



8-2014

## **Exploring Employee-Organization Relationships in Post-Socialist Transition: Local Employees' Experiences in Foreign-Owned Companies in Croatia**

Danijela Radić

*University of Tennessee - Knoxville*, [dradic@vols.utk.edu](mailto:dradic@vols.utk.edu)

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Eric Haley, Major Professor

We have read this dissertation and recommend its acceptance:

Michael J. Palenchar, Ronald E. Taylor, Wanda M. Costen

Accepted for the Council:

Carolyn R. Hodges

Vice Provost and Dean of the Graduate School

(Original signatures are on file with official student records.)

Exploring Employee-Organization Relationships in Post-Socialist Transition:  
Local Employees' Experiences in Foreign-Owned Organizations in Croatia

A Dissertation Presented for the  
Doctor of Philosophy  
Degree  
The University of Tennessee, Knoxville

Danijela Radić  
August 2014

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### **Dedication**

This dissertation is dedicated to my loving parents Ilija and Ilinka, my sister Jelena, and my niece Vanja whose love and support have helped me accomplish my vision.

## ACKNOWLEDGEMENTS

I wish to thank my dissertation committee whose willingness to serve has been essential in completing this dissertation. A special thanks goes to my mentor and chair, Dr. Eric Haley, whose faithful support has made all the difference for me throughout this journey. You have taught me that the greatest calling one can have is to help others become all they can be, and to be always aware that we make impact in the lives of people we encounter. Dr. Ronald Taylor has had great patience and a listening ear. Thank you for encouraging me to see the world through my own eyes, and also teaching me to be willing to see it through the eyes of others. Dr. Michael Palenchar has helped me in my own transition from Croatia to the United States when I struggled to make sense out of two different worlds. Dr. Wanda Costen has shown me that a serving heart is a mark of true greatness. You have inspired me to embrace challenges and always be bold in asking the right questions. I am grateful for your friendship. I could not wish for a better dissertation committee!

A special thanks goes to my friend and editor, Donna Poole, who has constantly reminded me of a true definition and meaning of success. Thank you for everything!

I am grateful to my parents and my sister who have always had faith in me that I could achieve my goals and dreams. Your patience and encouragement have been invaluable. Thank you for your unwavering love and commitment.

I owe gratitude to my friends in Croatia and the United States who have been my cheerleaders and who have helped me have a home away from home. Thank you for your prayers, support and hours of long distance phone calls.

## ABSTRACT

Organization-public relationships have been recognized as the essence of public relations. Even though employees have been identified as a strategic public contributing to organizational success, no attention has been given to employee-organization relationship development in post-socialist transitioning countries in Central and Eastern Europe.

This study explores how local employees in foreign-owned hotels in Croatia make sense of relationships with organizations for which they work. Interviews with Croatian employees reveal a number of barriers to successful employee-organization relationship development in foreign-owned companies. Findings indicate that local employees struggle with unfulfilled expectations in the workplace and face obstacles that prevent improvement. Employees perceive profit as a main corporate value while there is little or no attention given to employees' well-being and satisfaction. Findings further illustrate cultural and social distance between local employees and foreign managers. The issue of multiculturalism in transitioning countries becomes increasingly relevant as companies hire Western, Eastern European, and other non-Western managers.

Public relations and internal communication could assist in relationship development in cross-cultural settings. However, this study's findings indicate greater managerial issues that have to be dealt with at the top management level, which has to be willing to consider employees' perspectives. That provides an opportunity and challenge for public relations in foreign-owned companies. However, in order to be able to contribute to overcoming cross-cultural obstacles, public relations will have to participate in strategic management, and argue that communication has to be supported by appropriate managerial behavior.

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## **CHAPTER 1**

### **INTRODUCTION**

Institutional reforms, privatization, and dynamic changes of relations among governments, institutions, and stakeholders are major factors of post-socialist transition and transformation in Central and Eastern Europe (CEE). During the socialist era market and business relations were controlled by governments, thus relations between management and employees within organizations were politically determined and weakly differentiated. International organizations, which were almost non-existent in communist bloc countries, have been a key influence of transition affecting not only competition among businesses but new practices and standards in employee relations (Aguilera & Dabu, 2005).

New socio-economic and market conditions and the consequent dynamic shift in relations among government, organizations and stakeholders created the opportunity and necessity for managing public relations (Grunig & Grunig, 2005). The impact of Western influence on this post-socialist transition has been experienced in two major ways: through the introduction of international businesses and the introduction of Western public relations models (Ławniczak, 2011).

Organization-public relationships have been recognized as an important paradigm in the field of public relations (Broom, Casey, & Ritchey, 1997; Grunig & Huang, 2000; Ledingham, 2003; Ledingham & Bruning, 1998). Within that paradigm, employee-organization relationships are valuable resources that directly affect businesses' reputation, strategy implementation, and overall performance (Douglas & Zivnuska, 2008; Hannegan, 2004; Ni, 2006, 2009). An excellent public relations framework also identifies employees as organizations' strategic public whose

contribution is crucial to the success of any business (Grunig & Grunig, 2000; Grunig, Grunig, & Ehling, 1992, Hon & Grunig, 1999).

However, international businesses entering post-socialist markets have more often than not paid insufficient attention to local environments and have not followed Western public relations normative standards based on relationship development, dialogue, and two-way symmetrical communication with local employees:

Ignorance comes from staff lacking international experience and education, command of local languages, and sensitivity to the local culture. Arrogance comes from an ill-grounded conviction that when entering a market of a former communist country foreigners simply “know better”, as the market economy (capitalism) has proven its superiority over the defeated communism. The multinationals acting in the post-socialist/communist territory act like conquerors of colonies that do not need to worry about two-way symmetrical communication; they simply give orders, fire people, and expect results. (Ławniczak, 2011, pp. 67-68)

Transitional public relations issues have attracted scholarly attention (Grunig & Grunig, 2005; Ławniczak, 2005, 2008, 2011); however, relationship development between foreign-owned organizations and local employees in CEE has not been explored by public relations and communication scholars. This study explores employee-organization relationships in foreign-owned hotels in Croatia. Local employees’ experiences and attempts to make sense of their relationships with foreign-owned hotels are studied through a qualitative approach and long interviews. The hotel industry has been chosen as a context for the present study because of the significance of the hotel and tourism industry in Croatian overall economy, as indicated in the

*Croatian Tourism Development Strategy until 2020*, developed by the Ministry of Tourism of Republic of Croatia (Ministry of Tourism, 2013).

### **Employment Relations in Croatian Hotel Industry**

Croatia is a post-socialist country that has undergone the process of transition and transformation to democracy and a free market economy. Fundamental social, economic, and cultural changes have been initiated through the radical restructuring of the government and political system, the massive privatization of businesses and mass media, alongside globalization and increased international cooperation, thus creating a very dynamic, uncertain “risk society” (Sztompka, 1999). While other CEE countries have gone through peaceful transition, Croatian war for independence during the early 1990s devastated most of the country’s economy and infrastructure, thus slowing down the process of privatization and institutional reforms (Offe, 2001). Since then, the economy has been steadily recovering; private investments have increased, and market and democratic institutions have been established (Čižmar, 2007). In 2013 Croatia became a member of the European Union, which has implications for more favorable market and legal conditions as international companies such as foreign-owned hotel chains enter the Croatian market.

In order to assess the present situation in the Croatian tourism and hotel industry, it is important to understand the socio-historical context. Tourism started developing at the end of the 18th and at the beginning of the 19th century, mostly in the form of spas and health tourism for the wealthy. Later on during the socialist era it shifted toward mass tourism with large hotel properties being built along the coastline. Yugoslavia had a unique economic policy often referred to as the self-management system (Ballinger, 2003) which was different from the Soviet Union’s central planning system. Even though hotels were formally owned by the government,

managers and employees had a strong sense of their rights within the self-management system, without having to deal with responsibilities of real owners. During the 1960s and later, tourism was flourishing due to the fact that the former Yugoslavia had no restrictions on international visitors. After the war for independence, during the mid-1990s, privatization of large state enterprises which was managed by the Croatian government was often lacking in transparency. Through the Croatian Privatization Fund, banks and local employees as shareholders became the new owners of hotels. Later, most of the employees sold their shares, primarily because of their own financial difficulties. This new situation created opportunities for emerging, rich “tycoons” to obtain hotel ownership at relatively low prices, but without undertaking further investments. Privatization of Croatian hotels, similar to privatization processes in other former socialist and communist countries, was often associated with corruption and illegal activities (Ballinger, 2003).

The 2000s have been marked by European Union membership negotiations, cooperation with international financial institutions and investors, and overall industrial and financial recovery, with the service sector becoming among Croatian leading industries. Currently there are several foreign-owned hotel chains operating in the country. Croatia has regained its reputation as a very popular tourist destination and is recognized for the most developed tourism industry in Southeast Europe (Čižmar, 2007).

According to World Travel and Tourism Council’s (2014) report, in 2013 travel and tourism in Croatia directly contributed to the GDP by 12.1% with an expected rise of 6% in 2014. Jobs in the travel and tourism industry comprised 13.3% of total employment in 2013 with a forecasted rise to 4.8% in 2014. Investment in travel and tourism represented 10.3% of total investments.

Currently hotels account for 13% of all accommodation facilities in Croatia; however hotels utilize most of their capacities compared to other lodging facilities. Forty-one percent of hotels are 4 and 5 star hotels. At the moment the Croatian tourist offering is based on “sun and sea,” nautical tourism, business travel, and cultural tourism. The employment rate in the travel and tourism industry has the highest increase compared to other industries. Two thirds of all hotel business is generated from June till September. Currently the majority of visitors come from Germany, Slovenia, Italy, and Austria. The new Ministry of Tourism’s (2013) development strategy focuses on improvement of Croatian overall tourist attraction and its products. Employment, human resource development and education, along with investment and a more favorable legal infrastructure are vital components of a new strategic plan.

### **Purpose and Importance of Study**

While there are studies that explore management, service quality, marketing, and performance in the Croatian hotel industry (Čižmar & Weber, 2000; Marković, 2004; Marković & Raspor, 2010), employees’ issues have been studied only in the context of the effects on guest satisfaction in one locally owned property (Vrtiprah & Sladoljev, 2012). On the other hand, employment concerns in foreign-owned hotels have attracted the attention of mass media. Newspaper articles give clear evidence of how significant employee-organization relationships have become in the public debate. In recent years newspapers have reported their receipt of anonymous letters regarding poor and unethical treatment of employees. Such newspaper articles highlight a number of serious areas of employee-organization tension in foreign-owned hotels in Croatia. In one instance employees testified of being afraid of losing their jobs in organizational restructuring and change of ownership; their companies fired people when they purchased several hotels in order to reduce costs, or they brought a cheaper work force from neighboring countries.

Local employees further described cases of humiliation, harassment and discrimination, and disappointment with management's unwillingness to resolve problems; employees are often forced to join unions or file law suits in order to protect themselves (Crnčević, 2011; "Dubrovčani strahuju za radna mjesta", 2012; Masle, 2013; Metković, 2012; "Ponižen i diskriminiran," 2011; "Turci otpuštaju Hrvate," 2009). Often employees' only hope for change is that media will publicly expose their work-related problems.

Due to continual changes in employee relations, it is important to study relationships within foreign-owned organizations in Croatia as an example of a transitioning country for the following reasons: 1) in some cases, privatization lacked transparency, causing resentment of Croatian citizens whose distrust toward foreign employers has been strengthened by perceived corruption and abuse of national wealth; 2) international organizations mostly come from countries with different economic and market conditions; 3) local employees and international management have different social and cultural backgrounds and world views; 4) foreign managers and local employees do not have prior experience in working with one another; 5) there is a generation gap in Croatian work force between people who have working experience in the former Yugoslavia and a younger generation who only has working experience in present conditions.

This study aims to contribute to the knowledge base by filling the gap in the existing literature on employee-organization relationship building in Croatian transitional society. The significance of the proposed study is its international utility and applicability as foreign-owned hotel chains need knowledge and models that will assist them in overcoming obstacles in cross-cultural employee relationship development, communication, and management in today's global economy.



## **CHAPTER 2**

### **LITERATURE REVIEW**

Western public relations scholarship deals with defining and measuring organization-public relationships. There is a need for knowledge about relationship development in post-socialist Central and Eastern transitioning countries. This chapter reviews the relationship management paradigm in public relations, some international perspectives, and employee-organization relationship management as a separate field within organization-public relationships. Dimensions of national cultures are further covered as well as the concept of organizational culture. Finally, this chapter explores institutional building, knowledge transfer and learning, and the role of foreign managers in multinational and foreign-owned companies in post-socialist Central and Eastern Europe.

