Development of the Polish Textile-Clothing Industry and Cross-Culture Management

Abstract
In the present period of increased global mobility, falling trade barriers and growth in international business, global expansion is a very important factor for most enterprises. The process of going international shows stage by stage how an organisation becomes a transnational corporation. Companies embark on such transformation to improve their market position and to boost their growth. To achieve goals, internalisation has to take account of cultural determinants, as knowledge of cultural factors makes it easier to run a business on an international scale. Entrepreneurs are increasingly aware that the pursuit of formal and rational goals also involves ethical, legal and strategic aspects. This article deals with selected dimensions of national cultures that significantly affect negotiations with foreign partners, production management and the sale of products manufactured by transnational corporations. The article is based on surveys carried out in the textile and clothing industry.

Key words: transnational corporations, corporation culture, management.

Introduction
Transnational corporations have been emerging for a long time now. Although the term transnational corporation was used for the first time by the US economist E. Karcher in 1964, it became popular as late as the 1970s and 1980s, when the UN formed its Commission on Transnational Corporations. In the early years of the 21st century, international corporations were estimated to number over 64,000 organisations that controlled at least 870,000 local subsidiaries [11]. Existing literature on strategies pursued by multinational corporations and small-sized companies that decide to go international gradually is very extensive. Without this knowledge, we would not be able to grasp “the complexity of processes affecting the conditions under which modern organisations make their decisions, not the behaviour of their managers and other members of the organisation; whether a firm is local or international, it influences its external environment, thus becoming an important component of the global system” [7]. It has been proven beyond any doubt that cultural determinants strongly shape the functioning of transnational corporations. According to R. Linton [8], one of the most significant moments in the development of modern science has been the recognition of culture. Some say that the last thing that a creature living in the depths of the sea will discover will be water. Likewise, entrepreneurs do not notice the weight of factors determining cross-cultural management until they start internationalising their companies.

Sources of globalisation and multiculturism are illustrated graphically in Figure 1.

The present study of internationalising medium and large-sized domestic companies in the textile and clothing industry aimed to extend our knowledge of the marketing tools they use, their organisational culture and the techniques of international negotiations.

The internationalisation of domestic textile and clothing companies
The pace of internationalisation arises from the company’s size, its line of business, the relations it has with the business environment, and government policy towards the business sector. In high-tech firms whose exports reach 25% of their total sales within three years of their establishment, the process is usually fast (the Born Global model), while local firms need more time to become international (the Uppsala model) [9]. The textile and clothing firms surveyed were found to represent the second model, which means that their internationalisation was divided into stages: They started with export activities of various intensity, then established their own chains of outlets, signed licenses or similar agreements, and finally set up manufacturing facilities in foreign countries [3]. Figure 2 provides a graphic illustration of the process.

It is worth noting that the model above is a simplification of a complex process. Other ways of organisations expanding into external markets are illustrated by the internationalisation stages in Table 1.

At the domestic company stage, the cross-cultural aspects are not very important, especially in Poland where the labour force is, in fact, ethnically homogeneous. At this stage, almost all the company’s resources come from the domestic market, and its products are also sold locally.

The international corporation stage characterises an organization that is

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The internationalisation process was divided into stages: They started with export activities of various intensity, then established their own chains of outlets, signed licenses or similar agreements, and finally set up manufacturing facilities in foreign countries [3]. Figure 2 provides a graphic illustration of the process.
based in one country but sells its products abroad. As an exporter, the organisation needs to know the cultural background of its customers to sustain demand for its products. Because much of its resources are also procured abroad, cultural elements gain importance. Knowledge of foreign languages and business protocol is a prerequisite for communicating with foreign suppliers and buyers because business meetings form a regular part of the business.

The multinational corporation stage takes place when an organisation decides to move its manufacturing activity abroad. Employing a foreign labour force, the organisation has to deal with the host country’s government agencies in charge of labour relations. When its managers come from the firm’s home country, cultural elements become even more important; it takes a great deal of knowledge to cooperate with the local staff, local suppliers and local consumers.

