1993). 'Host-country Managerial Behaviour and Learning in Chinese and Hungarian Joint Ventures', *Journal of Management Studies* **30**(4): 611–631.

CHILD, JOHN, LÍVIA MARKÓCZY and TONY CHEUNG (1994). 'Managerial Adaptation in Chinese and Hungarian Strategic Alliances with Culturally Distinct Partners', in Sally Stewart (ed.), *Joint Ventures in the People's Republic of China*, Vol. 4 of *Advances in Chinese industrial studies*, Jai, Greenwich, CT. (forthcoming).

CHILD, JOHN, MICHAEL FORES, IAN GLOVER and PETER LAWRENCE (1983). 'A Price to Pay? Professionalism and Work Organization in Britain and West Germany', *Sociology* **17**(1): 63–78.

CHO, THERESA S., DONALDS C. HAMBRICK and MING-JER CHEN (1994). 'Effect of Top Management Team Characteristics on Competitive Behaviors of Firms', in Dorothy P. Moore (ed.), *Best Papers Proceedings, 94*, Academy of Management, Dallas, pp. 12–16.

CITY REPORTS (1992). 'Outlook Dims on G's Hungarian Investment', *City Reports*.

CLARK, D. G. (1968). 'The Industrial Manager', in Denis Pym (ed.), *Industrial Society. Social Sciences in Management*, Penguin, Harmondsworth, pp. 243–254.

G COMPANY (1991). 'Annual Report 1991', *Technical report*, G Company, Clevland Ohio.

CONTRACTOR, FAROK J. and PETER LORANGE (1988). 'Why Should Firms Cooperate?', in Farok J. Contractor and Peter Lorange (eds), *Cooperative Strategies in International Business*, Lexington Books, New York, pp. 3–28.

Crossan, Mary M. and Andrew C. Inkpen (1992). 'Believing Is Seeing: An Exploration of the Organization Learning Concept and Evidence from the Case of Joint Venture Learning', *Working Paper NC 92-009-K*, National Centre for Management Research and Development, The University of Western Ontario.

Csath, Magdolna (1991). 'Strategic Alliances: Joint Ventures in Central and Eastern Europe — Problems and Opportunities: The Case of Hungary', *International Review of Strategic Management* **2**(2): 73–107.

Csete, Ilona (1993). 'Torzításmentes siküveg Orosházáról (Glass Without Distortion from Orosháza)', *Népszabadság.*

Daniels, Kevin, Lívia Markóczy and Leslie de Chernotony (1994). 'Techniques to Compare Cognitive Maps', in James R. Meindl, Joseph F. Porac and Chuck Stubbart (eds), *Advances in Managerial Cognition and Organizational Information Processing*, Vol. 5, Jai Press, Greenwich, Conn, pp. 141–164.

Datta, Deepak K. and Abdul M. A. Rasheed (1993). 'Planning International Joint Ventures: The Role of Human Resource Management', in Refik Culpan (ed.), *Multinational Strategic Alliances*, International Business Press, New York, pp. 251–271.

Dearborn, DeWitt C. and Herbert A. Simon (1958). 'Selective Perception: A Note on the Department Identification of Executives', *Sociometry* **21**: 140–144.

Dess, Gregory G. (1987). 'Consensus Formulation and Organizational Performance: Competitors in a Fragmented Industry', *Strategic Management Journal* **8**: 259–277.

DeWoot, P., H. Heyvaert and F. Martou (1977–78). 'Strategic Management: An Empirical Study of 168 Belgian Firms', *International Studies of Management and Organization* **7**: 60–75.

Diffenbach, J. (1983). 'Influence Diagrams for Complex Strategic Issues', *Strategic Management Journal* **3**: 133–146.

Dutton, Jane E. and Edward Ottensmeyer (1987). 'Strategic Issue Management Systems: Forms, Functions, and Contexts', *Academy of Management Review* **12**(2): 355–365.

Dutton, Jane E., Eric J. Walton and Eric Abrahamson (1989). 'Important Dimensions of Strategic Issues: Separating the Wheat from the Chaff', *Journal of Management Studies* **26**(4): 379–396.

Dutton, Jane E., Janet M. Dukerich and Celia V. Harquail (1994). 'Organizational Images and Member Identification', *Adminstrative Science Quaterly* **39**(2): 239–263.

Dutton, Jane E. and Susan E. Jackson (1987). 'Categorizing Strategic Issues: Links to Organizational Action', *Academy of Management Review* **12**(1): 76–90.

Earley, P. Christopher (1993). 'East Meets West Meets Mideast: Further Explorations of Collectivistic and Individualistic Work Groups', *Academy of Management Journal* **36**(2): 319–348.

Earley, P. Christopher (1994). 'Self or Group? Cultural Effects of Training on Self-Efficacy and Performance', *Adminstrative Science Quaterly* **39**(1): 89–117.

Eden, Colin (1988). 'Cognitive Mapping', *European Journal of Operational Research* **36**: 1–13.