#### **The Relational Perspective of Public Relations**

##### *The beginnings of organization-public relationships*

The relational perspective has emerged as a distinct framework in the field of public relations. Ferguson (1984) brought attention to relationship development processes by proposing relationships to be the proper focus of public relations study. Relationships were recognized as the unit of analysis, and relationship measurement was differentiated from communication measurement. Centrality of relationships contributed to legitimization of the field of public relations, and scholars argue that relationships between organizations and their publics are at the very heart of public relations:

The emergence of relationship management . . . calls into question the essence of public relations – what it is and what it does or should do, its function and value within the organizational structure and the greater society, and the benefits generated not only for

sponsoring organizations but also for the publics those organizations serve and the communities and societies in which they exist. (Ledingham & Bruning, 2000, p. xiii)

The following trends contributed to the establishment of a relational framework within public relations: 1) recognition of relationships as central to public relations research and practice; 2) the role and position of public relations being re-conceptualized as a management function; 3) relational perspective becoming grounded in interpersonal relationship development; 4) organization-public relationship models allowing for the study of relationship antecedents, processes and outcomes, and leading to relationship maintenance and monitoring strategies; 5) perceptions, attitudes and behavior of publics being explored through their interconnectedness with components and types of relationships; and 6) the development of scales for measuring relationship states and quality (Ledingham, 2003, 2008).

The importance of a more systematic approach to exploring strategic relationships was highlighted in a study of excellent public relations, suggesting that reciprocity, trust, credibility, mutual legitimacy, openness, mutual satisfaction, and mutual understanding are central to assessing the quality of those relationships (Grunig, Grunig, & Ehling, 1992). An interdisciplinary overview of studies on relationships (Broom et al., 1997) resulted in several conclusions: the term relationship has often been used without definition or explanation of its meaning; the attributes of parties participating in relationships and the attributes of relationships are sometimes confused; antecedents and outcomes of relationships are not clearly separated from the relationship itself; there is no delineation between relationship forming processes and achieved states. The conclusions drawn provided the initial theoretical framework for the concept of organization-public relationships (OPR), separating antecedents from the concept and consequences of relationships. Relationships are initiated or formed when 1) “parties have

perceptions and expectations of each other, 2) one or both parties need resources from the other, when one or both parties perceive mutual threats from an uncertain environment, and 3) when there is either a legal or voluntary necessity to associate” (Broom et al., 1997, p. 95). Goal achievement, dependency and/or loss of autonomy, and routine and institutionalized behavior have been identified as relationship consequences or outcomes (Broom et al., 1997). In the revised version of their original article the following statement defining organization-public relationships was proposed:

Organization-public relationships are represented by the patterns of interaction, transaction, exchange, and linkage between an organization and its publics. These relationships have properties that are distinct from the identities, attributes, and perceptions of the individuals and social collectivities in the relationships. Though dynamic in nature, organization-public relationships can be described at a single point in time and tracked over time. (Broom, Casey, & Ritchey, 2000, p. 18)

### *Relationship management*

In terms of the role of communication in the field of public relations as it relates to relationship management, Ledingham (2003) posits that relationships, not communication, are central to public relations, because communication alone cannot develop relationships, especially when it is not supported by organizational behavior. The shift in focus from the output-oriented communication function to the development of mutually beneficial relationships as behavioral outcomes led to the development of a theory of relationship management, which was proposed as follows: “Effectively managing organization-public relationships around common interests and shared goals, over time, results in mutual understanding and benefit for interacting organizations and publics” (Ledingham, 2003, p. 190). This theory was developed as an organizing concept

both descriptive and normative that identified important relationship parties and issues and provided directions for research.

Based on a review of relevant contributions to the relational perspective, OPR axioms were proposed: 1) organization-public relationships are transactional, dynamic, and goal-oriented; 2) relationships are initiated based on mutual needs and interests; 3) perceived expectations of needs fulfillment, relational history, frequency of exchange and reciprocity affect relationship continuation; 4) expectations are realized through interaction; 5) OPR have distinct antecedents and outcomes; 6) OPR differ in quality, type, and parties involved; 7) different types of relationships are personal, professional, community, symbolic (communication based), and behavioral (action based); 8) relationship management aims at achieving mutual understanding and benefits for organizations and their publics; 9) perception of relationship outcomes can predict publics' behavioral intentions (Ledingham, 2003).

#### *Measuring organization-public relationships*

Development of the first multi-dimensional OPR scale (Bruning & Ledingham, 1999; Ledingham & Bruning, 1998) was preceded by identification of 18 relationship dimensions derived from interpersonal communication, marketing, and social psychology literature: investment, commitment, trust, comfort with relational dialectics, cooperation, mutual goals, interdependence, power imbalance, performance satisfaction, comparison level of alternatives, adaptation, non-retrievable investment, shared technology, summate constructs, structural bonds, social bonds, intimacy, and passion. Attributes were consequently refined through interviews and focus groups resulting in five organization-public relationship dimensions: trust is defined as “an organization doing what it says it will do”; commitment is defined as “the organization being committed to the welfare of the community”; openness is defined as “sharing the organization’s

plans for the future with public members”; investment is defined as “the organization investing in the welfare of the community”; and involvement is defined as “the organization being involved in the welfare of the community”. In these studies, organization-public relationship was defined as “the state which exists between an organization and its key publics in which the actions of either entity impact the economic, social, political, and/or cultural well-being of the other entity” (Ledingham & Bruning, 1998, p. 62).

Hon and Grunig’s (1999) scale was developed to measure six relationship outcomes: control mutuality (amount of power parties agree to have and actually have in the relationship); trust as a three-dimensional construct consisting of integrity, dependability, and competence; satisfaction (the extent of fulfilled and positive expectations parties have of one another); commitment consisting of continuance commitment (actions) and affective commitment (emotional aspects); exchange relationship (parties exchange benefits solely on the basis of previously experienced exchange and future expectations of the same); and communal relationship (providing benefits is motivated by concern for the welfare of another party regardless of the benefits received in return). Derived from interpersonal relationships and conflict resolution, relationship maintenance strategies are also proposed: access (management, public relations practitioners and publics are willing to allow access to each other in terms of two-way communication, involvement in decision-making, and resolving conflicts); positivity (actors in relationship actively contribute to improving the quality of the relationship, making it more enjoyable); openness concerning thoughts and feelings; assurance (convincing each other that they as organization or public and their needs are legitimate); networking (organizations get involved with the same groups as their publics); sharing of tasks (joint efforts to solve organization’s and/or publics’ problems).

### **International Perspectives of Organizational-Public Relationships**

In the cross-cultural scale, Organization-Public Relationship Assessment (OPRA) developed by Huang (2001), four relationship dimensions were derived from Western literature: trust, control mutuality, relationship satisfaction, and relationship commitment. A fifth dimension was added from Chinese culture in which social relationships play a significant role, as people are defined through relationships that are hierarchically determined, serving to maintain the social order. Relational orientation is expressed through "renqing" and "mianzi," or favor and face concepts. *Renqing* is defined as "a set of social norms by which one must abide to get along well with other people" (Huang, 2001, p. 69). Prescribed social norms include visitations and gift exchange, and also sympathy and help in trouble. *Mianzi* refers to impression management where individuals pay special attention to personal appearance and manners. Both *renqing* and *mianzi* are considered resources in the course of social exchange.

Another OPR measurement scale was developed by Kim (2001), who in a four-dimensional scale included trust, commitment, local or community involvement, and reputation.

Hung's studies (2004, 2005) on multinational companies (MNCs) in China explored different types of relationships that MNCs develop with their publics. MNCs were found to engage in more relationship types simultaneously than other businesses. Covenantal relationships, in which a win-win situation is sought, is found with different publics. Communal relationships are practiced with local communities and local governments, and MNCs expect their support in the long run. Relationships with consumers are mostly described as contractual relationships, as are MNCs' relationships with employees and suppliers. Manipulative relationships take place with media. Power was found to play a role in supervisor-subordinate relationships and relationships with local governments (Hung, 2005). Asian multinational

companies operating in China were found to more easily adapt to Chinese family orientation, *guanxi*, and relational orientation in relationship cultivation strategies than Western MNCs that employ their own cultural values in relationship building (Hung, 2004).

Besides studies on the effects of local culture on relationship types and cultivation strategies of MNCs in China, OPR have been explored from the perspective of their role in organizational strategy. Men and Hung (2012) developed an integrated framework of the roles of organization-public relationships in strategic management processes: strategic analysis, strategy formulation, strategic implementation, and strategic control.

Using the resource-based view of organizational tangible and intangible assets, Ni (2006) found that relationships are organizational resources that contribute to competitive advantage. Strategic relationships of multinational companies in China were found to be valuable, rare, hard to imitate, and not easily replaced. Findings attest to the uniqueness of organization-public relationships compared to other organizational resources. Government, employee, and media relations are shown to be valuable in strategic decision making, company and product reputation, and human capital retention, especially in dynamic market and environmental changes, thus being vital in strategy implementation. As quality relationships provide support, trust, and commitment, organization-public relationships are vital assets to organizations.

### **Employee-Organization Relationships**

Even though public relations scholarship has investigated organization-public relationships, there has been insufficient attention paid to relationship development with employees as a strategic public of organizations. Measurement scales developed for OPR and relationship management theory have been adopted in measuring employee-organization relationships (EOR). Organization-public relationship maintenance strategies (Grunig & Huang,

2000; Hon & Grunig, 1999) were foundational for the development of EOR maintenance strategies (Shen, 2011). Symmetrical EOR maintenance strategies include openness: “an organization’s behavioral attempts or efforts to disclose information about the organization and discuss with employees the state of their relationship”; networking: “an organization’s attempts or efforts to be involved in the same groups as its employees”; and assurance of legitimacy: “an organization’s attempts or efforts to acknowledge and address employees’ concerns.” Asymmetrical relationship maintenance strategies with employees are: distributive negotiation: “management’s attempts or efforts to maximize gains and minimize losses while in a conflict with employees”; avoiding: “attempts or efforts by management to distance itself from the employees in conflict”; and compromising: “management’s efforts or attempts to yield in part on its position when dealing with employees in a conflict” (Shen, 2011, p. 399-403).

Organizational structure and internal communication have been studied as antecedents of employee-organization relationships in Korean corporations (Kim, 2007). Organizational structure refers to allocation of power and responsibility within an organization. Mechanical structures are characterized by high levels of centralization, formalization, and stratification, with no employee participation in decision making. Organic structures are less centralized, formalized, and stratified, with higher levels of employee involvement in decision making. Results indicate that asymmetrical or top-down internal communication negatively affects commitment, trust, and employee satisfaction. Neither does symmetrical communication, which is described as dialogue, negotiation and conflict management, contribute to positive relationship outcomes, notably trust, satisfaction, control mutuality, commitment, and communal and exchange relationship. Results are ascribed to high power distance in Korean culture in which employees do not expect symmetrical communication. However, organic organizational structure is a better environment



for the development of trust and control mutuality than mechanical structure. Organizational structure was found to have no effect on employees' satisfaction and commitment. Symmetrical communication alone does not create positive relationship outcomes; it has to be supported by organizational justice, meaning fairness in salary, decision making processes, and treatment of employees. Fair management behavior, along with organizational policies and systems, are crucial in building relationships with employees (Kim, 2007).

The survey findings of public relations agency employees in the U.S. (Gallicano, Curtin, & Matthews, 2012) indicate that employees overall perceive the relationships with their organizations positively. The majority of respondents were satisfied with control mutuality and with their participation in decision-making. Employees believe that organizations treat them fairly and carry out their promises, but are less convinced that organizations are concerned with employees' interests in decision-making. They believe that organizations attempt to build lasting relationships. Open-ended questions revealed a number of issues that strain relationships with organizations in which public relations practitioners work. Public relations agencies employees consider their financial compensation to be inadequate and insufficient. Another factor that impacted the relationship was a lack of opportunities and support for growth and learning. Due to long work hours, employees are not satisfied with work-life balance. Stress was also resulting from poor and insufficient communication from management. Employees do not feel sufficiently empowered to suggest or initiate change in the workplace. Lack of teamwork and low quality of relationships among colleagues and supervisors often result in competition and conflict. On top of everything, employees notice unethical practices in dealing with and working for clients. Hierarchical barriers and lack of direct communication cause employees to perceive management as distant from employees and the daily operations of the organization.

A case study of a hospital emergency department (Seltzer, Gardner, Bichard, & Callison, 2012) discovered numerous barriers preventing the development of employee-organization relationships. Barriers are structural and procedural in terms of time pressure, volume of work, physical layout of the facilities, organizational policies and procedures, lack of consistent channels of internal communication, and absence of communication training and public relations. There is also a perceived lack of civil and respectful behavior among the staff which reported cases of bullying, harassing, and threats. Findings indicate a lack of symmetrical relationship cultivation strategies evident through lack of access and involvement in decision-making, while asymmetrical strategies were prevalent – distributive and contending strategies manifested through forcing employees to comply with organizational policies. Perceived quality of relationships was dominated by lack of trust as evidenced by an absence of dependability and integrity. Negative attitudes, resistance, or lack of support of policies result mainly from inadequately managed relationships, which overall is reflected in an organizational culture characterized by mistrust, skepticism, cynicism, and negativity.

The strategic role of public relations has been explored through the linking of successful employee relationship management with globalization strategies of multinational corporations in China (Ni, 2009). When deciding on entry strategy into transition economies, global and regional experience of international companies is a main source of organizational knowledge and learning (Gielens & Dekimpe, 2007). Organizations either decide on locally responsive strategies characterized by sensitivity to local market conditions, or on global integration strategies in which management focuses on achieving the organization's global goals.

