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CULTURAL DIFFERENCES AND DOING BUSINESS IN ASIA AND EUROPE – AN EXAMPLE OF TAIWAN AND POLAND

RÓŻNICE KULTUROWE W PROWADZENIU BIZNESU W AZJI I EUROPIE NA PRZYKŁADZIE TAJWANU I POLSKI

Key words: business culture, international cooperation, globalization, international trade, Taiwan, Poland

Słowa kluczowe: kultura biznesu, współpraca międzynarodowa, globalizacja, handel międzynarodowy, Tajwan, Polska

Abstract. This paper aims at investigating the relation between the cultures of selected countries and economic development. The study focuses on causes of fast economic growth in East Asia and how cultural factors influence this process. There has been conducted detailed study of economic performance of Poland and Taiwan, which had a similar historical background after II World War. The analysis focus on advantage of long-orientated Taiwan which, basing on “Doing Business” ranking, in general has better economic performance than Poland. Taiwan got promoted to 16th place in ranking in 2013 while Poland had only 55th place. Currently, GDP per capita in Taiwan is almost twice higher than in Poland and amounts to 38 500 USD while in Poland only 21 000 USD. It clearly define Taiwan as one of the Asian Tigers which, thanks to its diligence and integrity has achieved success.

Introduction

Even though fast globalization processes flatten cultural differences all over the world, cultural determinants still have a strong impact on international cooperation, value of trade and, in consequence, economic growth. The export of goods and services in the European Union has grown from 19.45% of Gross Domestic Product (GDP) in 1960 to 42.50% in 2011 [*Foreign direct...* 2013]. In East Asia and The Pacific export has increased from 13.23% of GDP in 1960 to 33.00% in 2012. The question is, to what extent does culture influence export and the general propensity to conduct international business?

Geographical conditions, history, and many other factors have strongly varied Asian and European business styles. A different attitude to basic values like time, life or society complicates communication and decreases the propensity to interact and cooperate with other nations. This has a direct impact on the exchange value and export of goods and services as well as foreign direct investment. This difference in attitude is visibly noticeable when looking at foreign direct investment [FDI] in East Asia and the Pacific, which increased from USD 1421 million in 1970 to USD 507 823 million in 2011, while in the European Union it increased from 4029 million in 1970 to 407 758 million in 2011 [*Exports of goods...* 2013]. Due to fast globalization processes and extreme technological development in the 20th century, international trade has significantly changed its form and has shifted from goods to services. International corporations have standardized many processes, methods and shared services. Furthermore, the vast development of outsourcing centres has accelerated cross-border standardization in business [Pietruszewski 2010]. Still, business styles remain highly influenced by the traditions and cultural heritage of nations.

The aim of this research is to expose cultural differences in the light of basic economic factors and the score of selected countries.

Material and methods

The influence of cultural differences has been tested using several economic indicators and the Doing Business ranking. Selected countries from the European Union and East Asia have been compared to describe business styles and the general propensity to interact with other nations and create a good environment for economic growth [Lorencowicz 2012]. To narrow down the subject of primary analysis, countries with more than 15 million inhabitants have been chosen. As a result of the criterion used, seven countries from the European Union and eight from East Asia have been selected. A detailed comparison has been done on the example of two countries: Taiwan (Republic of China) and Poland.

World Bank public databases [*Exports of goods... 2013*, *Foreign direct... 2013*] and information from the Central Intelligence Agency of the United States [*The World factbook... 2013*] have been used in this study due to the reliability and accuracy of data. A comparison has been created on the basis of Geert Hofstede's publication [Hofstede, Bond 1988] [Hofstede, Hofstede 2005] and his research into cultural dimensions described below.

According to Geert Hofstede, there are five main dimensions of culture: power distance, individualism, masculinity, uncertainty avoidance and long-term orientation. They are defined as follows:

- PDI – Power Distance Index, which is perceived to be the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally; therefore, if this index is high, the representatives of power are more respected;
- IDV – Individualism is defined as the degree of interdependence a society maintains among its members; the opposite of this dimension is collectivism;
- MAS – Masculinity or Femininity of society defines social gender roles. The more masculine the society is, the clearer the gender roles are and the more focus is placed on ambition and acquisition of wealth; feminine societies share more sexual equality and place emphasis on nurturing behavior;
- UAI – Uncertainty Avoidance Index is defined as the extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid such situations;
- LTO – Long-Term Orientation determines the extent to which a society shows a pragmatic future-oriented perspective rather than a conventional historical short-term point of view.

Characteristics of business culture in Asia and Europe

East Asia is characterized by a high power distance index. As a result, these nations are much more respectful towards authorities than European countries. This has a direct impact on employees who usually have lower standards of labour rights and are less inclined to strike and fight for their rights. In the selected countries of East Asia, the average PDI is 76.0 while in European countries this indicator amounts to 50.1.