Eden, Colin (1992). 'On the Nature of Cognitive Maps', *Journal of Management Studies*.

Eden, Colin (1993). 'From the Playpen to the Bombsite: The Changing Nature of Management Science', *Omega International Journal of Management Science* **21**(2): 139–154.

Ellis, Tony and John Child (1973). 'Placing Stereotypes of the Manager into Perspective', *Journal of Management Studies* **10**(3): 233–255.

Ely, Robin J. (1994). 'The Effects of Organizational Demographics and Social Identity on Relationships among Professional Women', *Administrative Science Quarterly* **39**(2): 203–238.

England, George W. (1967). 'Personal Value Systems of American Managers', *Academy of Management Journal* **10**(1): 53–68.

England, George W. (1975). *The Manager and His Values*, Ballinger, Cambridge, MA.

England, George W. and Raymond Lee (1971). 'Organizational Goals and Expected Behavior among American, Japanese and Korean Managers: A Comparative Study', *Academy of Management Journal* **14**: 425–438.

Everitt, Brian (1990). *Cluster Analysis (2nd Edition)*, Halsted Press, Wiley, New York.

Fazekas, Ferenc (1992). 'Gyártörténeti összefoglaló (Summary of Plant History)', *Internal document*, D.

Fiske, Susan T. and Shelley E. Taylor (1991). *Social Cognition*, McGraw-Hill Series in Social Psychology, second edn, McGraw-Hill, New York.

Ford, Jeffrey D. (1985). 'The Effects of Causal Attributions on Decision Makers' Responses to Performance Downturns', *Academy of Management Review* **10**(4): 770–786.

FORD, JEFFREY D. and W. HARVEY HEGARTY (1984). 'Decision Makers' Beliefs about the Causes and Effects of Structure: An Exploratory Study', *Academy of Management Journal* **27**: 271–291.

GÁBOR, R. ISTVÁN and PÉTER GALASI (1981). *A "második" gazdaság (The Second Economy)*, Közgazdasági és Jogi Könyvkiadó, Budapest.

GALBRAITH, J. K. (1967). *The New Industrial State*, Hamish Hamilton, London.

G. BARTA, ÁGNES (1993). 'A teamek: A cél szentesíti…? (A Teams: Do the Goals Justify…?)', *Figyelő* p. 29.

GERINGER, J. MICHAEL (1991). 'Strategic Determinants of Partner Selection Criteria in International Joint Ventures', *Journal of International Business Studies* **22**(1): 41–62.

GINSBERG, ARI (1990). 'Connecting Diversification to Performance: A Sociocognitive Approach', *Academy of Management Review* **15**(3): 514–545.

GLASER, G. BARNEY and ANSELM L. STRAUSS (1967). *The Discovery of Grounded Theory: Strategies for Qualitative Research*, Weidenfield and Nicolson, London.

GOODMAN, P. (1968). 'The Measurement of Individual's Cognitive Map', *Administrative Science Quarterly* **13**: 246–265.

GORDON, GEORGE G. (1991). 'Industry Determinants of Organizational Culture', *Academy of Management Review* **16**(2): 396–415.

GRADDICK, M. and J. FARR (1983). 'Professionals in Scientific Disciplines: Sex-related Differences in Working Life Commitments', *Journal of Applied Psychology* **68**: 641–645.

GRAY, BARBARA and AIMIN YAN (1992). 'A Negotioations Model of Joint Venture Formation, Structure and Performance: Implications for

Global Management', *Advances in International Comparative Management*, Vol. 7, Jai Press, Greenwich, CT, pp. 41–75.

Grinyer, Peter H. and David Norburn (1977-78). 'Planning for Existing Markets: An Empirical Study', *International Studies of Management and Organization* **7**: 99–122.

Grinyer, Peter H. and J. C. Spender (1979). *Turnaround: The Fall and Rise of the Newton Chambers Group*, Associated Business Press, London.

Gyenis, Ágnes and Tamás Szalai (1992). 'A G Nyomása alatt a magyar kormány? (Is the Hungarian Government under Pressure from G?)', *Napi*.

Haire, Mason, Edwin E. Ghiselli and Lyman W. Porter (1966). *Managerial Thinking: An International Study*, Wiley, New York.

Hall, Roger I. (1984). 'The Natural Logic of Management Policy Making: Its Implications for the Survival of an Organization', *Management Science* **30**(8): 905–927.

Hambrick, Donald C. (1994). 'Upper Echelons Research: Demographics as Means, Not Ends', Academy of Management, Dallas.

Hambrick, Donald C. and Gerald L. Brandon (1988). 'Executive Values', in Donald C. Hambrick (ed.), *The Executive Effect: Concepts and Methods for Studying Top Managers*, Vol. 2 of *Strategic management policy and planning series*, Jai Press, Greenwich, Conn, pp. 3–34.

Hambrick, Donald C. and Phyllis A. Mason (1984). 'Upper Echelons: The Organization as a Reflection of Its Top Managers', *Academy of Management Review* **9**: 193–206.