Ni (2009) found that overall business strategy requires successful managing of resources in order to gain competitive advantage. Employees or human capital provide a significant portion

of companies' resources and is one of the rare aspects of competitive strategy that cannot be imitated by competitors. In entering foreign markets, corporations must adjust to local challenges while balancing these with their global strategy. More negative relationships, namely exploitive and contractual, were perceived in organizations employing global integration strategies. Employees see multinational corporations coming to China mainly to take advantage of a cheap labor force, lower taxes, and profit for their headquarters. Contractual relationships are marked by strict adherence to rules and contracts and were interpreted as MNCs' lack of trust toward employees, being solely focused on corporations' interests. On the contrary, employee relationships in corporations that practiced locally responsive strategies were perceived as more positive, covenantal, and communal in the way that mutual interests and benefits were sought.

### **National Cultures**

Cross-cultural public relations scholarship mostly has applied Hofstede's cultural dimensions in its analyses (see L'Etang, 2012). While there are many definitions of culture, the following definition is chosen for this study: "the collective programming of the mind which distinguishes the members of one human group from another" (Hofstede, 1984, p. 21). Programming of the mind refers to patterns of thinking, feeling, and acting that individuals learn through their life experiences and in social environments such as family, school, workplace, community, etc. Culture is said to be the collective programming of the mind, as culture is always collective and shared among people who live in the same social environment (Hofstede, 1984, 1991). Culture is thus learned in a specific environment and not genetically inherited. Therefore, culture should be viewed as "a set of likely reactions of citizens with a common mental programming," and not as "modal personality" (Hofstede, 1991, p. 112).

Differences in cultures may be observed through symbols, heroes, and rituals. Symbols include words and objects whose meaning is understood only by members of the same culture. Alive or dead, real or not, persons who become behavioral role models of certain cultures are called heroes. Rituals are activities perceived as socially essential by members of a particular culture. Every culture has several layers, and every individual belongs to several layers at the same time: a national level; a regional, ethnic and/or religious level; gender, generation, social class, and organizational level.

Values that form the core of culture are “broad tendencies to prefer certain states of affairs over others” (Hofstede, 1984, p. 18). There is a distinction between the *desirable* and *desired* as determined by social norms. Desirable refers to absolutes or what is considered ethically right, while desired reflects the actual decisions and actions of the majority.

A comprehensive study of employees who worked in IBM subsidiaries in 50 countries led to the identification of cultural dimensions, which are cultural aspects that can be compared and measured across cultures. Initially the following cultural dimensions were identified: power distance, individualism and collectivism, uncertainty avoidance, and masculinity and femininity (Hofstede, 1984). Two additional cultural dimensions developed by Hall (1973, 1977, 2011) will also be presented, as they are closely tied to communication: high and low context, and monochronic and polychronic time.

#### *Power distance*

In studying relationships between a boss and a subordinate in organizations, the first identified dimension was power distance which is “a measure of the interpersonal power or influence between B (boss) and S (subordinate) as perceived by the least powerful of the two, S” (Hofstede, 1984, p. 71). Power distance scores reflect the degree of inequality in society and

dependent relationships, or the extent to which people accept inequality among themselves in unequal distributions of power. In countries with low power distance, the dependence and emotional distance between supervisors and subordinates is relatively small. There is a degree of interdependence in supervisor-subordinate relationships, in which subordinates feel comfortable to address and challenge their supervisor's decisions. In high power distance cultures, the subordinate's dependence on the supervisor is greater, as well as the emotional distance between them. In this relationship, direct confrontation of supervisors' decisions is not very probable. High power distance implies that employees and other less powerful members in groups such as families or schools accept the unequal distribution of power. Subordinates and supervisors alike observe and accept inequality and differences, but the subordinates' observations of differences have been shown to be more accurate than those of their supervisors. However, a difference in perceived inequality was observed related to hierarchy or status level across countries. Employees with less education and lower positions show high power distance in countries having both high and low power distance scores. In other words, in countries with low power distance scores, referring mostly to middle and higher status supervisors and managers, employees scored as high on power distance as employees in countries with overall high power distance scores. Acceptance of unequally distributed power reflects values, which suggests that even in Western countries, subordinates with less education and status have more authoritarian values than their superiors with higher position and status (Hofstede, 1984).

#### *Individualism and collectivism*

Individualism refers to loose ties between individuals in societies in which people are concerned primarily with themselves and their immediate families. In collectivist societies, people throughout their lives have a strong sense of belonging and loyalty to various groups

which in turn offer them protection and help. Employees in individualist societies expressed more independence from their organizations, as reflected in how they valued their personal time and lives outside organizations, the degree of freedom in approaching their job in their own way, and the need for a challenging job that provided a sense of personal accomplishment. With individualism the relationship between supervisor and subordinate is transactional. On the contrary, employees in collectivist societies expressed more dependence on their organizations by stressing things that organizations could do for them: offer employee training, create adequate physical working conditions, and provide employees with opportunities to use their skills. Relationships between employees and managers are characterized by mutual expectations of loyalty and protection. High power distance cultures were shown to be more collectivist, while low power distance was more often associated with individualism. Family values are consistent with values in the workplace. In individualist cultures, individuals more readily express their own opinions and do not avoid confrontation. On the opposite end, collectivist societies emphasize loyalty and maintenance of harmony (Hofstede, 1984).

#### *Uncertainty avoidance*

Uncertainty avoidance has been defined as “the extent to which the members of a culture feel threatened by uncertainty or unknown situations” (Hofstede, 1991, p. 113). The degree to which people are comfortable with uncertainty is expressed in their need for predictability and rules, whether written or unwritten, as they attempt to reduce ambiguity. In high uncertainty avoidance cultures, structure is equally needed in organizations and relationships, because structure and order allow for interpretation of situations and contribute to predictability of future events. The emotional need for stability and security is, to a certain extent, satisfied through structure. Rights, expectations, and responsibilities are prescribed by a set of formal and informal

rules. Power distance also defines relationships, thus it also has a function of reducing uncertainty and unpredictability. On the contrary, low uncertainty avoidance cultures are characterized by avoidance of formal rules (Hofstede, 1984, 1991).

### *Masculinity and femininity*

Masculinity and femininity refer to gender roles in societies, which are learned as well as socially and culturally determined. In a masculine defined society, men are expected to be assertive and focused on the acquiring of material wealth. In contrast, women are to be modest, gentle, and focused on quality of life. Femininity defines societies in which there is more overlap of gender roles, with both men and women being expected to have more feminine traits, like gentleness, etc. The difference in organizations in masculine and feminine societies was observed in work-related values and goals. Masculinity was associated with challenge, earnings, and promotion, while femininity was expressed by quality of relationships in the workplace, cooperation, and job security (Hofstede, 1984, 1991).

### *High context and low context cultures*

The role and significance of communication is well illustrated in Hall's (1973) statement that culture is communication and communication is culture. High and low context refers to cultural tendencies to use high context or low context messaging in daily communication. Communication in high context cultures relies on much more than word exchange. Much of the communication is implied rather than explicitly stated, which requires an understanding of metaphors, symbols, non-verbal communication, behavior, situation context, values, and social norms. A person's status, position, or family also plays a role in high context communication. High context cultures are mostly collectivist and relational. Interpersonal relationships have a special significance in those societies, where the achievements of an individual are subordinate to

the achievements of a group. Harmony, consensus, trust, and long-term commitment are equally valued in family and professional relationships.

Communication in low context cultures is more direct, explicit, and clear. In these cultures people value logic, facts, straightforward, and concise communication. Activities and projects have supremacy over relationships in these mostly individualist societies. Contracts, rather than trust development and long-term commitment, drive business decisions and partnerships (Hall, 1977).

#### *Polychronic time and monochronic time*

High context cultures view time as continuous, flexible, and for the most part unstructured. Work time is not clearly separated from personal time, and many things can be done simultaneously. Relationships and human interactions are more important than meeting strict deadlines. Low context cultures are focused on time management. People understand and approach time as fixed elements that can be organized, measured, and planned. Doing one thing at a time, promptness, deadlines, and short-term professional relationships characterize monochronic cultures (Hall, 2011).

### **Organizational Culture**

Organizational culture is being shaped not only through interactions between organizational members and leaders, but also through organizational structure, rules, and norms. While all these factors cause culture to be dynamic and constantly evolving, culture simultaneously provides members with stability and meaning (Schein, 2004). Organizational culture should not be evaluated as right or wrong but viewed in relationship to the broader environment surrounding it. Culture is shared by group or organization members at an unconscious level and encompasses all aspects of group activities. It is not easily changed,



because culture provides members with meaning and secures predictability, reducing stress and anxiety as groups struggle with ambiguity. Schein (2004) defined organizational culture as “a pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” (p. 17).

Dimensions of organizational culture are contained within assumptions, which are the content of organizational culture. In order to accomplish its mission and strategy, every organization has to deal with external adaptation and internal integration issues. Internal relationships are crucial for achieving organizational goals as members create common language and shared categories of meanings that allow for interpretation of events and situations. Therefore, each group has to define group boundaries and identity, distribution of power and status, norms of intimacy and friendship, rewards and punishments, and ideology (Schein, 2004). Even though culture is an abstract phenomenon, its organizational levels are visible to varying degrees to observers. Schein (2004) identified three levels of organizational culture: artifacts, espoused beliefs and values, and underlying assumptions.

Artifacts are surface level, visible structures and objects of an organization which include buildings, design, products, dress code, publications and written materials, and all other visible components. These components are easy to see, but one should be careful not to assign them deeper meaning and make assumptions based on visible artifacts alone.

Espoused values and beliefs include goals, strategies, and philosophies. Values and beliefs are usually articulated in organizational ideology or philosophy serving as an ethical or normative guide for organizational members in dealing with uncertain and difficult situations.

Beliefs and values are held at the conscious level and serve as a predictor of much of visible behavior. However, if values are not derived from previous experiences, they may only reflect what people say rather than what they actually do.

Underlying assumptions are unconscious, taken-for-granted perceptions, feelings, and beliefs that guide behavior. When certain solutions have worked many times, members begin to believe that things work in certain ways and start taking them for granted. Underlying assumptions are unconscious and usually unquestioned, because questioning would disturb the cognitive stability of organizational members (Schein, 2004).

### **Multinational and Foreign-Owned Companies in Post-Socialist Transitioning Economies**

#### *Transition in Central and Eastern Europe*

Central, Eastern, and Southern Europe have undergone transition or great transformation from socialist, centrally-planned economy to democracy and market economy. Countries in transition comprise a highly diverse geographic territory in terms of socio-economic conditions, history, culture, language, religion, and even the status impact of their former communist regime (Bakacsi, Sandor, Andras, & Viktor, 2002; Kornai, 2006). In more recent history, these countries have been further distinguished in terms of European Union membership status as they have met certain criteria as a functioning democracy politically and economically. However, what these countries have in common is their history of communism and centrally planned economy which entails 70 years in the Soviet Union, 40 years in Eastern Europe (Kornai, 2006), and consequent transition. By its character, scope, and breadth, this transformation has been historically unique, encompassing radical, complete and unparalleled changes in political systems and ideology, legal and economic systems, and social and cultural arenas during several decades. The process of change has been a peaceful one, not imposed by the use of foreign military power; in most

countries there was no resistance toward transformation (Kornai, 2006). War in what was formerly Yugoslavia should be noted as an exception.

The speed of transformation has been ascribed mostly to geographical proximity, influences of the Western world, and adoption of Western practices in corporations, institutions, media, and education through foreign direct investment, capital, knowledge, and technology transfers. At the broader societal and political level, institutional restructuring has been aided by international organizations such as NATO, European Bank for Reconstruction and Development, IMF, World Bank, and WTO (Aguilera & Dabu, 2005; Clark & Geppert, 2006; Kornai, 2006). However, parallel to the adoption of Western business and institutional models, these countries experienced rapid decline in their standard of living and increased poverty related to dramatic shifts in employment. Grunig and Grunig (2005) emphasize the negative consequences of transition on various publics. Their assessment centers mostly on reduced social security and welfare programs, weakened power of unions, increased taxes and unemployment, privatization, and introduction of foreign business owners. Ławniczak posits that Polish citizens equate capitalism with “unemployment, the lack of a welfare safety net, social inequalities, monopolistic practices, and foreign capital, seen as part of a plan to take over the country” (as cited in Grunig & Grunig, 2005, p. 4-5).

With unemployment, which was relatively unknown in socialism, job security and relative predictability of the future were lost. Security was replaced by risk and instability was furthered by closing of companies, corruption, and highly visible status and income inequalities. Loss of stability and predictability was also present in the political arena. Even though the one-party political system was replaced by more political parties and free elections, it had nonetheless been marked by power struggles and disorder. More than two decades after the process had started, in

his examination of CEE countries that have become EU members, Kornai (2006) concluded that “the great transformation in Central Eastern Europe is over” (p. 242).

#### *MNCs and transformation of employment relations*

Employment relations in Central and Eastern Europe during the communist regime were under strict control of the state and thus profoundly affected relationships between management and employees. Human resources used to be more administrative than strategic. What characterized most the working conditions under communism was the policy of full employment (Aguilera & Dabu, 2005). Transition towards a market economy radically transformed state-owned companies through the process of privatization which was reflected in management-employee relationships and renegotiation of their new roles within organizations. Three main driving forces of enterprise and employment relations transformation were privatization, foreign direct investment (FDI) and globalization, and the EU accession requirements (Aguilera & Dabu, 2005). Even though the role of FDI was uneven across Central and Eastern European countries, it has been crucial in the transformation of enterprises and consequently of employment relations by introducing multinational companies (MNCs) that had not been present in the communist period. MNCs opened subsidiaries in CEE, created joint ventures, and took over ownership of previously state-owned companies through acquisition and mergers and other forms of business partnerships. In so doing, FDI and MNCs were not only a platform for the introduction and transfer of Western management knowledge and practices, but also for previously nonexistent human resource practices, thus separating them from the state’s tight control (Aguilera & Dabu, 2005; Clark & Geppert, 2006; Soulsby & Clark, 2007).