Furthermore, generally East Asian countries are also very unwilling to take risks. Confucianism, Taoism and Buddhism, in this region, have created a culture that worships peace and tranquility [Meyer 2012]. This influence can be seen in the behaviour of Muslims from East Asia, which is much more balanced and peaceful than the behaviour of inhabitants of the Middle East. The average UAI in selected Asian countries amounted to 52. This result stems from the fact that the cultures of these countries worship the idea of harmony. Therefore, due to the countries' traditional values, harmony should create a link between society and the individual. However, due to vast globalization processes and fast economic growth, which is positively correlated with growth of international exchange, the uncertainty avoidance level could evolve and decrease. Although European nations are widely considered to be more open to change, in selected European countries, this indicator amounted to 70.4. Numerous studies which take cultural differences and their influence on global business into consideration have been conducted [*The Hofstede...2013*,

Table 1. Population and score according to Geert Hofstede's five cultural indexes in selected East Asian and European countries

Tabela 1. Ludność i indeksy kultury według Geerta Hofstede w wybranych krajach Azji Wschodniej i Europy

Country/Kraj	Population/Ludność	PDI*	IDV	MAS	UAI	LTO
East Asia/Wschodnia Azja						
China/Chiny	1 343 239 923	80	20	66	40	118
Indonesia/Indonezja	248 645 008	78	14	46	48	X
South Korea/Korea Południowa	48 860 500	60	18	39	85	75
Malaysia/Malezja	29 179 952	104	26	50	36	X
Philippines/Filipiny	103 775 002	94	32	64	44	19
Thailand/Tajlandia	67 091 089	64	20	34	64	56
Taiwan/Tajwan	23 234 936	58	17	45	69	87
Vietnam/Wietnam	91 519 289	70	20	40	30	80
Average/Średnia	–	76.0	20.9	48.0	52.0	72.5
Europe/Europa						
France/Francja	65 630 692	68	71	43	86	39
Germany/Niemcy	81 305 856	35	67	66	65	31
Italy/Włochy	61 261 254	50	76	70	75	34
Netherlands/Holandia	16 730 632	38	80	14	53	44
Poland/Polska	38 415 284	68	60	64	93	32
Spain/Hiszpania	47 042 984	57	51	42	86	20
United Kingdom/Zjednoczone Królestwo	63 047 162	35	89	66	35	25
Average/Średnia	–	50.1	70.6	52.1	70.4	32.1

* Explanations/Objaśnienia: see chapter Material and methods/w rozdziale Materiał i metodyka

Source: own study based on [Clearly Cultural... 2013]

Źródło: opracowanie własne na podstawie Clearly Cultural...2013

Kogut, Singh 1988, Gesteland 2000]. Such comparisons generally show that the standardization of organizational processes, which migrated from continental business cultures, has been one of the most difficult areas of implementing change. A good example is the implementation of the Toyota Production System in countries outside Asia, where for example, the Swedish low index for power distance could explain some of the implementation difficulties related to direct orders and work control [Abrahamson, Isakson 2012].

In Taiwan collectivism occurs in the form of group interests instead of individual need. The family is an extremely important form of social relations. The basis of this attitude to society is religious beliefs, such as Confucianism. The basis of this religion is *ren*, *yi* and *li*. *Ren* is a capacity for kindness and compassion to others. *Yi* is a sense of moral righteousness, which should assist in every choice made in the life of an individual. *Li* is ethics and norms which should be respected [Meyer 2012].

In other Asian religions such values are similar or slightly modified. This background highly influences the economy where indi-