Hannan, Michael T. and John Freeman (1977). 'The Population Ecology of Organizations', *American Journal of Sociology* **82**: 929–964.

HANNAN, MICHAEL T. and JOHN FREEMAN (1989). *Organizational Ecology*, Harvard University Press, Cambridge, MA.

HARASZTI, MIKLÓS (1977). *A Worker in a Worker's State*, Penguin, Harmondsworth.

HARBISON, F. and C. A. MYERS (1959). *Management in the Industrial World*, McGraw-Hill, New York.

HARRIGAN, KATHRYN RUDIE (1985). *Strategies for Joint Venture Success*, Lexington, Lexington, Mass.

HARRIGAN, KATHRYN RUDIE (1988). 'Strategic Alliances and Partner Assymetries', in Farok J. Contractor and Peter Lorange (eds), *Co-operative Strategies in International Business*, Lexington Books, New York, pp. 205–226.

HASPESLAGH, PHILIPPE C. and DAVID B. JEMISON (1991). *Managing Acquisitions: Creating Value through Corporate Renewal*, Free Press, New York.

HATTEN, KENNETH J. and MARY LOUISE HATTEN (1987). 'Strategic Groups, Asymmetrical Mobility Barriers and Contestability', *Strategic Management Journal* **8**: 329–342.

HAYS, WILLIAM L. (1988). *Statistics*, fourth edn, Holt, Rinehart & Winston, New York.

HEDLUND, GUNNAR and ADNE KVERNELAND (1993). 'Are Entry Strategies for Foreign Markets Changing? The Case of Swedish Investment in Japan', in Peter J. Buckley and Pervez Ghauri (eds), *The Internationalization of the Firm*, Academic Press, London, pp. 106–123.

HEIMER, GYÖRGY (1992). 'Égő (Burning)', *Heti Világgazdaság*.

HELGESEN, SALLY (1990). *The Female Advantage: Women's Ways of Leadership*, Doubleday, New York.

Heller, Frank A. (1969). 'Group Feedback Analysis: A Method of Field Research', *Psychological Bulletin* **72**(2): 108–117.

Henning, Margaret and Anne Jardim (1977). *The Managerial Woman*, Pocket books, New York.

Hirschman, A. O. (1964). 'The Paternity of an Index', *American Economic Review* **54**: 761–762.

Hitt, Michael A. and Beverly B. Tyler (1991). 'Strategic Decision Models: Integrating Different Perspectives', *Strategic Management Journal* **12**: 327–351.

Hofstede, Geert (1980). *Culture's Consequences: International Differences in Work Related Values*, Sage, Beverly Hills, CA.

Hofstede, Geert (1991). *Culture and Organizations: Software of the Mind*, McGraw-Hill, New York.

Hofstede, Geert (1994a). *Cultures and Organizations*, HarperCollins, London.

Hofstede, Geert (1994b). 'Management Scientists Are Human', *Management Science* **40**(1): 4–13.

Hofstede, Geert, Bram Neuyen, Denise D. Ohayv and Geert Sanders (1990). 'Measuring Organizational Cultures: A Qualitative and Quantitative Study across Twenty Cases', *Adminstrative Science Quaterly* **35**: 286–316.

Hofstede, Geert, Micheal Harris Bond and Chung-leung Luk (1993). 'Individual Preceptions of Organizational Cultures: A Methodological Treatise on Levels of Analysis', *Organization Studies* **14**(4): 483–504.

Houghton, Susan M. and Donalds O. Neubaum (1994). 'Do Executives Really Have Selective Perceptions?', in Dorothy P. Moore (ed.), *Best Papers Proceedings, 94*, Academy of Management, Dallas, pp. 372–376.

Hrebiniak, Lawrence G. and Charles C. Snow (1982). 'Top-Management Agreement and Organizational Performance', *Human Relations* **35**(12): 1139–1158.

Huff, Anne S. and Charles R. Schwenk (1990). 'Bias and Sensemaking in Good Times and Bad', in A. S. Huff (ed.), *Mapping Strategic Thought*, Wiley, New York, pp. 89–108.

Huff, Anne S. (ed.) (1990). *Mapping Strategic Thought*, John Wiley & Sons, New York.

Huff, Anne Sigismund (1982). 'Industry Influences on Strategy Reformulation', *Strategic Management Journal* **3**: 119–131.

Hulin, C. L. and P. C. Smith (1964). 'Sex Differences in Job Satisfaction', *Journal of Applied Psychology* **48**: 88–92.

Inzelt, Annamária (1993). 'Vajúdás idején (Birth Pains)', *Figyelő: Top 200*, Figyelő, Budapest, p. 5.

Ireland, Duane R., Michael A. Hitt, Richard A. Bettis and Deborah Auld de Porras (1987). 'Strategy Formulation Processes: Differences in Perceptions of Strengths and Weaknesses Indicators and Environmental Uncertainty by Managerial Level', *Strategic Management Journal* **8**: 469–485.