As institutional reform and restructuring were aided by FDI and MNCs, institution building actually happened “within asymmetrical relationships, in which the balance of power is

structurally weighted in favor of the MNC,” (Clark & Geppert, 2006, p. 341) allowing global and neo-liberal economic ideologies to be spread throughout transitioning economies. CEE countries’ dependence on MNCs’ capital created power and relationship imbalance among partners in international joint ventures. Local managers depended on Western managers’ expertise and knowledge for organizational restructuring and development based on the new market conditions. Transformation in organizational and institutional settings can thus be defined as “a socially constructed process, which involves the acquisition of new or different ways of thinking and behaving, leading to changes in social practice that, when repeated and habitualized, are the bases of new institutionalized practices” (Clark & Geppert, 2006, p. 342-343). Given the power imbalance and the challenge of local managers who in the midst of social, economic, and cultural turmoil were under pressure to acquire new value systems, knowledge, and practices, knowledge transfer was not happening in an unhindered linear way. The transfer of knowledge from Western to local managers should rather be understood within the specific cross-cultural context in which Western managers’ superior position possibly influenced their disregard of both the local culture and the knowledge of local managers. Although the goal of transition was to replace the former system with an institutional system that fits market economy, “the dismantling of long-standing societal, political, and economic institutions creates considerable uncertainty about the future” (Danis, 2003, p. 228). Asymmetrical relationships shaped the environment and conditions of learning and knowledge transfer. Faced with the challenge of making sense of new power structures and organizational climate, local managers reacted differently to the adoption of Western knowledge (Aguilera & Dabu, 2005; Soulsby & Clark, 2007). Local managers relied on familiar practices when faced with high uncertainty during transition. Among local managers there was skepticism and resentment of Western knowledge and refusal to implement it. The

arrival of foreign managers and their capitalist values had been perceived negatively; downsizing and lack of employee care were especially interpreted as a lack of sensitivity to local culture and values. The attitude was reminiscent of colonialism and paternalism, resulting in the rejection of imposed Western values and knowledge. Nonetheless, Western dominance could have made development of trust and long-term relationships among business partners irrelevant (Clark & Geppert, 2006).

*The role of western managers in knowledge transfer and organizational learning*

Western companies starting business in CEE had to transfer business philosophy, management practices, and know-how from established market economies. The introduction of market oriented management and organizational development has been done primarily through Western managers or expatriates. Western managers assumed the task of coaching and teaching CEE local managers and employees to understand the functioning principles of a market economy, knowledge of the parent company, the latest industry developments, and technical expertise. Corporate culture and values, business conduct, and work ethic were also areas in which expatriates served the role of ‘boundary spanner’ and role models (Danis, 2003; Hetrick, 2002; Peterson, 2003).

*Differences in managerial values and practices*

Partners, managers, and employees with different national and cultural backgrounds working together face a set of serious challenges, even more so when their institutional and socio-cultural backgrounds and business orientations are not ideologically compatible. Managerial knowledge is closely related to values, practices, and systems that managers bring into the partnership (Danis, 2003). Managerial values are culturally bound and taken-for-granted

norms, patterns, and assumptions guiding the commonly accepted behavior, routines, and procedures of management (Schein, 2004).

Local and foreign managers recognized and interpreted local managers' values as inherited from the socialist system. Unlearning of old ways and the accepting of new knowledge were seriously challenged by previously shaped communist perceptions of capitalism as an unethical accumulation of wealth at the expense of exploited workers (May, Puffer, & McCarthy, 2005). Therefore, it was not surprising that local managers had difficulties in changing their attitudes. Organizational learning and knowledge transfer is intrinsically linked to attitudes, as the goal of knowledge and information transfer is change in attitudes and behavior (May et al., 2005). Reconciliation of conflicting values created culturally bound barriers that affected the relative success of knowledge transfer and organizational learning and should therefore be examined within the broader socio-cultural context as a social phenomenon (Engelhard & Nägele, 2003).

Western managers perceived that limitations of local managers included strategic planning, decision-making, problem-solving, initiative, teamwork, time management, communication skills, employee participation, and empowerment. Most issues seemed to be centered on leadership and involved subordinate-superior relationships. Western managers recognized local employees' unwillingness to make decisions, take initiative in problem solving, and assume responsibility for their actions (Engelhard & Nägele, 2003; May et al., 2005; Peterson, 2003). The former regime was characterized by high power distance and organizational hierarchy, in which there was a strong belief in leaders making important decisions, but there was also fear of consequences if one failed to make the right decision. Effects of the power structure and autocratic leadership were revealed in employees' difficulties with critical evaluation of

information. In the former regime, people were not educated to critically interpret information, which could explain issues with problem-solving skills. Ineffectiveness of teams was reflected in individuals' unwillingness to share information, as information was often perceived as a source of power. Consequently, employees were reluctant to engage in discussions with those of opposing views or different attitudes (Engelhard & Nägele, 2003; May et al., 2005).

Differences in managerial practices were also viewed as a legacy of communism. These differences revolved around the autocratic leadership style of local managers. For Western managers, leadership through employee participation in decision-making and empowerment is reflective of their values and leadership style based on the valuing of employees' contributions, input, knowledge, and skills. Employees' participation in decision-making and empowerment go along with "increasing trust and diminishing formal status, power, and control" (Michailova, 2002, p. 183). Participation and empowerment differ significantly from local managers' understanding of their role and status based on centralization, control, formal rules, and authoritarian leadership. Leaders' power was linked to knowledge they possessed which distinguished them from others in the organization. In order to maintain position and power, there was no focus on working in teams, sharing information, nor employee empowerment, these all being potential threats to power (Danis, 2003; Michailova, 2002).

It should be noted that autocratic leadership was also expected and respected among Russian employees. Western managers' efforts to show appreciation for employees' skills and contribution through participation and empowerment caused confusion among Russian employees who interpreted the lack of strict rules as managers' weakness and inability to lead. Strong leadership and guidance with rules to follow seemed to make more sense than involving employees in the decision-making process and asking them to take initiative. Participative



leadership could have been perceived as weak by employees used to authoritarian leaders. The former socialist system, which was also a highly collectivist system, did not encourage expression of individuals' ideas and opinions. On the contrary, individualism was suppressed and sanctioned, resulting in employees drawing their security and status from reliance on following organizational rules and obeying orders. Instead of initiative, the need for dependence was developed; consequently, without initiative and employee participation, there could be no sense of personal responsibility (Michailova, 2002).

In the context of organizational learning, knowledge, and information sharing, trust seemed to be the most important limiting factor. In general, a lack of trust in institutions was thought to be a significant component of the communist heritage in post-socialist countries. However, trust, information sharing, and people themselves should be viewed in the broader context of high-context culture. First, trust within personal relationships had provided a counterbalance for lack of institutional trust. Informal communication networks compensated for the lack of official communication channels. Communication barriers between superiors and subordinates were strengthened by high power distance. Second, within those close networks, information was closely related to people, thus blurring the lines between private and professional. Therefore, "trust cannot be mediated by institutional roles alone, but must emerge on the basis of close social interactions" (Engelhard & Nägele, 2003, p. 269), a time consuming process.

Even though Western and local managers recognized employees as important stakeholders, local managers focused more on employees' rights and protection, often advocating against layoffs. The relational component was expressed in local managers' intentions to maintain good relations with government officials and to protect employees, thus illustrating a

society with high regard for relational connection. At the same time, local employees perceived foreign managers as focused solely on their own interests and not the development of their employees. However, local employees have worked under foreign and local managers with different leadership styles. Local managers have been required to adapt Western leadership styles, creating great uncertainty as to how to fulfill the different expectations of Western owners and local employees (Danis, 2003; May et al., 2005; Michailova, 2002). Foreigners' and locals' differing perceptions often resulted in a distance which prevented interaction between the two groups; however, there was still a general belief that the distance could be bridged in order to allow for closer interactions (Danis, 2003; Engelhard & Nägele; 2003).

Studies show mixed results in terms of local managers' acceptance of Western business models and ideology. Differences in attitudes and adaptation are also visible across time (May et al., 2005). While there have been cases of rejection, findings also suggest that local managers were receptive of market-oriented managerial values. Western and local managers equally agree on the appropriateness of values for the market economy, e.g. orientation toward performance, quality, market, customers, shareholders, etc. However, implementation and acceptance of these values have not always been readily accepted at all organizational levels (Danis, 2003). Still, due to the difficulties that local managers who were educated and worked in the former regime faced in attitude and behavior change, MNCs have been very selective in recruitment and hiring, preferring younger people who are more receptive of Western knowledge. (Engelhard & Nägele, 2003; Koveshnikov, Barner-Rasmussen, Ehrnrooth, & Makela, 2012; May et al., 2005). Authors generally propose that younger people in managerial positions are well suited for the demands and requirements of MNCs and that they are unlikely to accept positions at locally or state-owned companies.

MNCs are intent on decreasing foreign managers in local subsidiaries, as over time local managers will be prepared to run the business, which significantly decreases the operating cost. The importance of local managers' knowledge of language, the local market, and the political environment, as well as their personal and professional networks, have all been increasingly recognized by MNCs (Peterson, 2003). There have been changes in corporate policy, but there is also political pressure on MNCs to increase the number of local managers at the highest positions. Local managers then serve as expatriates in other transitioning economies in which MNCs start their operations (Peterson, 2003).

### *Best practices*

Even though change has been evident over time, it has been suggested that there is still a need for consideration and respect of local values and traditions by MNCs. In developing a framework for successful organizational practices (Koveshnikov et al., 2012), the case study of two Finnish MNCs operating in Russia offered evidence for the creation of unique corporate culture, which produced the necessary conditions for effective transfer and adaptation of organizational practices. Both of these companies based their approach on highly culturally sensitive orientation, not explicitly transferring the corporate culture from their Finnish headquarters to Russian subsidiaries. Instead of relying on Western managers in knowledge transfers, these companies focused on working with local managers, recognizing and respecting the importance of their knowledge of the local market. By employing and engaging local managers, MNCs refrained from imposing their own system but instead invested in advising, training, and coaching Russian managers, which was very much appreciated.

Creation of unique corporate cultures was enhanced by communication of vision and goals across the two companies, providing a sense of security and direction among employees.

Not insisting on Finnish values reduced the social distance resulting naturally from national differences. Communication was carefully crafted by the creation of various symbols successfully combining local values and culture, as Russian people are very familiar with symbolic representation. National differences and stereotypes were further minimized through employee exchange programs and the working together of Finnish and Russian employees. Even though open manager-employee communication was hard to accept by local employees in the beginning, attempts to improve two-way communication have proved successful through personal conversations, discussions, and employee surveys, practices which were strongly supported by local managers. MNCs' efforts resulted in forming more trusting relationships through which it became possible to share information and knowledge (Koveshnikov et al., 2012).

*What expatriates need to know*

Advice and recommendations for foreign managers from their local colleagues mostly include learning of local cultures, including history, language, and customs, as a prerequisite for cultural adaptation, integration, sensitivity, and respect that will further relationship development. Local managers also suggest acquiring knowledge of the local market and business traditions. The most common factors preventing integration of foreign managers with locals are lack of sensitivity and appreciation for local culture, creation of social distance, the expectation that everything should be as in their home countries, and an attitude of superiority (Peterson, 2003). As organizational learning and knowledge transfer is a two-way exchange between local and foreign managers, expatriates recognized their local colleagues as important sources of information, and therefore, "the mode of transferring these contents must necessarily be socialization" (Engelhard & Nägele, 2003, p. 268).

### **The Concept of Cultural Trauma**

So far interactions between managers with distinct cultural and ideological backgrounds in the context of organizational learning and adaptation have been discussed. It has been generally accepted that national culture affects organizational cultures (Hofstede, 1991; House, Javidan, & Dorfman, 2001; Schein, 2004). Studies have also shown that differences in managerial values, systems, and practices have been greatly shaped by managers' culturally bound underlying assumptions. However, these studies have often examined the culture clash within organizational settings to the neglect of effects and consequences in the broader socio-cultural context. A concept of cultural trauma (Sztompka, 2000) could provide a useful perspective for studying interrelationships between national cultures, capitalist ideology, globalization, and the consequent reshaping of national cultures, especially in transitioning economies. This concept provides an analytical basis for study of social change with implications that surpass the organizational environment, which sometimes may suggest a linear mode of values and knowledge adaptation.