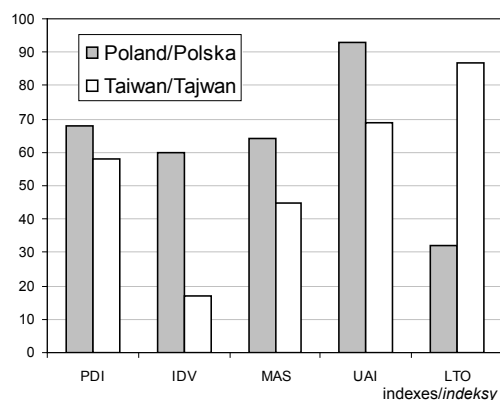


Figure 1. Comparison of cultural indexes in Poland and Taiwan

Rysunek 1. Porównanie indeksów kultury w Polsce i na Tajwanie

Source: own study

Źródło: opracowanie własne

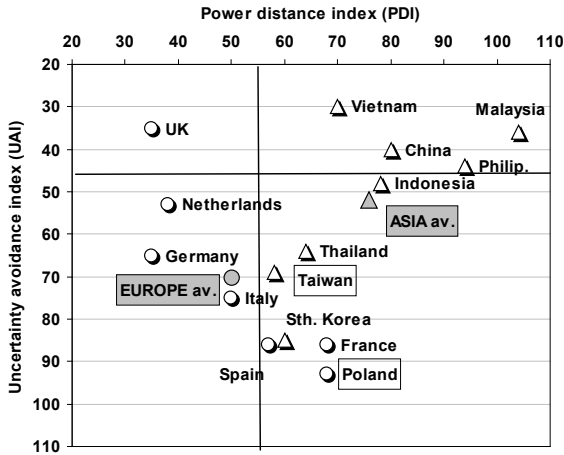


Figure 2. The position of selected countries on the dimensions of power distance (PDI) and uncertainty avoidance (UAI)
 Rysunek 2. Pozycje wybranych krajów w dwóch wymiarach kultury PDI oraz UAI

Source: own study

Źródło: opracowanie własne

universities are located on the outskirts of cities, in vast campuses close to economic zones. Since Taiwan mostly exports electronics and machinery, spatial planning has been adjusted to it. Universities strongly cooperate with commercial trade and numerous science parks are usually located very close to each other. Furthermore, for years universities were focused on developing science faculties, which constitute the majority of university departments now. The pressure to develop technical universities and improve the level of education in this field has resulted in the fact that the biggest Taiwanese universities are amongst the top technical universities in the World e.g. Tsinghua University or Chang Gung University [Academic Ranking... 2013]. This infrastructure has been planned for years and brings overall benefits for the country's economy.

Poland has a very low indicator of long-term orientation (at a level of only 32), which reflects the country's attitude to building business relations. It is a typically western attitude where the main rule that governs is: time is money. The process of building relations is quick, but these relations are generally unstable. On the other hand, Poland has a very high indicator of uncertainty avoidance (UAI), which results in a high intolerance for change and unorthodox behavior (Fig. 2). Such behaviour is caused by strong catholic traditions and consequently, a conservative attitude to change. In addition, in comparison to Western European countries, Poland's difficult language, historical background and poor economic situation have caused there to be few immigrants who, due to official statistics, represent only 3.3% of society. Both the lack of immigrants and multicultural society increase the UAI. Both countries, Poland and Taiwan, are located in figure 1 in the fourth quarter with a high PDI and high UAI. There is a relationship between these two dimensions – Poland and Taiwan are countries in which the concentration of authority and the structure of activities on the basis of the model "pyramid of people" [Hofstede, Hofstede 2005] are advocated. In these countries, conflicts should be solved and monitored by the manager positioned higher in hierarchy.

It is easily noticeable that Taiwan has a much more developed economy than Poland, even though Poland has already been in the European Union for 9 years. Historically, both countries were occupied till the end of WWII. Taiwan was occupied for more than 50 years under intensive Japanization, whereas Poland was occupied for more than 100 years under intensive Germanisation and Russification. What is more, although Taiwan is officially under the authority of China, the

viduals in such societies prefer to be employees rather than employers. A low individualism index is also a result of religious and cultural backgrounds, whereby compassion for society is more important than the individual good.

Traditionally, the purpose of business relations in Taiwan was maximizing profits, but never at the cost of a change in attitude towards business partners; economic activity was only a part of life and would never take priority. Today, negotiations with Taiwanese usually last longer and are more demanding for business partners. This is reflected in the dimensions of Geert Hofstede, where the indicator of long-term orientation amounts to 87, which is a very high score (Fig. 1). Long-term orientation can be noticed in the infrastructure created for business in Taiwan. All investments are planned very carefully and analyzed in terms of long-term profits. Most univer-

Table 2. General characteristics of Taiwan and Poland in 2012

Tabela 2. Charakterystyka ogólna Tajwanu i Polski w 2012 r.

Specification/Wyszczególnienie	Taiwan/Tajwan	Poland/Polska
GDP per capita/PKB na mieszkańca [USD]	38 500	21 000
GDP – real growth rate/PKB – rzeczywista stopa wzrostu [%]:		
– 2012	1.3	2.4
– 2011	4.0	4.3
– 2010	10.7	3.9
GDP – composition by sector/PKB – według sektorów [%]:		
– agriculture/rolnictwo	1.8	3.5
– industry/przemysł	29.6	34.2
– services/usługi (2012)	68.6	62.3
Labor force – by occupation/Siła robocza według sektorów [%]:		
– agriculture/rolnictwo	5.2	17.4
– industry/przemysł	35.9	29.2
– services/usługi (2010)	58.8 (2010)	53.4 (2005)
Unemployment rate/Stopa bezrobocia [%](2012)	4.3	12.6
Export value [bln USD]/Wartość eksportu [mld USD]	288.2 (2012)	192.3
Import value [bln USD]/Wartość importu [mld USD]	261.6 (2012)	206.5

Source/Źródło: *The World factbook...*2013

political situation is still very delicate and unstable. The country is still fighting to be perceived as an independent country, which frequently causes political tensions on both sides.