Jackofsky, Ellen F. and John W. Slocum (1988). 'CEO Roles across Cultures', in Donald C. Hambrick (ed.), *The Executive Effect: Concepts and Methods for Studying Top Managers*, Vol. 2 of *Strategic management policy and planning series*, Jai Press, Greenwich, Conn, pp. 67–99.

Jackson, Susan E. (1992). 'Consequences of Group Composition for the Interpersonal Dynamics of Strategic Issue Processing', in Paul Shrivastava, Anne Huff and Jane Dutton (eds), *Advances in Strategic Management*, Vol. 8, Jai Press, Greenwich, CT, pp. 345–382.

James, L. R. (1982). 'Aggregation Bias in Estimates of Perceptual Agreement', *Journal of Applied Psychology* **69**: 85–98.

Janis, I. (1972). *Victims of Groupthink*, Houghton-Mifflin, Boston.

Johanson, Jan and Finn Wieldersheim-Paul (1975). 'The Internalization of the Firm: Four Swedish Cases', *Journal of Management Studies* **12**(3): 305–322.

Johanson, Jan and Jan-Erik Vahlne (1977). 'The Internationalization Process of the Firm: A Model of Knowledge Development and Increasing Foreign Market Commitment', *Journal of International Business Studies*.

Johanson, Jan and Jan-Erik Vahlne (1993). 'The Internalization Process of the Firm: A Model of Knowledge Development and Increasing Foreign Market Commitment', in J. Peter Buckley and Pervez Ghauri (eds), *The Internalization of the Firm*, Academic Press, London, pp. 32–44.

Johnson, Gerry and Howard Thomas (1987). 'The Industry Group Context of Strategy, Structure and Performance: The UK Brewing Industry', *Strategic Management Journal* **8**: 343–361.

Kalleberg, Arne L. (1992). 'Employment Relations and Work Attitudes in Hungary and the United States', in György Lengyel, Offe Claus and Tholen Jochen (eds), *Economic Institutions, Actors and Attitudes: East-Central Europe in Transition*, Vol. 8 of *Sociological Working Papers*, Budapest University of Economic Sciences. Department of sociology, Budapest, pp. 193–210.

KERR, C. (1983). *The Future of Industrial Societies: Convergence or Continued Diversity?*, Harvard University Press, Cambridge, Mass.

KERR, C., J. T. DUNLOP, F. HARBISON and C. A. MYERS (1960). *Industrialism and Industrial Man*, Penguin, Harmondsworth.

KILLING, J. PETER (1983). *Strategies for Joint Venture Success*, Croom Helm, London.

KILLING, J. PETER (1988). 'Understanding Alliances: The Role of Task and Organizational Complexity', in Farok J. Contractor and Peter Lorange (eds), *Cooperative Strategies in International Business*, Lexington, Lexington, MA, pp. 55–67.

KLEIN, KATHERINE J., FRED DANSEREAU and ROSALIE J. HALL (1994). 'Levels Issues in Theory Development, Data Collection and Analysis', *Academy of Management Review* **19**(2): 195–229.

KLUCKHOHN, C. (1946). *Culture and Behavior*, Free Press, New York.

KORNAI, ANDRÁS (1993). 'The Generative Power of Feature Geometry', *Annals of Mathematics and Artifical Intellingence* **8**: 37–46.

KORNAI, JÁNOS (1957). *A gazdasági vezetés túlzott központosítása (The Overcentralization of Economic Management)*, Közgazdasági és Jogi Könyvkiadó, Budapest.

KORNAI, JÁNOS (1980). *The Economics of Shortage*, North-Holland, Amsterdam.

KORNAI, JÁNOS and ÁGNES MATITS (1990). 'The Bureaucratic Redistribution of the Firm's Profit', *Vision and Reality, Market and State: Contradictions and Dilemmas Revisited*, Corvina, and Harvester-Wheatsheaf and Routledge, Budapest and New York, pp. 54–98.

KOTHA, SURESH, ROGER L. M. DUNBAR and ALLAN BIRD (1993). 'Strategic Action Generation: A Comparison of Emphasis Places on Generic Competitive Methods by US and Japanese Managers', *manuscript*, NYU, New York. revised version 4.0 (November).

LACHMAN, RAN, ALBERT NEDD and BOB HININGS (1994). 'Analyzing Cross-National Management and Organizations: A Theoretical Framework', *Management Science* **40**(1): 40–55.

LANGFIELD-SMITH, KIM M. and ANDREW WIRTH (1992). 'Measuring Differences between Cognitive Maps', *Journal of the Operational Research Society* **43**(12): 1135–1150.

LAUKKANEN, MAURI (1989). 'Understanding the Formation of Managers' Cognitive Maps: A Comparative Case Study of Context Traces in Two Business Firm Clusters'.

LAUKKANEN, MAURI (1990). 'Describing Management Cognition: The Cause Mapping Approach', *Scandinavian Journal of Management* **6**(3): 197–216.

LAUKKANEN, MAURI (1992). *Comparative Cause Mapping of Management Cognitions: A Computer Database Method for Natural Data*, Helsinki School of Economics and Business Administration Publications, Helsinki.