Deeply affecting every aspect and level of society, transition shook the nations in many unpredictable and non-comprehensible ways. Sudden, radical, all-encompassing, imposed, unexpected, and shocking social change with its long-term negative effects meets the criteria of a psychiatric concept of trauma that Sztompka (2000) applied and developed in the context of social change. The term *cultural trauma* refers to "the damage inflicted by major social change on the cultural, rather than biological, tissue of a society" (Sztompka, 2000, p. 450). The causes of damage are varied and can include revolution, collapse of markets, radical economic reform, mass murder, ethnic cleansing, and/or war, which was the case in the Balkans. What precedes cultural trauma is cultural disorientation touching the very core of culture with its introduction of

new values, beliefs, and norms. Disorientation means that cultural homogeneity, stability, routines of human life, and one's world gets restructured and disturbed through intense, long-term interaction with an alien culture outside one's ability to choose. Such is the case with colonialism, imperial domination, or even globalization, which introduce new and unfamiliar economic, political, and technological systems. When the cultural clash is interpreted as painful, hostile, and negative, it can lead to collective trauma. The most disturbing aspect of social change is questioning of the existing culture with its understood values, attitudes, and norms; these begin to seem inappropriate for fitting into the emerging conditions. Predictable order and routine of things, events, and environment all add to stability, which is needed for a sense of security. When the regular course of events is interrupted and disturbed, when the new development of circumstances is in sharp contrast to traditional ways, and when the central cultural underlying assumptions are deeply shaken and questioned, trauma will be experienced more strongly.

Even though "trauma is a collective phenomenon, a condition experienced by a group, community, or society, as a result of disruptive events culturally interpreted as traumatizing," (Sztompka, 2000, p. 458), sensitivity to potentially traumatizing social transformations differs among social groups. The relative nature of trauma as a split within a culture is remarkably visible in the conflict or gap between generations in which the older generation holds on to the accustomed ways of life, while the younger embraces newly emerging conditions. Differentiated experience suggests that cultural disorientation may potentially have different outcomes, cultural trauma being one of them. The interpretation of occurring events is central to determining outcomes. Events cause trauma when people experience change as problematic and painful. Therefore, trauma should be understood as objective and subjective. Meanings that are ascribed to potentially traumatizing events are derived from societal culture, which serves as a foundation

for culturally embedded interpretations of events. The centrality of culture must be understood to fully grasp the meaning and magnitude of its effect in the course of social change, as culture is a context of change and an object of change. It is culture that is being changed, but simultaneously culture provides the mental framework and determines the experience of change. While change touches and transforms the basic components of culture, the effect and magnitude of change are dependent on cultural interpretation as to how it affects the tissue of society.

As potentially traumatizing events are ascribed culturally based meanings, it is possible, as disorientation touches the very core of a given culture, that the very essence of meanings is also disrupted. Things do not mean what they used to mean. The impact of trauma is great because central assumptions such as values, symbols, and even idols that people have relied on to make sense of their everyday realities, are irrevocably shaken and disrupted. In the meantime, there is no new framework for interpretation that can provide meaning to new situations (Sztompka, 2000).

Whether or not transition in CEE is over, the topic of employee-organization relationships in cross-cultural settings needs to be revisited. A number of CEE countries have been overlooked in research. European Union membership status inequality has deep implications in terms of levels of social transformation and the presence and influence of MNCs. In earlier transition periods, scholars questioned how appropriate Western concepts were in CEE (Danis, 2003), and some concluded that application of concepts such as organizational learning, empowerment, and employee participation were limited due to assumptions of authority, power, and relationships within organizational hierarchy (Engelhard & Nägele, 2003; Michailova, 2002). Again, remembering that change is the very essence of transition, it is important to examine recent developments. Because culture has already been altered, it is necessary to examine the

relationships between local employees and foreign-owned companies, not through the lens of communist heritage and socialist values, but in terms of “transitional” or changed values.

Cross-cultural communication and relationship development is burdened by many cultural factors, language perhaps the least of them. Culture is supposed to provide stability which allows people to cope with their situations and discern meaning and predictability in the midst of disorder (Schein, 2004), or in this case, transition. When the foundations are shaken, uncertainty caused by social changes is furthered by lack of a framework for interpretation of new situations. As culture is essentially interpreted within a particular context (Sztompka, 2000), “a subjectivist understanding of knowledge and thus of learning is most appropriate for the analysis of cross-cultural learning. Different socio culturally shaped contexts inevitably conflict with each other” (Engelhard & Nägele, 2003, p. 264). Therefore, it seems appropriate to approach the matter of sense-making in cross-cultural transitional environments from an interpretive perspective. Transformation as a socially constructed process (Clark & Geppert, 2006) affects the core of culture, which establishes people’s framework for sense-making and interpretation of events. As has been noted by culture scholars (Tayeb, 1994; Williamson, 2002), the interpretive approach allows for deeper and wider insights outside predetermined cultural dimensions assumed to be equal across cultures, creating a laboratory-like setting for cross-cultural comparisons. The proposed study is intended to focus on local employees’ experiences with foreign-owned companies in Croatia as employees attempt to interpret their relationships through an already altered framework of underlying cultural assumptions.



## CHAPTER 3

### METHOD

The purpose of this study is to examine employee-organization relationships in foreign-owned hotels in Croatia. The study seeks to explore how local employees experience and make sense of the relationships within organizations for which they work. The present influx of foreign-owned hotel chains, foreign capital, and management, along with the recent European Union membership, all create a very changing, unstable, and risky environment that affects relationship development. The cultural and professional differences among managers and employees in foreign-owned hotels in Croatia also contribute to instability and cause difficult situations for all parties involved.

#### *The research perspective and design*

The goal of this study is not to isolate a particular aspect of the phenomenon, but rather to present the dynamic, multi-dimensional, and longitudinal nature of relationship from the perspective of local employees. The study seeks to explore the meaning of employee-organization relationships in foreign-owned hotel chains in Croatian transitioning society. In order to gain insight and understanding of individuals' perspectives and experiences in specific contexts, this study employs a phenomenological approach and qualitative research design. The foundation of this philosophical approach is the proposition that realities are multiple, socially-constructed, and time and context bound, rather than suggesting that there is only one reality that applies to all people at all times everywhere (Gurwitsch, 1974). People make sense of and interpret their world and their experiences. The way they experience their "world of daily life" (Gurwitsch, 1974) and interpret it, does not happen in isolation or within a vacuum, but rather within a certain culture and society during a specific period of time, which is the basis of socio-

historical knowledge. Each person has a “stock of knowledge at hand” (Gurwitsch, 1974, p. 19), which is socially derived and socially approved, having been passed down from family, education, religion and other individuals, authority, and societal institutions. Throughout their lifetimes, humans’ experiences and understanding of those experiences have been influenced and shaped by the specific set of circumstances and people around them. Their understanding and interpretation of the world is further influenced by the kind of knowledge and education they were exposed to, political ideologies, religious and cultural influences, etc. The human reasoning and efforts at making sense happen within a certain mental framework. People interpret things by relating them to what they already know, good or bad, whether it was their firsthand experience or knowledge acquired through the process of learning.

A phenomenological approach to scientific inquiry takes into consideration not only the boundaries and specific characteristics of a socio-historical group, but also recognizes that reality is interpreted uniquely by “each member of the group from his point of view and from a special perspective related to that point of view” (Gurwitsch, 1974, p. 23). Even though members of a certain group share, to a certain extent, common experience, each individual creates meaning and knowledge as individual biographical knowledge. Human experiences are not replicable.

Because knowledge is co-created between the researcher and the participants, the researcher brings his or her background, knowledge, and experience into the analysis. Still, data should drive the analysis, even when it does not conform to the researcher’s ideas and knowledge. During the analysis, the researcher has to be constantly aware of context in order to give meaning to data and categories. There are two levels of context that need to be considered. There is micro context of the immediate participant’s experience, and there is also macro context

consisting of social, cultural, and historical circumstances which affect the micro context (Corbin & Strauss, 2008).

Due to the fact that people and their environments change and evolve over time, their realities also change over time and should be studied as dynamic and individual, i.e. relative. The goal of this study is to understand the range of individual realities and how participants make sense of their worlds, and to present their realities and interpretations of their life experiences within specific social, cultural, and political contexts. In order to gain insight and understanding of individuals' experiences, logical structures, and reasoning, this study employed the long interview. The long interview is "a method that can take us into the mental world of the individual, to glimpse the categories and logic by which he or she sees the world. . . . The long interview gives us the opportunity to step into the mind of another person, to see and experience the world as they do themselves" (McCracken, p. 9, 1988).

A total of 17 participants were interviewed; data collection ended when the redundancy criterion was met (Corbin & Strauss, 2008). Interview data were analyzed inductively in line with the phenomenological nature of the study. Reading the interview transcripts allows for identification of repeated concepts, themes, and categories through analytic induction. After each interview the researcher transcribed and analyzed the data in order to identify the main ideas and concepts, which were subsequently refined and modified after each subsequent interview (Goetz & LeCompt, 1984). Conducting analysis after each interview also allowed for better understanding of individual experiences and not losing sight of competing ideas.

Specific criteria encompassing standards for quality research were met to ensure the trustworthiness of the study (Glaser & Strauss, 1967). First, with the permission of the participants, the interviews were audio recorded in order to capture all participants' words, which

were later used in the analysis. The verbatim transcripts were analyzed, and the selected quotes were translated by the researcher. The interviews were conducted and analyzed in the Croatian language, as language structure reflects mental processes, reasoning, and even understanding of the phenomenon. Hofstede (2001) suggests that language “is not a neutral vehicle. Our thinking is affected by the categories and words available in our language” (p. 21). Second, several participants reviewed the initial analysis to ensure that their words and perspectives were accurately presented. Third, direct participants’ quotes were provided in the findings section, which allowed the reader to see the data from which the themes were constructed.

### *Participants*

Interviews with seventeen participants between the ages of 28 and 64 were conducted in a Croatian city resort. Variety of age is important, because people who are older than 40 are likely to have worked in socialist Yugoslavia, allowing for diversity of experiences. There were seven male and ten female participants, all of whom are Croatian citizens. All participants work at five-star hotels, including two foreign-owned hotel chains with foreign management and two foreign-owned hotel companies with local management. Seven participants work directly with foreign managers, and three previously worked with foreign managers. Four participants have some contact with foreign managers, while three participants have no contact with foreign managers. Four participants have supervisory positions (accounting, purchasing, front desk, and public relations). Other participants work in hotel restaurants, kitchens, reservations, sales, human resources, technical support; one is a manager’s secretary. Four participants are seasonal workers. Ten participants have a college degree, and others have completed high school. Ten participants are married and have children. Two participants lived abroad.

### *Interview procedure*

The participants were first identified through the initial contacts of the researcher, and then through snowball sampling, meaning that the researcher used initial contacts to recommend other employees who might be interested in participating in the study. Initial contacts of the researcher are relevant in the Croatian society which has been known for lack of trust with unknown people. In this context it was very important to establish trust with participants through personal connections and recommendations, even more so because people could be suspicious and afraid to talk about their employers. Several persons who refused to participate in the study clearly stated that they were afraid of possible negative consequences at work. It was very important for all the participants to hear about possible benefits of the research, and that the goal of the study was to present situations from their point of view. Special attention was given to appropriate introduction of the researcher and assurance to participants about confidentiality and protection of their identities. The interviews started with general questions about participants' background, education, and previous working experience. With two participants the researcher met twice, as they were willing to share more information about their experiences. Duration of the interviews ranged from 18 minutes to 2 hours. The average interview length was 48 minutes.

Because the researcher has lived and worked in Croatia, it was important to manufacture distance during the data collection process (McCracken, 1988). In order to accomplish this, interviews were conducted with persons whom the researcher did not know personally, which allowed the researcher greater openness to listening and learning about their experiences, thus reducing the researcher's assumptions, prejudices, and personal bias in data analysis.

Individual, face-to-face interviews were conducted by the researcher in locations chosen by the participants: restaurants, coffee shops, offices, and participants' homes, which was helpful in establishing trust between the researcher and the participants.

The discussion guide (see Appendix) consists of open-ended, non-directive and non-leading questions in the “grand-tour” manner (McCracken, 1988, p. 35). After each interview, questions were adjusted for the following interview as data provided new insights; questions were also adapted to each participant according to their responses, ideas that they shared, and the way in which they communicated. The questions were asked in a more informal, conversational style, and terminology was adapted to better fit the Croatian language and participants. Prompts were used to help participants talk about aspects of phenomenon that they did not mention, which allowed the participants and the researcher “the opportunity to see familiar data in unfamiliar ways” (McCracken, 1988, p. 24).