The transnational corporation stage is reached when an organisation establishes many centers forming a global business network. Decisions about the organization’s development are made by managers that come from different countries, representing a variety of cultural backgrounds. Because strategic decisions require consensus, cultural factors are also significant at this stage of internationalisation.

Polish textile and clothing companies tend to choose step-by-step internationalisation. The events that have paved the way for their stronger involvement in internationalisation are as follows:

- on 1 March 1992, the Interim Agreement, gradually liberating trade in goods between Poland and the European Union, was put into effect. The standstill principle was adopted, banning the introduction of new customs duties on exports and imports, as well as quotas. The agreement expired in 1997;
- the GATT 1994 intended to remove restrictions imposed by the Multi-Fiber Arrangement within a period of 10 years. The bilateral restrictions under the Arrangement were gradually removed inside the organisation;
- after the Polish Parliament ratified the agreement on 1 July 1995, Poland became a full WTO member;
- since 1 January 1998, after an interim period, Polish enterprises have been allowed to trade freely in the Single European Market (customs barriers to textile and clothing products etc. were lifted);
- in December 2001, China, one of the largest exporters of textile and clothing products in the world, became a WTO member. With the expiry of the interim period, in which the Agreement on textiles and clothing is effective, China will enjoy the same rights as all other WTO members;
- on 1 May 2004, Poland (with nine other countries) became a full EU member and adopted the common customs tariff and instruments protecting the internal market.
- 1 January 2005 ended the ten-year interim period in which the Agreement on textiles and clothing signed during the Uruguay Round (Marrakech, 15 April 1994) was effective. As a result, the selective clauses protecting trade in this group of products were nullified.

The events above, enabling the free movement of goods inside the EU, triggered internationalisation processes among Polish textile and clothing manufacturers. Looking back after several years, we can see that the organisations have:

- intensified their restructuring and modernisation processes,
- lowered their prices and extended the ranges of products on offer,
- and gradually improved their international competitiveness.

On becoming a EU member state, Poland assumed the obligation to apply the common external tariff to trade in textile and clothing goods with third countries, whose customs duties were lower than the Polish rates applied before the country integrated with the European Union. The average customs duties on textiles
and clothing stand at 7.9%, compared with 13.1% imposed under the national Polish customs tariff [6]. Following lower customs duties and because of the international agreements that Poland actively joined as a EU member, many textile and clothing companies that were unable to compete went bankrupt, while others launched sophisticated restructuring processes. At the same time, new firms able to cope with the new economic environment were established.

In the firms covered by the survey, internationalisation started with the export of products. It should be noted that all the organizations surveyed exported (2%) or export (98%) their own products and/or B2B services. The services mainly involve the making of apparel with client-provided materials. The weight of this segment of textile and clothing firms' international business can be illustrated by the fact that in 1994 services accounted for 26% of UK's output, with the rate steadily rising [1] (the statistics for Poland are not available). The competitiveness of domestic producers in this area is based on high-quality workmanship and competitive labour costs. This observation was confirmed in K. Wadell's report, the Boston Consulting Group, according to which with wages being twelve times as low as those paid in Germany, the quality and productivity of labour were comparable. As a result, the actual costs of making one man's suit were 30% lower in Poland than in France or Germany [12]. Polish apparel-assembling services still have a competitive advantage over those provided by Asian producers, but only in the segment of high-end products that are produced in limited numbers and frequently replaced; this requirement is not met by clothing manufactured in Asian countries.