LAUKKANEN, MAURI (1994). 'Maps of Success and Demise: Comparing Enterpreneur-Managers' Knowledge-bases', Academy of Management Meetings, Dallas.

LAWLESS, MICHAEL W. and LINDA K. FINCH (1989). 'Choice and Determinism: A Test of Hrebiniak and Joyce's Framework on Strategy–Environment Fit', *Strategic Management Journal* **10**: 351–365.

LAWRENCE, PAUL and CHARALAMBOS VLACHOUTSICOS (1993). 'Joint Ventures in Russia: Put the Locals in Charge', *Harvard Business Review* (January-February): 44–54.

LAWRENCE, PAUL R. and JAY W. LORSCH (1967). *Organization and Environment: Managing Differentiation and Integration*, Harvard University Press, Cambridge, MA.

LEFKOWITZ, JOEL (1994). 'Sex-related Differences in Job Attitudes and Dispositional Variables: Now You See Them…', *Academy of Management Journal* **37**(2): 323–349.

LEWIS, PAM and HOWARD THOMAS (1990). 'The Linkage between Strategy, Strategic Groups, and Performance in the U.K. Retail Grocery Industry', *Strategic Management Journal* **11**: 385–397.

LORD, ROBERT G. and KAREN J. MAHER (1993). *Leadership and Information Processing: Linking Perceptions and Performance*, Routledge, London.

LYLES, MARJORIE A. and RHONDA K. REGER (1993). 'Managing for Autonomy in Joint Ventures: A Longitudinal Study of Upward Influence', *Journal of Management Studies* **30**(3): 383–404.

MAGYAR HÍRLAP (1992). 'Társaságot alapítottak a multik (The Multinationals Set Up an Association)', *Magyar Hírlap*.

MARCH, JAMES G. (1988). 'Bounded Rationality, Ambiguity, and the Engineering of Choice', in David E. Bell, Howard Raiffa and Amos Tversky (eds), *Decision Making: Descriptive, Normative, and Prescriptive Interactions*, Cambridge University Press, Cambridge, England, pp. 33–57.

MARKÓCZY, LÍVIA (1986). *Bérpreferencia-rendszerünk története 1968-tól napjainkig (The History of Governmental Wage Preferences from 1968 to the Present)*, 'Doctori' thesis, Budapest University of Economics.

MARKÓCZY, LÍVIA (1992a). 'Measuring Managerial Beliefs about Business in International Mixed Management Organizations (IMMOs) Located in Hungary', *first year report*, Judge Institute of Management Studies University of Cambridge, Cambridge.

Markóczy, Lívia (1992b). 'Review of Gábor Révész "Perestroika in Eastern Europe: Hungary's Economic Transformation 1945–1988"', *Human Systems Management* **10**(2): 110–111.

Markóczy, Lívia (1993a). 'Commentary on "A Sino-Hungarian-U.S. Perspective on Joint Venture Success"', in Paul Shrivastava, Anne S. Huff and Jane Dutton (eds), *Advances in Stategic Management*, Vol. 9, Jai Press, Greenwich, Conn, pp. 317–322.

Markóczy, Lívia (1993b). 'Managerial and Organizational Learning in Hungarian–Western Mixed Management Organizations', *International Journal of Human Resource Management* **4**(2): 277–304.

Markóczy, Lívia (1994). 'Barriers to Shared Belief: The Role of Managerial Characteristics, Environmental Factors, and Strategic Interest', Meeting of the Academy of Management, Dallas.

Markóczy, Lívia (1995). 'States and Belief States', *International Journal of Human Resource Management*.

Markóczy, Lívia and Jeff Goldberg (1993). 'A Method for Eliciting and Comparing Causal Maps', *Working Paper 93/5*, Business Economics Department, Budapest University of Economics, Budapest.

Markóczy, Lívia and Jeff Goldberg (1995). 'A Method for Eliciting and Comparing Causal Maps', *Journal of Management* **21**(2): 305–333.

Markóczy, Lívia and John Child (1994). 'International Mixed Management Organizations and Economic Liberalization in Hungary: From State Bureaucracy to New Paternalism', in Howerd Thomas (ed.), *Strategic Management Series*, John Wiley & Sons, New York.

Martin, Godfrey (1994). 'Valóban olyan magasak a magyarországi munkaerő költségek? (Is It Really the Case that the Hungarian Labour Force Costs Are High?)', *Report 9*, International Labour Organization.

Maurice, Marc, Arndt Sorge and Malcolm Warner (1980). 'Societal Differences in Organizing Manufacturing Units: A Comparison of France, West Germany and Great Britain', *Organization Studies* **1**(1): 59–86.

McGee, John and Howard Thomas (1986). 'Strategic Groups: Theory, Research and Taxonomy', *Strategic Management Journal* **4**: 141–160.