## CHAPTER 4

### FINDINGS

This study's findings are based on interviews with 17 male and female participants between the ages of 28 and 64. Four participants are older than 50 and had previous working experience in the former Yugoslavia. All participants are employed at foreign-owned hotels in a Croatian city resort. Some participants work with foreign managers, and some work with local managers. Ivan (36) is an accountant with a college degree and five years of professional experience in tourism with the same company. Pero (32) works in public relations. He has a college degree and ten years of professional experience in tourism. He has been with the present company for the past three years. Matea (34) is a cook with a high school degree. She has 11 years of professional experience and has worked for her present employer for the last six years. Kristina (63) has a college degree. She is a cook, and has worked in tourism for the past ten years. She has worked for six years with the present company. Luka (39) has a college degree and has worked in tourism for ten years. He has worked in the purchasing department for nine years. Marija (32) who works in the MICE department has a college degree and nine years of professional experience in tourism. Mato (64) is a waiter with a high school degree. He has worked for the same company for 42 years. Doris (33) is a secretary with a college degree. She has worked in tourism for nine years and with her present employer for the last seven years. Ana (35) works in the MICE department. She has a college degree and ten years of professional experience in tourism. Anita (30) is a waitress and has a high school degree. She has five years of experience in the tourism industry. Vedran (28) has a high school degree. He has worked as an IT administrator for the past nine years. Nikola (39) is a reservation agent with a high school degree. He has worked in tourism for the past three years. Petra (59) is a waitress with a high school

degree. She has 35 years of experience in tourism, and for the last 30 years she has worked at the same hotel. Marko (38) has a high school degree and works as a waiter. He has worked for his present employer for the past two years after working as a waiter for several years at other places. Ivana (50) works in the human resource department. She has a college degree and has worked for the same company for 25 years. Jasna (38) has a college degree and has worked as a front desk supervisor and reservations supervisor for 10 years. Marica (54) has a high school degree and has worked as an assistant waitress for the last three years.

The interviews revealed that participants' sense-making of their relationships with foreign organizations for which they work are centered on the following major areas: employees' perceptions of their own progress in the organizations, and their perceptions of corporate values, local, and foreign management. The horizontal line of Figure 3-1 illustrates employees' perspectives of their own experiences in the organizations, starting with their initial expectations all the way through their ways of coping with situations and reasons why they continue their employment. The remaining sequences of their experiences are perceived as affected by corporate values and local and foreign managers. Figure 3-1 shows how employees' unfulfilled expectations, barriers to improvement, and commitment are affected by perceived corporate values and foreign and local managers' attitudes and behavior. The figure does not serve as a model; its purpose is to help understand relationship among themes.



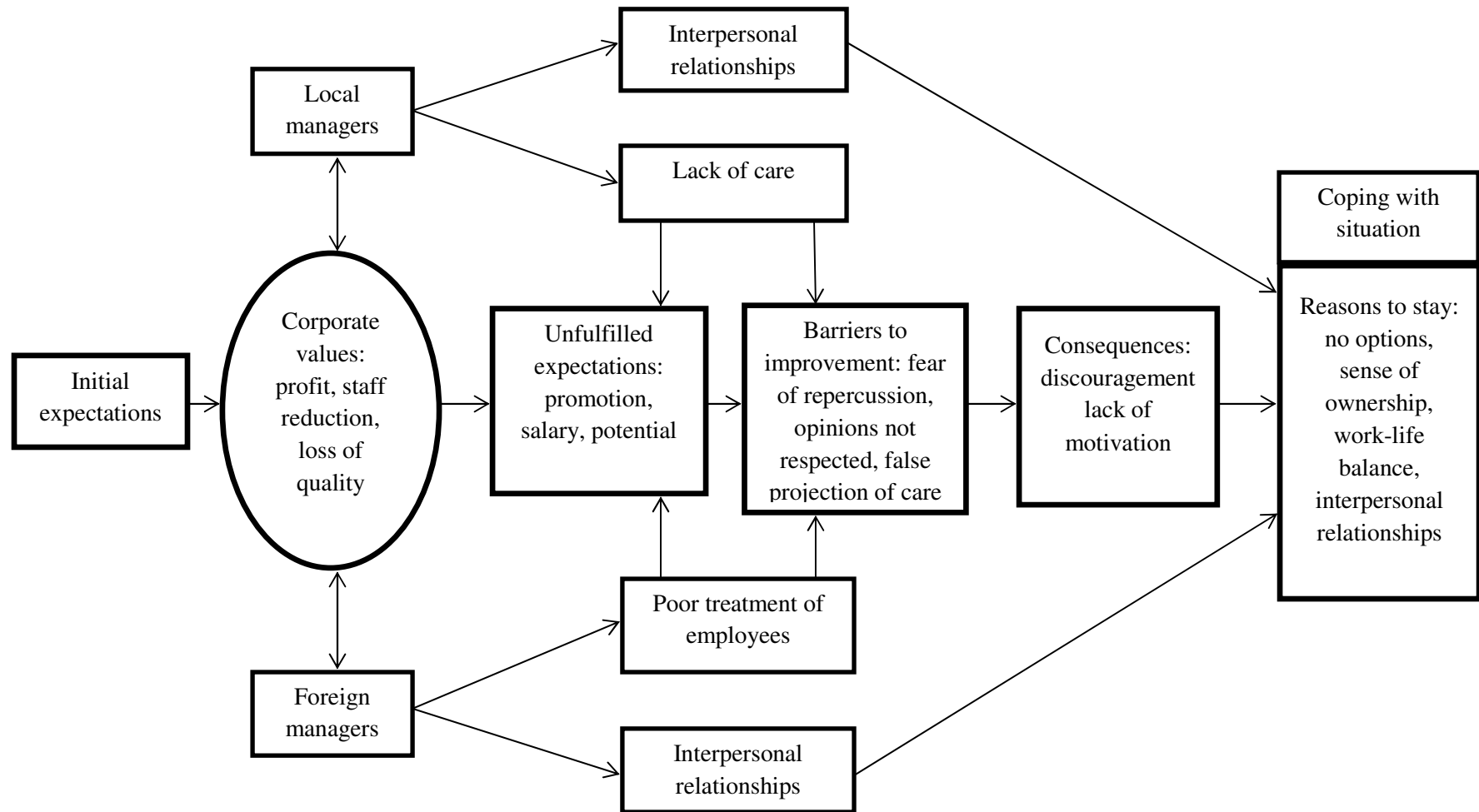


Figure 3-1. Employees' Perspectives of Employee-Organization Relationship

### **Employees' Progress in Organizations**

Participants' perceptions of their own path and progress since joining their organizations emerged as the central issue in interviews with participants who work in foreign-owned hotels managed by both local and foreign managers. Several important themes arose when describing their progress: initial expectations, unfulfilled expectations, barriers to improvement, consequences, coping with the situation, and reasons to stay.

#### *Initial expectations*

Participants' initial expectations were affected by their previous experiences and the hotel's reputation. People who had previously worked for small, family owned businesses and those who had positive previous experiences with international companies thought that bigger, foreign-owned companies offered greater benefits in terms of gaining knowledge and experience, opportunities for advancement, promotion, and greater financial benefits. Positive expectations are illustrated by the following participants' quotes:

I graduated from college. The company I worked at previously was a family owned firm. I knew their son would take over the business. There was no future there for me. I also worked for minimum wage. I was determined to leave. ... I really wanted to leave and wanted to work in a company in which I could advance and get promoted. I believed that he would recognize my qualities. They said it was going to be an excellent hotel, the best in the Mediterranean. I simply wanted to be a part of that team. I started speaking English more and working with foreign managers, started using the Internet more, so I was hoping that I would get a satisfactory position in that place and opportunity for promotion and progress. (Ivan, 36)

“It came to me that I could accept something new, to improve my knowledge, try something different. I was interested in seeing how things work in a large chain where everything was already in place.” (Pero, 32)

My motive was advancement, in terms of salary and position. I was also interested in seeing how meals get prepared in a hotel and teamwork. I ran away from a privately owned restaurant in order to avoid double shifts, and so I could advance, and hoping that my work would be valued. (Matea, 34)

“I accepted a job at this hotel because they had promised me a full time job (permanent). At the previous hotel I was employed as a seasonal worker, and they didn’t hire me full time as they had promised.” (Kristina, 63)

I worked at a locally owned private company and because they did not give me a raise, I decided I would quit that job. At that time salary was important to me, which is not the case today. Previously I had a similar experience in a similar hotel chain, and I thought I could be a good connection between what foreign managers want and what our local market has to offer. I knew what kind of system I was entering because of my previous experience. I thought, having that kind of experience and being at home at the same time, I could function in such an environment. But actually I didn’t know what I was getting into. (Luka, 39)

Over against participants who chose to apply for jobs at foreign-owned hotels were those participants who were already employed by foreign-owned hotels; these shared their fear when

properties were purchased by foreigners. Foreign owners did not have great reputations in terms of dealing with employees. Participants' fear of losing their jobs and experiencing decreased financial and other employment benefits is illustrated by what some of them shared in the following quotes:

We were not indifferent, because it seemed we were losing some sort of security. The fact is that foreigners didn't have a good reputation, at least not in our city. It was unpleasant because we didn't know what to expect. During the negotiations, we were anticipating something. The very fact that we were waiting for something to happen caused discomfort. We didn't know what we were waiting for. Was that restructuring or firing or information that everything would be all right? Decrease or increase of salary? We had no idea. That whole transfer was a big surprise because most of us had a certain perception because of how things worked when this owner purchased other hotels. They fired people and they had a really bad reputation. (Marija, 32)

"We were all afraid of losing our jobs and that our salaries won't be as they used to be." (Mato, 64)

When they announced it, I felt sorry, because what I heard of them was not great. People were afraid because we didn't know what to expect. We heard that people lost their jobs at other properties. Uncertainty. Our lawyer called several people to inform them they lost their jobs. They questioned every position, how many people were needed, and who exactly was needed. (Doris, 33)

In the case of ownership change, participants reported complete lack of official communication about the restructuring process, which contributed to stress and anxiety related to employment situations.

“It was all rumors. That is the worst communication because everyone adds something. There was no official announcement. We don’t get the most important information.” (Ana, 35)

“They did not say anything officially; there were rumors.” (Doris, 33)

### *Unfulfilled expectations*

As time progressed and after working for a period of time for foreign employers, participants describe their disillusionment and disappointment due to unfulfilled expectations. There are several barriers that employees who expected advancement and promotion have been experiencing. Some companies only hire foreigners for managerial positions, and the most local employees can expect is supervisory or middle management positions. Other companies may offer opportunities in other countries, but Croatian employees would have the same salaries and benefits as they do in Croatia. Consequently, Croatian employees could only transfer to Eastern European or Asian countries that have similar or even lower standards of living than Croatia, as they could not afford to live in Western European countries with Croatian salaries. The following quotes illustrate the way participants express their feelings of disillusionment:

Not many people would be able to cope with that feeling. I am aware that many people left as soon as they realized how management was appointed. I have an impression that I know more than managers do, and people around me see that. I think they will always have only foreign managers. I could possibly make more money, but I can’t get promoted to a higher position. I don’t care really about the job title. But that barrier bothers me. There is always hope that things will change, but no one can wait forever. There aren’t too many options for another job, and

then you would have to start all over again. So even though your job is very responsible and demanding, your job title does not reflect what you actually do; it is lower than your actual job, so when you apply for other jobs, you get eliminated. Maybe that's their strategy.... I don't know. (Ivan, 36)

“Even though they all saw that I was doing a great job, my supervisor didn't want me to be promoted and become a supervisor.” (Anita, 30)

In terms of advancement and promotion, financially for me it would only make sense to go to countries that are worse off than we are. I think I have reached my maximum position. I have been at the same level for nine years and that says it all. Financially we could only accept positions in Eastern Europe. I couldn't survive a week in London with my paycheck. I don't see myself in that kind of environment anymore. I don't need that. I don't need to go to Kazakhstan in order to harass someone there, and that's what comes next if I stay here. (Luka, 39)

Age, gender, and family are also described as barriers to promotion in foreign-owned companies. People with years of professional experience hope to get supervisory positions, but management prefers hiring younger people. Also, women who have families and children feel excluded from opportunities for advancement. Croatian law still allows parents to take paid time off when their children are ill. Due to their potential absences, managers are reluctant to invest in them and assign them more responsible duties. Here is how participants perceive their age, gender and family status being barriers to promotion:

Unfortunately, the older you are, the less significant you become. They all want young people, while in the old system you would get promoted as you were older. Here they say you are too old and there is no advancement for you. (Mato, 64)

“They only care that you are young.....around 30 years old.” (Kristina, 63)

The first thing they look at when deciding on promotion is if you are female, because you have to be available 24 hours a day. My boss immediately told me he could not count on me because I have children. (Matea, 34)

Another major area of unfulfilled expectations is salary. The following participants' statements illustrate how employees think they are not paid well enough for the demanding duties they perform:

“I've been here since 2007. I am the only one in this department whose salary has not increased a dime. Some got a raise several times. Unfortunately, not me.” (Kristina, 63)

“I expect them to reward my work financially. An employee is satisfied when he makes enough money to have a normal life.” (Mato, 64)

“It was like a slap in my face when they said they did not have money in their budget for me to take a course.” (Vedran, 28)

Even though it did not emerge as a theme across most interviews, the following participant's words vividly describe his dissatisfaction with his status in the company caused by managers' failure to show respect and recognize employees' knowledge, skills, and contribution to the company.

I don't like it, because they disrespect me as a person. They disrespect my knowledge. They disrespect everything. They don't realize the potential they have in terms of human resources. They have facilities. Every hotel has a room and has a TV, but what makes a difference is service, and service equals people. You have to motivate people and in this hotel they have failed miserably.

Acknowledgement would motivate me. Not in terms of money, but of respect. Maybe I value myself super high. I don't know. But from time to time they could ask what you think of this issue or that. They do not have to implement any of it. I would feel very, very, important. I would feel valued as a person. I am deeply disappointed because they don't value me. We as a nation, we are warm, we need that. We need to be acknowledged. You are not just a bellboy, you are a person, and I respect you. They just talk about it, but they don't do it. You have the potential, but you don't have the status. My potential is certainly not realized.