Taking Poland and Taiwan's common experience into consideration, as of WWII, both countries were starting from a similar economic position. In 1965, GDP per capita in Poland was USD 840, while in Taiwan it amounted to USD 220. However, the average annual growth in Poland between 1965 and 1985 was 1.5% of GDP, whereas in Taiwan it was 7.2% [*The World...*2013]. Currently, GDP per capita of Taiwan amounts to USD 38 500 and has surpassed Poland, where GDP per capita in 2012 amounted to USD 21 000 USD (Tab. 2). Although GDP growth in Taiwan has significantly slowed down, there was a noticeably clear economic jump after the Second World War. It is a great challenge for Poland's economy to attain the same level as the Taiwanese economy. Furthermore, as is shown in table 3, Taiwan is ranked very high in the World Bank Ranking of Doing Business. According to this ranking, setting up a business and doing business in Taiwan is far easier than in Poland (Tab. 3). This has a positive influence on economic growth. The taxation system is better organized and there is less red tape, thus enabling the process of conducting business. A difference of more than 100 positions in these two sub-rankings is a big gap and difficult for Poland to minimize.

Table 3. The position of Taiwan and Poland in the World ranking of „Doing Business”

Tabela 3. Pozycja Tajwanu i Polski w światowym rankingu „Doing Business”

Country/ Kraj	Ease of Doing Business Rank/ Latwość prowadzenia biznesu	Starting a Business/ Zakładanie biznesu	Dealing with Construction Permits/ Otrzymywanie zezwoleń budowlanych	Getting Electricity/ Dostęp do elektryczności	Registering Property/ Rejestracja nieruchomości	Getting Credit/ Otrzymywanie kredytu	Protecting Investors/ Ochrona inwestorów	Paying Taxes/ System podatkowy	Trading Across Borders/ Handel zagraniczny	Enforcing Contracts/ Wsparcie dla kontraktów	Resolving Insolvency/ Prawo upadłościowe
Taiwan/Tajwan	16	16	9	6	32	70	32	54	23	90	15
Poland/Polska	55	124	161	137	62	4	49	114	50	56	37

Source/Źródło: *Doing business...*2013

The detailed study of the development phenomenon of East Asian countries was already undertaken in research carried out by Geert Hofstede and Michael Bond [1988]. It was the first time a Chinese Value Survey trying to explain the influence of cultural background on economic growth and business style was conducted.

It has to be mentioned that Taiwan has a different economic system than China. Even the cultural dimension scores are very different between the two countries (Fig. 2). Taiwan is an exemplification of an almost perfect free market economy – in 2004, 97.2% of trading companies were small family-owned firms [Mead, Andrews 2011]. Even from a demographic point of view, the country is similar to Western nations and is facing the big problem of an aging population.

Summary

The subject presented in this study is very important in the globalization era. Huge differences between East Asia and European countries are still causing many business tensions. Still, it seems that East Asian countries like Taiwan have taken advantage of their possibilities and widely developed after WWII. The extent to which culture influences economic growth still remains unknown. However, undoubtedly, certain cultural indicators have a positive influence on the economic growth of the selected countries.

Furthermore, the economic factors clearly classify Taiwan as an example of Asian Tiger. This country, although poor economic situation after the second World War II, currently is in top 20 in “Doing Business” ranking. Taiwan has almost twice higher GDP per capita than Poland amounting to 38 500 USD. Value of export in 2012 amounted to 288,2 bln USD in Taiwan which is 149,8% of Polish export. Unemployment rate in Taiwan is 2,93 times lower than in Poland where GDP composition by sectors is similar in both countries.

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Streszczenie

Celem badań było przedstawienie różnic kulturowych w prowadzeniu biznesu w wybranych krajach Europy i Azji. Określono również szczegółowo różnice dla Polski i Tajwanu. Stwierdzono, że kraje te miały zbliżone uwarunkowania historyczne po II wojnie światowej, jednak ich rozwój gospodarczy przebiegał w różny sposób. Pozycje obu tych krajów są zróżnicowane w światowym rankingu. W analizie porównawczej wykorzystano podstawowe wskaźniki ekonomiczne oraz ranking Banku Światowego „Doing Business”. Tajwan w 2013 r. zajął 16. miejsce w tym rankingu, podczas gdy Polska była dopiero na 55. miejscu. PKB per capita był prawie dwa razy wyższe na Tajwanie niż w Polsce i wynosił 38 500 USD, podczas gdy w Polsce osiągnął 21 000 USD. Doświadczenia historyczne oraz wyznaczniki kultury, takie jak pracowitość czy orientacja długookresowa na poziomie 87 jednostek pozwoliły Tajwanowi na osiągnięcie miana „Azjatyckiego Tygrysa”.

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