McKeithen, Kathrine B., Judith S. Reitman, Henry H. Rueter and Stephen C. Hirtle (1981). 'Knowledge Organization and Skill Differences in Computer Programmers', *Cognitive Psychology* **13**: 307–325.

Meixner, Zoltán (1991). 'Jókedv és fényes jövő? A technikák (A Happy and Bright Future? A Technology)', *Figyelő*.

Michel, John G. and Donald C. Hambrick (1992). 'Diversification Posture and Top Management Team Characteristics', *Academy of Management Journal* **35**(1): 9–37.

Miles, Matthew B. and A. Michael Huberman (1984). *Qualitative Data Analysis*, Sage, London.

Miller, George A. (1987). 'Meta-analysis and the Culture-free Hypothesis', *Organization Studies* **8**(4): 309–325.

Mintzberg, Henry (1983). *Power in and around Organizations*, Prentice-Hall, Englewood Cliffs, NJ.

Mody, Ashoka (1993). 'Learning Through Alliances', *Journal of Economic Behavior and Organization* **20**: 151–170.

NARAYANAN, V. K. and LIAM FAHEY (1990). 'Evolution of Revealed Causal Maps during Decline: A Case Study of Admiral', in Sigismund Anne Huff (ed.), *Mapping Strategic Choice*, John Wiley, New York, pp. 109–133.

NÉPSZABADSÁG (1993a). 'A a hátsó udvarban (A in the Back Courtyard)', *Népszabadság*.

NÉPSZABADSÁG (1993b). 'A G tulajdona lett a A (A Now Belongs to G)', *Népszabadság*.

NÉPSZABADSÁG (1993c). 'Már régen túlléptük as országhatárokat (We've Crossed the Borders Long Ago)', *Népszabadság*.

NÉPSZAVA (1991). 'Amerika legnagyobb befektetése hazánkban (America's Largest Investment in Hungary)', *Népszava*.

NEWMAN, WILLIAM H. (1992). 'Focused Joint Ventures in Transforming Economies', *Academy of Management Executive* **4**(1): 67–75.

OLIVER, NICK and ANNATTE DAVIES (1990). 'Adopting Japanese-style Manufacturing Methods: A Tale of Two (UK) Factories', *Journal of Management Studies*.

OTTAWAY, R. N. and D. BHATNAGAR (1988). 'Personality and Biographical Differences between Male and Female Managers in the United States and India', *Applied Psychology: An international review* **37**: 201–212.

PARKHE, ARVIND (1991). 'Interfirm Diversity, Organizational Learning, and Longevity in Global Strategic Alliances', *Journal of International Business Studies* (Fourth Quarter): 579–601.

PARKHE, ARVIND (1993). 'Messy research: Methodological predispositions and theory development in international joint ventures', *Academy of Management Review* **18**(2): 227–268.

Park, Hoon, Pamela S. Lewis and Patricia M. Fandt (1993). 'Ethnocentrism and Group Cohesiveness: Implications for International Joint Ventures', in Refik Culpan (ed.), *Multinational Strategic Alliances*, International Business Press, New York, pp. 273–291.

Pearce, Jone L. (1991). 'From Socialism to Capitalism: The Effects of Hungarian Human Resource Practices', *Academy of Management Executive* **5**(4): 75–88.

Pearce, Jone L., Imre Branyiczki and Gyula Bakacsi (1994). 'Person-Based Reward Systems: A Theory of Organizational Reward Practices in Reform-Communist Organizations', *Journal of Organizational Behavior* **15**: 261–282.

Pető, Iván and Sándor Szakács (1985). *A hazai gazdaság négy évtizedének története: 1945–1985 (The Domestic Economic History of Four Decades: 1945–1985)*, Közgazdasági és Jogi Könyvkiadó, Budapest.

Pfeffer, Jeffrey and P. Nowak (1976). 'Joint Ventures and Interorganizational Interdependence', *Admistrative Science Quarterly* **21**: 398–418.

Porac, Joseph F., Howard Thomas and Charles Baden-Fuller (1989). 'Competitive Groups as Cognitive Communities: The Case of Scottish Knitwear Manufacturers', *Journal of Management Studies* **26**(4): 397–416.

Porter, Michael E. (1980). *Competitive Strategy*, Free Press, New York.

Pugh, Derek S. (1981). 'The Aston Program of Research: Retrospect and Prospect', in A. H. Van de Ven and W.F. Joyce (eds), *Perspectives on Organization Design and Behavior*, Wiley, New York, pp. 135–166.

Pugh, D[erek] S., D[avid] J. Hickson, C. R. Hinings and C.

Turner (1969). 'The Context of Organization Structures', *Administrative Science Quarterly* **14**(1): 91–114.

Quinn, Naomi and Dorothy Holland (1987). 'Culture and Cognition', in Dorothy Holland (ed.), *Cultural Models in Language and Thought*, Cambridge University Press, Cambridge, pp. 3–40.

Reger, Rhonda K. and Anne Sigismund Huff (1993). 'Strategic Groups: A Cognitive Perspective', *Strategic Management Journal* **14**: 103–124.