(Nikola, 39)

### *Barriers to improvement*

Whether participants talk about daily operations and interactions or the dissatisfaction with working conditions, they generally complain that they can't talk to the management. The following quotes show participants' fear of repercussion if they address issues openly:

I don't like when we pretend that problems don't exist, but whoever brings it up first, that person is in trouble. An employee can have a good idea, but because of things that happened in the past, it is better not to say anything. That is the path of least resistance. That manager liked me probably because I have not complained too much. Actually I have never complained. ... That is a game. If you address



things openly, you are in trouble. I didn't have the courage to say anything at that time. If I did, maybe they would not extend my contract. (Ivan, 36)

“Managers don't count overtime and they write false reports. Employees could prove they were cheated, but they don't do anything because they hope to get hired the following season again.”  
(Petra, 59)

I have no choice. If I complain, and if my job is in jeopardy, I have nowhere to go. So I am forced to be quiet and not to complain. I have no one to talk to about these issues, because if I would go talk to someone above my boss in the hierarchy, I'd only make my situation worse. He'd think: how did I dare to talk to someone other than him? The owner does not speak Croatian. So even if someone would interpret for me, the question is how well they would do it. Maybe no one would dare to translate what I say exactly. Everybody is afraid of losing their job. Maybe it all looks good from the outside, but things are really far away from being nice and good. (Kristina, 63)

My principle is: do as you are told, and your boss will be happy. I see that things work that way. Even if you'd want to talk to him, you see that you can't do it. That's why I've had no conflicts. (Matea, 34)

You couldn't tell him anything. He'd start yelling immediately. He either liked you or not. You could work as much as you wanted, it didn't make a difference. Guests recognized my professionalism, and they always wrote nice comments

about me in the guest book. But bosses didn't care about that. Your opinion didn't matter. If you didn't go with the crowd, they would have rejected you. (Anita, 30)

Besides barriers in addressing problems openly, participants generally perceive that their opinions and contributions are not considered and appreciated in daily operations. The following participants who work in different departments and positions all complained of lack of acknowledgment:

I don't expect not to be able to do my work because I have to participate in a "show" they call strategy creation, because it is only their way of control. So we have those meetings when we are most busy in the middle of summer season, and we talk about Santa Claus and the children's Christmas party. Totally absurd, surreal actually. But you have to be there, because they say that you co-create with them, so that later you can't say: you made a mistake. No, you were there with us when we co-created it. Later on you see that things were determined a long time ago, but you just have to sit there and share responsibility. They want to hear what I want to say if I am positive and agree with their ideas, no matter how stupid they are. (Luka, 39)

"You can say anything, but they don't listen to you. They have their own agenda. No one would want to listen to you." (Mato, 64)

I shared a plan with a manager. He listened to me and swept it under the carpet. He thinks I am just saying silly things. That's how I feel. I shared some of my

ideas during a workshop. My manager said that I embarrassed her. So what was the point of that workshop if we could not talk freely? (Nikola, 39)

Mainly as a result of their inability to communicate about their problems and opinions, participants are skeptical of management attempts at communication via employee surveys or meetings. Most participants perceive such communication attempts as false projections of care, and in the following statements they share that they do not see any positive changes or effects of communicating their perspectives and views.

They say stupid things in those meetings. I don't want to attend those employee meetings any more. I told them I didn't want to waste my time. They talk about irrelevant things, but the very essence of the problem they don't mention; for example, there are not enough employees, the work can't be properly done, and people are tired. (Petra, 59)

"They only do appraisals once a year. But that's just, let's do it for the sake of it. I don't see the point of doing it. How can I know that those surveys are anonymous?" (Nikola, 39)

Those surveys are too stupid for me, because they are useless. I said I wasn't going to fill out the questionnaire this year. There is no use in doing it. The results are awful, huge dissatisfaction. And then they say it will get better. They keep saying it for years, but it's only getting worse. Nothing has improved since 2007. (Kristina, 63)

“They did a presentation and said they wanted open and honest communication. He wanted employees to talk to him directly instead of gossiping, but that’s all just empty words. Profit, that’s what matters.” (Doris, 33)

### *Consequences*

Participants expressed their unhappiness with situations at work and loss of motivation resulting from unfulfilled expectations and unsuccessful attempts at improvement. For most of them, their job has become necessary only in order to survive; they have no joy or pride in what they do. Overall discouragement is illustrated by the following quotes:

I have been there for nine years, and I am almost proud of myself because I have endured the torture. I am tired of their version of reality. It is hard to say who is right. Americans may say that I sound like a socialist, but there is something called a path of least resistance, and most foreign managers don’t get that. I never thought I’d work in the hotel industry, but what else can you do here? Maybe I could be accomplished here, but in that case I would have to take half of my brain out. That would mean accepting rules and not questioning anything. I’d have to accept rules of the game, and on the outside look like a successful, satisfied person with a relatively good quality of life. (Luka, 39)

The fact that we have such a general manager creates lethargy. After the previous manager left we were all disappointed. You don’t feel like working because you are angry when you see what is going on, when you see that the hotel is in chaos. I don’t feel motivated, big frustration that enters your subjective life. You wonder where you are in your career; you have the potential, but you don’t have the status. My potential is not realized. I feel frustrated about that. ... I don’t care

anymore. Money does not motivate me; I am looking for respect and status....for someone to acknowledge my opinion. I've lost enthusiasm...too bad. I love this hotel. (Nikola, 39)

Every day is the same, every month, every year, there's no difference. It's good that I wasn't fired so I still have a job, but I've never experienced anything good. You work because you are paid to do your job. You're not paid as much as you work, but you are happy that you receive your paycheck. (Mato, 64)

They opened bank accounts for us with another bank and sent our paychecks there, but they did not inform us. I had no idea of what they did. I was shocked. I was really angry then. I was angry and crying, because I was upset that it happened. Then I decided I didn't want a conflict with the manager. Would it make sense to have a conflict at the very beginning? (Petra, 59)

I try not to think about that, because if I think about that, it would ruin me, and I won't be able to make it till retirement, and that is my goal. Last year I was very, very, sick. I couldn't work for three months. They said that I didn't want to work, and they threatened to fire me. (Kristina, 63)

Whatever I was imagining that I'd find here... even though I have family and children, I want to give myself to something I enjoy doing. I ran away from a privately owned restaurant in order to avoid double shifts, hoping my work would be appreciated. Now you have to work 24 hours a day; they don't care if you have

children. I go to work because I have to, not because I enjoy that. You do the best you can and that's it. (Matea, 34)

*Coping with situation – interpersonal relationships*

In general, participants refer to the relationships with their colleagues and bosses as a form of counterbalance to their overall dissatisfaction at work. High importance is ascribed to interpersonal relationships, as they assist co-workers in dealing with the consequences of unfulfilled expectations within their present reality. Here is how participants express the significance of relationships in the workplace:

“I don't know what keeps me here... interaction with some people.” (Nikola, 39)

“Relationships with my colleagues are good, and that's priority.” (Doris, 33)

“Our restaurant supervisor is a great man. We often feel at home. We tell jokes with our bosses. Our team and normal people who you can work with matter.” (Marko, 38)

In the old times my colleagues and I would get together for the New Year or something and we would tell jokes with a bottle of whiskey. We used to celebrate each other's birthdays with cakes and wine, but not anymore. Alcohol consumption is forbidden for employees. (Mato, 64)

“Employees know nothing unless supervisors tell them. I have good relationships with my bosses, so they tell me what is going on. They are all young; they could be my sons. They respect me. ” (Petra, 59)

I see things differently, because I can ask the manager, so I know what is going on. So I see it differently than someone who has to go to his supervisor first, and then the supervisor talks to the manager. That's different, you know. (Doris, 33)

While most participants describe relationships with their colleagues as a source of strength and balance, the words from the following participant illustrate his understanding of the necessity of motivating other employees.

I know all employees by their name. I like to tell them jokes and make funny speeches. I really try to motivate them, especially those whose jobs are not easy at all. I feel sorry for them; I want to encourage them. I'd help them any way I can.  
(Ivan, 36)

#### *Reasons to stay*

In general, due to unfulfilled expectations and barriers to improvement participants want to change jobs, but for the most part they think that there are no other opportunities for them. Even though none of the participants reported actively looking for other jobs, most thought it would be very hard to find another position. Reasons why participants stay with their companies can be divided into three categories: lack of opportunities, a sense of ownership, and work-life balance. The following quotes first illustrate participants' perceptions of lack of opportunities: "If I could find another job, I would have left a long time ago. I don't know what keeps me here." (Nikola, 39)

I feel extremely bad, cheated, and miserable. I can't even describe it. But I made the decision. I have to make it till retirement at any cost. Let's be honest, I don't have a choice. I am not 20 years old, and I can't go around looking for jobs.

Working here is a disaster, but I don't have a choice. Not many people can endure that. (Kristina, 63)

"I see myself here only for a short period of time, until I find something better. It is hard to get a full time job here. You can't work as a waiter all your life, that's hard work." (Marko, 38)

"Nothing motivates me. You work because you have to make a living. Nothing motivates me here anymore. If I find a better job, I'll leave without thinking twice." (Matea, 34)

An example at the opposite end is illustrated by a young man who is very much aware of his own knowledge and skills, giving him confidence that he can find another job.

My salary does not match my work. I am not satisfied anymore, it's not fulfilling. We are all here because of money, after all. I'll work for them only until I am able to start my own business. They recognized my abilities, so they gave me too much work to do. I did three jobs for one salary. Then I saw it didn't make sense. It took me time to realize that there is so much more than this hotel. Then I became aware of my own value and worth. So money is the only thing that keeps me here, nothing else. I will do only as much as they require of me. If the situation was different, I'd be more creative, but because they don't respect that, nothing motivates me to do better. Why would I give them something for free? Nothing is free today, unfortunately. (Vedran, 28)

Another major reason why participants continue to work in certain companies is because they experience them as their own firms or households. Participants' strong sense of ownership and pride in their work is clear from their attachment to the business and their sense of responsibility. The first two quotes come from participants who have spent many years working at the same



hotel and will continue to work there until they retire. The following quotes show that dissatisfaction with the current situation does not prevent them from giving their best at work.

Young people care about how much money they will make, and I care about guest satisfaction. This has been my house my entire life. I am satisfied if a guest is satisfied. So this has been my house from the beginning, and it is sacred for me.

(Mato, 64)

“When I come to work, I feel like I am in my own kitchen, and I do everything as I would do in my own house.” (Petra, 59)

I’ve been here from the beginning. I’ve felt as if it was my own, I’ve always acted as if this project was my own. Since I’ve been here from the very beginning, I’ve always wanted this hotel to be the best possible. I’d rather buy something that would improve this property instead of buying expensive pens or expensive cars for managers or have the fanciest computers. It’s better to invest in something that will last. If a guest would say that we have treated him badly, I’d take it personally. (Ivan, 36)

Participants who generally did not express dissatisfaction with their jobs emphasized their need for a balanced life. Their job is not their priority, and they are happy where they are in the hierarchy, because their responsibilities and work load allow them enough time for families and other things in life; they do not want changes. Two quit their jobs working with foreign managers, and one even accepted a lower position with less responsibility and work load. Here is how participants express their need for work-life balance:

I am not ambitious to become a manager or something. For my education level and my ambition, what I have is enough; I am completely satisfied. When I go home, I don't take my work with me. It absolutely doesn't bother me. (Ivana, 50)

“My ambition is not to become a general manager. I am satisfied, and I am aware of my abilities and limitations. I have a child, and I intend to have more children.” (Marija, 32)

This job is much easier. I can go to the beach after work and can get there around 3:30 or 4:00 p.m. The key to happiness is that this job is great for my personal realization, but my real life is my family and friends. During a certain period of time, my job meant everything, but when I would come home I couldn't understand what my child was telling me. This is not my life. I don't live for this job. Probably that's why I think so nicely about this hotel. (Jasna, 38)

I don't want to get promoted in this company. I'm not interested in meetings. I'm interested in practical things. I work 40 hours a week. No matter how much I work this month, my salary is the same. I am happy because I don't work on weekends and holidays, and I had to do that in the past. I am aware that it is hard to achieve in the tourism industry, so I've taken most of what I could take from here. (Vedran, 28)

Participants who desire to balance work and family life emphasize the importance of relationships with their colleagues and supervisors which create a pleasant atmosphere and allow them to share responsibility at work. Those participants refer only to their local managers. Since

these participants do not strive for promotion, satisfaction with interpersonal relationships helps them create stronger ties with their organizations. The following quotes illustrate the importance of relationships in the workplace:

My colleagues and the team that I work with make me happy. That's not an empty story. Our manager is very nice, but he is also very smart and capable. It is very easy to communicate with him. When I am on vacation, I know that my colleagues will do my part of the work and won't call me at home. That's how we function. That's what motivates me. I meet with my colleagues even outside of work, but we don't necessarily talk about work. (Ivana, 50)

I used to think that a salary can motivate me, but it is important to have Saturday and Sunday off, and the environment where you spend 40 hours a week, that is very important. Your work, colleagues, atmosphere.....there is no money that can compensate for that. (Ana, 35)

"My manager cares about me. The owner doesn't even know that I exist." (Jasna, 38)

We always make arrangements with our boss. It has nothing to do with the owner. We can make arrangements about working hours. I have a child, and I want to work from eight till four, while some others prefer to start at 10. Flexibility is very important to me. (Marija, 32)

### **Perceived Corporate Values**

The second major theme that arose is participants' perception of corporate values as having a direct impact on their progress in their companies. Perceived corporate values include

profit, staff reduction, and loss of quality. Participants' belief that profit is the primary corporate value is clearly seen in the following statement:

Managers and employees usually have two-year contracts; they rarely stay longer.