The survey also identified some more advanced activities that domestic clothing firms pursue in international markets. They corresponded to the stages shown in Figure 1:

- Establishment of a firm's own chain of outlets;
- Procurement of intermediate materials;
- Product manufacturing;
- Cross-cultural activity and firm internationalisation

Establishment of a firm's own chain of outlets:

This process is costly. The costs were not a problem for the largest domestic apparel maker, the Gdańsk firm LPP, whose 2009 sales exceeded 2 billion zlotys (an increase of 25% compared with 2008). LPP, a public company since 2001, has created six mainstream brands of clothing: Reserved, Cropp, Mouse, Mohito, Esotiq and Promostars. LPP sells its products in Poland and 11 countries in the region, from Estonia to Bulgaria, as well as in Germany, Russia and the Ukraine. The Reserved brand alone has 263 stores, whose commercial space, totalling 180,000 square meters, has been provided at a cost of around 400 million zlotys. Other clothing companies have been equally expansive for many years now; for instance, the Łódź company KAN (the Tatum brand) sells its products in the Benelux countries, the UK and Ireland, and runs its own stores in Hungary, Prague and Moscow. In Russia and the Czech Republic, KAN is expanding its network of stores.

Procurement of intermediate materials:

European manufacturers of intermediate materials for the clothing industry supply fabrics and accessories for high-end products. Such products are made in limited numbers according to the latest fashion and are mainly designed in Italy and France. Apparel manufacturers producing for other market segments have Asian suppliers, who copy the most popular models or modify the original products to avoid accusations of infringing copyright. Asian manufacturers come to all major fabric fairs in Europe and have representative offices in various countries (including Poland), as one way of checking fabric quality before it is purchased is organoleptic testing. Personal business contacts are more effective when business communication is aided by cross-cultural communication.

Product manufacturing:

It has become common in the 21st century to place orders for apparel with Asian manufacturers. The practice stems from rising production costs, which are likely to go on increasing in Poland until the country enters the euro zone. It is also worth noting that Asian manufacturers have better access to fabrics, which are made in their region. Their global competitiveness arises from cheap workers with outstanding skills, favorable property prices and legislation, efficient transport between corporations' headquarters and their subsidiaries, on one hand, and their networks of outlets, on the other. One working hour in China costs around 80 cents on average. Manufacturing costs are so low in China that even if they doubled, they would still be lower than in Poland, as K. Wadell of BCG believes. This encourages large domestic companies to move their production to China, India, Indonesia, Thailand or Vietnam. However, the cultures of these countries are so exotic that knowledge of them can frequently determine whether a business undertaking will be successful or not.

Capital transactions:

In addition to capital transactions involved in the establishment of a firm's own network of outlets abroad, the study found two other examples of capital operations run by domestic firms. One is the Kalisz firm Big Star Ltd. (jeanswear), which purchased shares in and rights to the brand of the Swiss corporation Big Star Holding. The other case is a joint-venture company that was established by a Łódź firm and a Lithuanian partner to enter the Lithuanian market. The Polish firm contributed machinery and expertise, while the foreign partner provided premises for the new company's headquarters, a distribution network and knowledge of the market.

Cross-cultural activity and firm internationalisation

In addition to financial barriers, the internationalisation of domestic textile and clothing firms is mainly obstructed by their limited knowledge of foreign markets, foreign legislation and cultural norms. To avoid pitfalls that are likely to occur at each stage of internationalisation, a firm has to improve its knowledge of so-called 'soft' factors; failing to do so, a firm may retard its growth or experience unnecessary failures. Let us now analyse the types of internationalisation found among textile and clothing companies with respect to cross-cultural factors.