Réti, Pál (1992). 'Egybesült Izzó: Vezérváltás a A-nál (Incandescent Fusing: Leadership Change at A)', *Heti Világgazdaság* pp. 84–85.

Révész, Gábor (1990). *Perestroika in Eastern Europe: Hungary's Economic Transformation 1945–1988*, Westview Press, Boulder, CO.

Roberts, Fred S. (1976). 'The Questionnaire Method', in Robert Axelrod (ed.), *Structure of Decision. The Cognitive Maps of Political Elites*, Princeton University Press, Princeton, NJ.

Rokeach, M. (1973). *The Nature of Human Values*, Free Press, New York.

Ronen, S. and O. Shenkar (1985). 'Clustering Countries on Attitudinal Dimensions: A Review and Synthesis', *Academy of Management Review* **28**: 435–454.

Ross, Robert T. (1934). 'Optimum Orders for the Presentation of Pairs in the Method of Paired Comparison', *Journal of Educational Psychology* **25**: 375–382.

Sales, A. and P. H. Mirvis (1985). 'When Cultures Collide: Issues in Acquisitions', in J. R. Kimberly and R. E. Quinn (eds), *New Futures: The Challenge of Managing Corporate Transitions*, Dow Jones-Irwin, Homewood, IL, pp. 107–133.

SANDY, ROBERT (1989). *Statistics for Business and Economics*, McGraw-Hill, New York.

SÁRKÖZI, TAMÁS (1993). *A privatizáció joga Magyarországon (Privatization Rights in Hungary)*, Akadémiai Kiadó, Budapest.

SCHAAN, JEAN-LOUIS (1988). 'How to Control a Joint Venture Even as a Minority Partner', *Journal of General Management* **14**(1): 4–16.

SCHNEIDER, SUSAN C. (1989). 'Stategy Formulation: The Impact of National Culture', *Organization Studies* **10**(2): 149–168.

SCHNEIDER, SUSAN C. and ARNOLD DE MEYER (1991). 'Interpreting and Responding to Strategic Issues: The Impact of National Culture', *Strategic Management Journal* **12**: 307–320.

SCHWEITZER, IVÁN (1982). 'A vállalatnagyságról (On the Size of Companies)'.

SCHWENK, CHARLES R. (1984). 'Cognitive Simplification Processes in Strategic Decision-Making', *Strategic Management Journal* **5**: 11–128.

SEEGER, JOHN A. (1993). 'Causal Maps and Causal Theory Models: Two Views of Systems Theory', Meeting of the Academy of Management, Atlanta.

SHENKAR, ODED and YORAM ZEIRA (1987). 'Human Resource Management in International Joint Ventures: Directions for Research', *Academy of Management Review* **12**(3): 546–557.

SIEGEL, SIDNEY (1956). *Nonparametric Statistics: For the Behavioral Sciences*, Series in Psychology, McGraw-Hill, New York.

SILVERMAN, DAVID (1970). *The Theory of Organizations*, Heinemann, London.

SIMONS, TONY (1993). 'Speech Patterns and the Concept of Utility in Cognitive Maps: The Case of Integrative Bargaining', *Academy of Management Journal* **36**(1): 139–156.

SLOVIC, P. and S. LICHTENSTEIN (1971). 'Comparison of Bayesian and Regression Approaches to the Study of Information Processing in Judgement', *Organizational Behavior and Human Performance* **6**: 649–744.

SMITH, PETER B. (1993). 'Some Technical Aspects of the Trompenaars Data Bank', in Fons Trompanaars (ed.), *Riding the Waves of Culture*, Economist Books, London, chapter Appendix 1.

SNYDER, MARK (1984). 'When Belief Creates Reality', *Advances in experimental social psychology* **18**: 248–305.

SPENDER, J. C. (1989). *Industry Recipes: An Enquiry into the Nature and Sources of Management Judgement*, Basil Blackwell, Oxford.

STEVENSON, HOWARD H. (1976). 'Defining Corporate Strenghts and Weaknesses', *Sloan Management Review* **17**(3): 51–68.

STEWART, DAVID W. and DONALD R. LATHAM (1980). 'A Preference Mapping of Organizational Objectives of Sports Franchise Executives', *Journal of Applied Psychology* **65**(5): 610–615.

STOPFORD, JOHN M. (1993). 'Organizing the Multinational Firm: Can the Americans Learn from Europeans?', in Peter J. Buckley and Pervez Ghauri (eds), *The Internationalization of the Firm*, Academic Press, London, pp. 186–199.

SVANTEK, JÁNOS (1992). 'Kettős kötésben: Beszélgetés Vigh Károllyal, a A környezetvédelmi igazgatójával (In a Double Bind: Interview with Károly Vigh, Environment Protection Director of A)', *Munkavédelem*.

SZALAI, ERZSÉBET (1989). *Gazdasági mechanizmus reformtörekvések és nagyvállalati érdekek (Economic Mechanism Reform Efforts and Interests of Large-Scale Companies)*, Közgazdasági és Jogi Könyvkiadó, Budapest.