To export textile and clothing articles to international markets, a strategic decision has to be made as to whether the product will be standardised or differentiated. Standardisation means that the same range of products will be offered to the same target segment in all markets supplied. In the world of satellite TV and global media, lifestyles appear to converge. Managers' dress codes are similar regardless of the country of their employment. Front office personnel or TV presenters have to look almost the same in most countries of the world. With pastime activities becoming alike, the clothes people wear on such occa-
sions are becoming standardised as well. Whether in Europe, RSA or USA, sports fans going to see a game dress the same; only the colours of their favorite teams are different. Cyclists, rowers and climbers wear the same clothes in various parts of the world. (Scandinavian and Mediterranean consumers favor different colors, though, because the volume and intensity of sunshine in the two regions are also different). It follows from the above that it is rational to standardise a textile and clothing product when [2]:
- the volume of production reduces unit production costs,
- R+D savings reduce the manufacturer’s costs,
- the marketing costs involved in promotional strategies targeting particular markets can be decreased,
- a global competitive advantage can be gained by concentrating resources around a small number of programs,
- similar products can be sold in different foreign markets; buyers are very mobile today, and wherever they go they tend to seek brands they know and recognise (e.g. sportswear brands such as Nike, Adidas, or high-end clothing by Dior, Armani & Boss),
- high-quality products are involved,
- standardisation facilitates the delivery of after-sales services and spare parts (for products other than clothing).

There are certain exceptions to clothing standardisation that arise from cultures that have developed from centuries-old traditions of many nations. For instance, orthodox Muslims will tend to use their clothing as one way of manifesting their attachment to tradition, wherever they live. On the other hand, the global market for textile and clothing products for such customers is so large that a product differentiation strategy can be also justified. An example of customised sale is LPP’s decision not to sell its Cropp brand on the Russian market. Cropp is a special brand addressed to young people, characterised by tracksuit tops with hoods and baggy, low-crotch trousers. Such products and related hip-hop music are not in demand on the Russian market. Hence, the main objective of a product differentiation strategy should be to adapt the product to local culture when [2]:
- a foreign market shows a diversity of conditions determining product use (in the case of apparel these are mainly climatic conditions),
- the markets have different legal, political and economic characteristics (e.g. when the levels of income of populations are different),
- the product technical standards are considerably different between markets (clothing is basically excluded from this),
- products are offered to culturally diverse customers (preferring different colours, having different consumption habits, values, religions, etc.),
- product use is market specific,
- competitors adapt their products to the given foreign market,
- the firm pursues a management decentralisation strategy.

When an item of clothing is adapted to meet the requirements of a selected segment of a foreign market, the risk of the product being rejected can be reduced, or its competitiveness may even improve, thus increasing the manufacturer’s profits. An item of clothing targeted to many market segments may have “culture bound” traits. Figure 3 illustrates the relationship between a product type and its capacity for standardisation or differentiation. Examples of so-called culture-free products are those made by the armaments industry.

A marketing strategy a firm pursues in foreign markets can also be standardised or differentiated. While the first approach reduces marketing costs, the other offers a better match between particular marketing elements, thus customers can be reached more easily.

For an international textile and clothing corporation, foreign purchases of intermediate materials are as important as the export of its products. In this specific industry, the import of intermediate materials involves more interpersonal communication than the export of products because organoleptic testing is the only way of confirming fabric quality. In the course of the survey, the respondents emphasised that in dealing with Chinese suppliers, the client’s surname and appropriate title have to be used. The surname is always at the top of a business card, followed by two given names. Business protocol describing the appearance of a business card and the proper manner of handing it over is an important element of interpersonal communication, details of which are discussed in literature. However, verbal and non-verbal aspects of communication are crucial. Communication can be divided into three levels: macro, organisational and micro. The middle level is connected with an organisation’s culture. Even the appearance of employees’ and managers’ offices alone may give a lot of information about their organisation. For instance, “…who has a personal office and who shares space with others; whether the office doors are usually closed or open; … how the office space is arranged; how easy it is for external persons to gain access to the organisation’s premises …” [7] reveal the organisational culture and hierarchy of the personnel. The way an organisation’s members say hello and goodbye to each other is also important. The author had an opportunity to watch Hyundai’s personnel in their free time. Particularly low bows unmistakably indicated the superior in the group. While in Poland addressing a superior by his or her name signifies close contact with the person, in the UK the practice is commonplace. People of the same cultural background may view a person raising their private and family issues during a business meeting as straightforward, while others may consider this non-businesslike behaviour. Some of the respondents surveyed mentioned that a dress code was part of their organisations’ culture. In Poland, it is obligatory for employees meeting outside persons to have a very tidy appearance. A British bank that offered its female staff training in dressing attractively for work met with protests, as the initiative was interpreted as discriminatory against women [7]. Other elements of non-verbal communication are gestures, postures, mimics, proximity, etc., which are specifically discussed in literature. In conclusion, non-verbal communication treated as part of interpersonal communication can be an important source of information offering a significant advantage in negotiations to the party that can use information thus acquired.
Verbal communication is similarly diverse, which can be divided into three styles. In the study, the Anglo-Saxon style was represented by German suppliers. Germans start talking as soon as the interlocutor stops and break off immediately when the other person resumes; they believe that cutting in is a very uncivil habit. Italian suppliers represent the Latin style, where interrupting proves the person’s strong involvement in the negotiations. Negotiations with Asian suppliers are very different and characterised by moments of silence that are meant to express respect for the interlocutor and to gain time for thinking decisions over. Because oriental suppliers have become a major source of materials for the textile and clothing industry, knowledge of their negotiation style is a necessity today.

Knowing the context of verbal communication is equally important. The Japanese represent a high-context culture, where the negating person loses face. The Japanese show their respect for the interlocutor by frequently repeating hai (yes), which does not necessarily mean that the Japanese person admits we are right, but rather confirms that we were heard and understood. Knowing these forms of behaviour, we can save ourselves many misunderstandings during commercial negotiations.

There are many areas where verbal communication can be found to affect business relations. Even an awkward product name may disqualify it from the market. The survey showed that the manufacturer of cosmetics ‘Pupa’ had problems finding Polish buyers for its products, even though they were of high quality and elegantly packaged. The grand piano manufacturer “Calisia” had to rename its products exported to Arabian countries to avoid inappropriate associations.

Many mistakes in the advertising business arise from mistranslated slogans or from advertisement authors missing the fact that some peoples write from right to left, while others - from top to bottom. The context of advertisements is also important. For instance, low-context advertisements transmit a direct message to consumers - they are devoid of allegories and subtexts. Such messages can be typically found in the German, US or Belgian markets [10].

Although a careful businessperson should also remember to bring samples of packaging and materials to a business meeting, the crucial aspect of the meeting is verbal communication. The first thing to be determined when a meeting is being set up is the language of negotiations. The situation is optimal when both parties speak the same language well (e.g. English, Spanish, French). The respondents covered by the survey indicated that English was the most popular language of business negotiations. Interpreters were invited when one of the negotiating partners could only speak his or her native language. Such persons were found among both Polish and foreign businesspersons. The respondents stressed that particular languages operate special, industry-related terminology, and accurate interpretation can be a problem, even for professional interpreters.

Similar problems in verbal communication were observed at the product manufacturing stage, where cultural factors also play an important role. To find more solid arguments to confirm the observations made, the survey was extended to some domestic apparel manufacturers providing B2B services to German producers. The technical and technological documentation with pattern descriptions that was attached to the intermediate materials was usually translated by a person from among the provider’s staff. Even with the person’s good knowledge of the German language, doubts occasionally appeared when colloquial phrases (frequently difficult to translate into Polish) or very specialist terms (incomprehensible to a German philologist) were used to describe particular assembly processes. In particularly difficult cases, questions and more detailed explanations of unclear processes were exchanged by mail. In some cases, the client’s employee delegated to Poland to carry out some special assignments (e.g. to assess product quality) would demonstrate how a given product should be made or how the more vulnerable processes should be performed. Such problems were usually unknown to providers with a long history of cooperation with their clients, as they had had enough time to absorb the technical terminology the clients used.