SZALAI, TAMÁS (1992). 'Látástól vakolásig: Konjunktúra jelek az építőiparban (From Dawn to Plastering: Signs for Prosperity in the Building Industry)', *Heti Világgazdaság*.

SZENTGYÖRGYI, ZSUZSA (1992). 'A feltámasztott Bródy-labor: Kiválló-sági központok a A-nél (The Resurrected Bródy Laboratory: Centers of Excellence in A)', *Népszabadság*.

TDFSZ (1992). 'A A Dolgozók Független Szakszervezete állásfogalása az 1992. évi negyedik negyedévi létszámleépitésekről (The Position of the A Employees Independent Trade Union about the Lay Offs Planned for the Fourth Quarter of 1992)'. (Paid advertisement).

TEECE, D. J. (1982). 'Towards an Economic Theory of the Multiproduct Firm', *Journal of Economic Behavior and Organization*.

THOMAS, JAMES B., SHAWN M. CLARK and DENNIS A. GIOIA (1993). 'Strategic Sensemaking and Organizational Performance: Linkages among Scanning, Interpretation, Action, and Outcomes', *Academy of Management Journal* **36**(2): 239–270.

THOMPSON, J. D. (1967). *Organizations in Action*, McGraw-Hill, New York.

THORELLI, H. B. (1986). 'Networks: Between Markets and Hierarchies', *Strategic Management Journal*.

TOMLINSON, JAMES W. C. (1970). *The Joint Venture Process in International Business: India and Pakistan*, MIT Press, Cambridge, Mass.

TRIANDIS, HARRY C. (1975). 'Culture Training, Cognitive Complexity and Interpersonal Attitudes', in Richard W. Brislin, Stephen Bochner and Walter J. Lonner (eds), *Cross-Cultural Perspectives on Learning*, Wiley, New York, pp. 39–77.

TRIANDIS, HARRY C. (1989). 'The Self and Social Behavior in Differing Cultural Contexts', *Psychological Review* **96**: 506–520.

TROMPANAARS, FONS (1993). *Riding the Waves of Culture*, Economist Books, London.

TVERSKY, AMOS and DANIEL KAHNEMAN (1988). 'Rational Choice and the Framing of Decisions', in David E. Bell, Howard Raiffa and Amos Tversky (eds), *Decision Making: Descriptive, Normative, and Prescriptive Interactions*, Cambridge University Press, Cambridge, England, pp. 167–192.

VAN DEN HONERT, ROBIN C. and THEODOR J. STEWART (1992). 'A Game-Theoretic Model for Mergers and Acquisitions', *European Journal of Operational Research* **59**: 275–287.

VARGA, GYÖRGY (1992). 'Ez nem egyértelműen egy üzletbarát kormány (This Is Not Entirely a Business Friendly Government)', *Figyelő*.

VILÁGGAZDASÁG (1993). 'E-Bázis Dunaharasztiban (E Base in Dunaharaszti)', *Világgazdaság* p. 1.

VOSZKA, ÉVA (1988). *Reform és átszervezés a nyolcvanas években (Reform and Reorganization in the 1980s)*, Közgazdasági és Jogi Könyvkiadó, Budapest.

VOSZKA, ÉVA (1992). 'Spontaneous Privatization in Hungary: Predictions and Real Issues', in György Lengyel, Offe Claus and Tholen Jochen (eds), *Economic Institutions, Actors and Attitudes: East-Central Europe in Transition*, Vol. 8 of *Sociological Working Papers*, Budapest

University of Economic Sciences. Department of sociology, Budapest, pp. 69–78.

The Wall Street Journal (1992). 'G Slows Investment in Hungarian Firm', *The Wall Street Journal*.

Walsh, James P. (1988). 'Selectivity and Selective Perception: An Investigation of Managers' Belief Structures and Information Processing', *Academy of Management Journal* **31**(4): 873–896.

Walsh, James P. and Liam Fahey (1986). 'The Role of Negotiated Belief Structures in Strategy Making', *Journal of Management* **12**: 325–338.

Weick, Karl E. (1979). *The Social Psychology of Organizing*, second edn, Addison Wesley, Reading, MA.

Welfens, Paul J. J. (1992). 'Foreign Investment in the East European Transition', *Management International Review* **32**(3): 199–218.

Whitley, Richard (ed.) (1993). *European Business Systems*, Sage, London.

Whitley, W. and George W. England (1980). 'Variability in Common Dimensions of Managerial Values Due to Value Orientation and Country Differences', *Personal Psychology* **33**: 77–89.

Wiersema, Margarethe F. and Allan Bird (1993). 'Organizational Demography in Japanese Firms: Group Heterogeneity, Individual Dissimilarity, and Top Management Team Turnover', *Academy of Management Journal* **36**(5): 996–1025.

Wiersema, Margarethe F. and Karen A. Bantel (1992). 'Top Management Team Demography and Corporate Strategic Change', *Academy of Management Journal* **35**(1): 91–121.