Capital transactions represent an especially complex area of international cooperation. Like the aforementioned interpersonal communication, they also require both parties to have good knowledge of each other’s national cultures, incorporating, according to E.B. Taylor, national legislations as well. In 1871, Taylor, in his work “Primitive Culture,” defined the term “national culture” as a complex set consisting of knowledge, faith, the arts, morale, law, customs and other abilities and habits that people acquire as members of society. Because international capital transactions frequently involve contracts of substantial value, the latter are meticulously prepared by lawyers, translators and representatives of the contracting parties. Contracts are required to be drawn up in the national languages of all interested parties. Unclear provisions are usually rephrased so that all partners can understand them in the same way. In the company internationalisation process, capital transactions appear when a company starts to establish its own network of outlets. The purchase or rent of property marks the beginning of foreign investments, which are preceded by analyses of the local market and of those elements of local culture that may have an effect on business operations. As far as Polish textile and clothing producers are concerned, foreign distribution networks have not only been set up by the aforementioned LPP and KAN but also by Simple Creative Products (founded after 1989, like LPP and KAN), Monnari, which started restructuring after being hit by the 2008 crisis, Redan, the owner of the Troll, Top Secret, Happy Kids, Adesso Fashion and Top Promotion brands, Vistula & Wólczanka and Bytom, three popular Polish brands that have been restructured and are now expanding into international markets. The Łódź-based underwear company Elear exports around 35% of its products. Today, high quality underwear and lingerie products sold in international markets represent an important part of the domestic textile and clothing industry’s business. Polish companies are likely to increase their involvement in foreign capital transactions when WTO members complete their negotiations on the reduction of third countries’ duties on textile products. For instance, the customs duty that India imposes on imported clothing is 99.72%; Thailand, New Zealand, Canada and Mexico levy higher customs duties (12.35%) than the EU. For domestic textile and clothing transnational corporations to be able to demonstrate their cross-cultural management skills, the EU will have to launch some actions to protect the industry from unfair competitors.
Conclusion

The present study of cross-cultural management focused on domestic medium and large-sized firms operating in the textile and clothing industry. The formal determinant of the firms’ expansion into global markets is international agreements, mainly Poland’s WTO membership and the country’s integration with the European Union. However, the “soft” factors are equally important. A company failing to address them is likely to suffer from obstructed international growth or failures. The author’s analysis of the cultural background’s meaning for cross-cultural management was based on her survey of domestic textile and clothing manufacturers. The analysis intended to identify the status of the process in a selected segment of the country’s economy. Theory confronted with practice allowed to formulate the following conclusions:

1. Domestic textile and clothing firms internationalise themselves step by step, in line with the Uppsala model. The companies surveyed were either international or multinational corporations, which means that they exported their products, imported intermediate goods, established their own distribution networks outside Poland and manufactured their products in third countries. Expansion intensified their processes within cross-cultural management.

2. The companies surveyed exported (2%) or export (98%) their products, meaning that they sell their own products abroad or assemble apparel under B2B services for foreign clients. These two areas of business activity involve different cultural requirements.

3. Domestic textile and clothing companies have a competitive advantage in the high-end product segment. Such products are made of high-quality materials according to the latest fashion and involve a high level of workmanship. The actual interpretation of the terms „quality” and „fashion” depends on the customer’s national culture.

4. Exported textile and clothing products can be either differentiated or standardised (i.e. targeted to customers emphasising cultural factors or susceptible to globalisation processes, respectively).

5. The import of intermediate materials emphasised the importance of interpersonal communication with foreign designers in the companies surveyed, as this type of transaction involves organoleptic testing before a product is accepted or when its quality is questioned afterwards. Knowledge of the oriental style of verbal communication turned out to be particularly useful as Asian suppliers are becoming the major source of intermediate materials. Domestic companies that were skillful enough to derive information from non-verbal messages confirmed their importance as a source of knowledge about their business partners that offers a certain advantage in negotiations.

6. The main vehicle of verbal communication during the face-to-face meetings of business partners was the English language. When the partners were Polish and German firms, trying to translate terminology specific for German industry into Polish via the English language sometimes caused difficulties, in which case non-verbal communication was used.

References