Earlier, there was one chef who worked for 30 years. In the past 20 years there have been six different chefs. I don't think that is good for the company, but it is their policy. Trust me, all they care for is profit. They only know profit. (Mato, 64)

"They only care about profit, but they don't care how that is going to happen." (Doris, 33)

I understood that this foreign owner is only interested in profit. The financial manager thinks only about profit. He wants to modify and reduce certain products and services, because there are not enough resources. At the same time he wants additional benefits for the guests. (Vedran, 28)

"It's all about numbers. Managers who come here are numbers, and we are numbers." (Ana, 35)

Our first foreign general manager put everything in order. Order is the key word.

He was horrible in terms of discipline. He cut the budget so much that we would get 40 sheets of paper to use. Those were not the normal working conditions.

Then all of a sudden he stopped giving our paychecks. (Jasna, 38)

In attempts to maximize profit, managers are often forced to cut costs, and most of the time that means hiring less people. Employees complain that they have too much work and that their job can't be properly done when there is not a sufficient number of employees. Here is how

participants express their perceptions of consequences of not having enough people to get the job properly done:

They fired some people in order to have a smaller number of employees. They don't think that three waiters should serve 20 guests like it used to be. Now one person serves 40 guests. I don't think that is good, because one person can't achieve the same quality of work as three persons can. (Mato, 64)

"They count every hour that we work. They always ask why there are so many employees. They'd rather have only two employees in the entire hotel." (Doris, 33)

I told him this was a slavery system. They look for all possible ways to save money on employees. Employees are an expense. I think that's wrong. A person can't be an expense, because you need him. You can't do it without him. Managers try to lower the costs wherever possible in order to increase profit and get their bonus. Then they expect employees to smile and be kind. But if you don't have the quality of life because you are not paid enough, you can't be happy and satisfied, and guests can sense that. (Vedran, 28)

"They cut the work force in half. We work ourselves to death in the summer. They try to save money on everything. They cut everything. They fired people and didn't hire new ones." (Matea, 34)

The atmosphere is very tight. There is no freedom any more. Now you are afraid that someone will see you if you take a five minute break and will tell the general manager that you don't work. They constantly keep their eye on you, hoping you'll make a mistake so they can get rid of you. (Matea, 34)

"We always lack employees at the end of the season. They fire people, so that's not good. Two persons do what five persons should be doing." (Marko, 38)

That manager introduced some of his own criteria. He came to a conclusion that this hotel could work with 70 people. Housekeeping personnel can clean 20 rooms, and she can spend six minutes in each room. She can't do it in six minutes. (Ivan, 36)

As a result of being profit-oriented and cutting costs wherever possible, employees complain that the quality of their product and service is significantly decreased compared to what should be offered at five-star hotels. The following quotes illustrate participants' perceptions that quality is compromised at the expense of profit:

"Standards are much lower than what is expected at a five-star hotel. They do not allow enough money for maintenance. They invest little, and the property is already old." (Doris, 33)

"Here they are not concerned with quality; they just want things to be done. I don't think that's the best approach, but I personally think that the hospitality level now is very close to zero." (Mato, 64)

Since he came, every hotel that used to be a five-star hotel is now four in terms of quality. They want it all cheap. They look at the price of products, not quality. If

they want to keep it as a five-star hotel, it's not going to work this way. (Matea, 34)

### *The role of local managers*

Participants discuss the role of local managers. While there is a certain expectation that local managers will serve as a bridge between local employees and foreign owners, local managers are mostly perceived as supporters of corporate values intent on serving only the companies' interests. The following quotes illustrate participants' experience of local managers as being concerned with their own status and benefits, often at the expense of employees:

There have been some reasons for dissatisfaction, because local managers did as they wanted, so employees were not happy with what those managers did. The owner probably didn't know what was going on; they were working behind his back. Except our chef, all managers are local. The general manager has no power; he is actually afraid. He is here only to threaten employees, but otherwise he can't do anything. Even if an employee would ask a manager to do something for him, that manager would promise everything, but he wouldn't do anything about it, because he is afraid of losing his job. (Mato, 64)

Managers know everything that's going on. Because they are local, they understand our language and listen to what people speak. But they only tell the owner what they want. They don't care about employees' interests but just threaten employees. Employees need their jobs, so they shut up and do as they are told. Hotel property has limited capacity. So the manager cuts costs wherever possible in order to maximize profit, so that he will get his bonus. He's concerned with his own benefits at the expense of the rest of us. (Vedran, 28)

One can notice that people are uneducated and frustrated, very shallow. Especially bosses, it all comes from bosses. They immediately attempt to humiliate you. I told my boss that someone tried to harass me, but he laughed at it. He didn't take it seriously. The general manager also knew about it. They have their spies. She knew everything about that man. But she didn't want to fire him, because it wasn't in the company's interest. She issued a warning, but that's nothing. (Anita, 30)

### **Perceptions of Foreign Managers**

The final major aspect of participants' sense-making of their relationships with the organizations for which they work is their perception of foreign managers. The following themes emerged from the interviews: understanding and appreciation of the local environment and culture, values, financial advantage, treatment of employees, lack of trust, integrity/corruption, skills and expertise, Eastern vs. Western managers, adaptation to the local environment, and interpersonal relationships.

#### *Lack of understanding and appreciation of local environment and culture*

Local employees report that foreign managers often base their understanding of the Croatian environment on their previous experiences in countries and larger cities with different cultures, economic standards, and infrastructures. As a result, managers apply leadership styles and behavior they are familiar with, expecting local employees to behave similarly to employees in other countries, often without recognizing how local conditions affect work styles and business objectives. Employees resent the fact that managers often fail to appreciate and preserve local culture, which is especially relevant in a traditional society such as Croatia. The following



quotes illustrate how participants experience foreign managers' lack of understanding regarding local conditions:

Those foreign managers couldn't possibly understand that the hotel can't be fully occupied in winter. They simply did not understand that, because most of them came from big cities. That general manager was from Western Europe; he has worked in totally different cities, and then he came to our small place. Once he could not travel as the airport was closed because of bad weather. Then they realized that we were not lazy and didn't want to do our job, but there were some objective obstacles. (Marija, 32)

"This is not Tokyo where you can get everything any time during day and night." (Luka, 39)

A few times our bosses have told us that people in their country wait in front of the door for someone to leave their job so they might get it, and that employees there are very satisfied. Then I told them that we were in Croatia. And we should not replicate things to Croatia, because this was Croatian territory; this is not their embassy in order for us to apply their rules. If people in their country are very satisfied, why did you come here in the first place? Why don't you just return there? (Kristina, 63)

"They are clueless. They "google" it, but they have no idea how things work here, how to get and maintain partners." (Marija, 32)

You can tell the difference between a manager who is outside his country for the first time and the one who has worked on several projects. The one who has just arrived has a hard time accepting certain things. He wants to do it all his way. He does not care about legal requirements. He says: f... Croatian law, who cares! It is hard to break through that. (Ivan, 36)

“They have their own way of doing things, and those are not applicable here.” (Petra, 59)

“He had a fight with the mayor. What school of management taught him that? He knew nothing about human relations.” (Jasna, 38)

“They have their own ideas..... I don’t know, like in their country people get two weeks off a year. They’d want to implement that, but they won’t because they have to do according to Croatian law.” (Doris, 33)

Some of them thought that Croatia was one of the former Soviet Union states and that they could live like a sultan with 100 dollars. When he saw there were no prostitutes here, and he could not live as a sultan with 100 dollars, he left. (Ivan, 36)

Participants think that lack of respect for local culture is reflected in the way foreign managers approach business and that local culture is especially important in the hospitality and tourism industry. One of them also noted that his manager regarded the hotel brand as more important than the destination, which isn’t easily accepted by Croatian people who are very proud of their homeland.

I may be regressive, but I don’t see how a hotel brand can be more important than a destination, especially when it is our city. Guests who come here, they come

because of brand, not because of destination. So if you love your city or country, it is better for you to work for this company somewhere else because it is painful to watch people who value hotel brand more than a destination. They claim to support our culture, but how come we have never had a local chef? We have never had a local general manager. (Luka, 39)

That is not our Mediterranean cuisine anymore. Now they do like in other countries. They put “make-up” on a plate, but there is nothing to eat. Many guests have told us they have it everywhere in the world, and they came to eat something local. Our chef is a foreigner. He forces that, and that’s what we do. (Mato, 64)

The system that I serve is like a parasite feeding on the culture that it finds here and sells it in their brochures. That is what I look for in every foreigner: is he or she sensible enough to understand the culture to which they came, and what they do in that culture? They are mostly brainwashed, so they believe that they have helped us a lot. They don’t think that it would probably be better to leave the 19th century tiles on the terrace instead of replacing them with new ones. (Luka, 39)

#### *Values and career obsession*

Managers coming from other countries are described as people with very different values and life styles than Croatian employees. Employees experience managers as being career obsessed and interested in making money, concerned primarily about their own immediate benefit. Managers do not seem to be interested in long-term investment or dedication to hotels in Croatia, as their careers usually progress from one destination to another. The following quotes show participants’ interpretation of foreign managers’ values:

I don't know whether those are cultural differences; those are simply two separate worlds. There is someone who goes to Tokyo, Bali, New York, then to Croatia. He is crazy, works 20 hours a day...a perfect chef who knows everything and is always overpaid. Then there is someone who lives here, comes to work as a normal man, and goes home as a gentleman; he does not want to go to Tokyo, New York, or Bali. People who grew up in two different systems. Both great chefs, but each one in his own unique way. (Luka, 39)

“Self-promotion.....that's what matters to them. Self-promotion and self-promotion. I asked one of them if he was happy here. He said no. They do not want to come to Croatia because of their families.” (Nikola, 39)

The financial manager is not familiar with the system. He does not understand how things work. I gave him advice when he asked for it, but it did not mean anything to him. He listens, but then he just does what he wants. Profit is his only concern. (Vedran, 28)

Foreign managers are problematic. They have their own agenda and are only concerned about today, not about tomorrow. They are only concerned about their immediate benefits. They all make way more money than local people, and they are aware they will go to another location in two or three years, whenever they find a better opportunity. (Ivan, 36)

It is very interesting to ask why foreign managers travel the world from one job to another. They are programmed to make an impression that it was their choice, that

they built their own career, and it is normal for them to travel, gain experience, and make money. They present it as their own choice, which is a source of their authority. He must make an impression that he is here by his own will. If people sense that he was forced to be here, he wouldn't be able to work here any longer. Another reality check happened when I told our general manager that we were all slaves: me, people who work in the kitchen, and housekeeping, including her. I think she was shocked. (Luka, 39)

### *Financial advantage*

Besides the fact that the foreign managers lack knowledge of local culture and are career oriented, the difference or gap between foreign managers and local employees is further widened due to the fact that managers' financial and material status are far above the locals'. Participants perceive that this financial gap prevents foreign managers from gaining deeper insight into locals' living conditions and circumstances.

That makes me logically conclude that our passports determine our salaries, because a foreigner is paid many times more than the local for the same position. Many, many times more, it is ridiculous to even talk about the differences. They don't know the reality of local community when they make 50 times more money. (Luka, 39)

He respected me, but he has never rewarded me financially. He does not have a good sense of money, probably because he is paid too much. The difference between managers' and our salaries is enormous, so they don't understand that. (Ivan, 36)

### *Treatment of employees*

On top of cultural and financial differences, local employees generally think that foreign managers do not treat them in a dignified manner. They report verbally abusive behavior from managers and share about managers who often fail to show respect toward employees' work as well as their personal and professional needs as it is illustrated by the following participants' statements:

We had a fight with him the very first day there. We just had to confront him at certain moments. We got up and left. He realized he could not treat us that way, because he did not know this place. We were afraid, of course, but we realized he could not afford to lose six people at once. We wanted him to respect us because we were not slaves. (Marija, 32)

"The chef is a temperamental guy who abuses, yells, humiliates, curses, throws pots, physically assaults people.....a man with the "Napoleon complex." He is a brilliant chef but absolutely insane." (Luka, 39)

That manager, I guess, in order to function needs to humiliate someone in front of others. He told me that I could be easily replaced by someone from India. My understanding of him is that when you talk to him you should feel miserable, happy that you work for him, and humble at the same time. (Vedran, 28)

"I think he is afraid of everything. He is too scared to protect employees. He'd rather allow an employee to get in trouble instead of himself." (Kristina, 63)

There is co-dependency. They hired you, they give you immunity from the outside world, especially in times of financial crisis. I feel privileged because I don't have major problems. So on the other hand, they depend on you in a certain way. Actually, that is an illusion. I don't think they depend on the local labor force. Everyone can be replaced. They can easily start bringing in foreign employees. (Luka, 39)

“Everyone was afraid of that general manager. That was terrorism. Once I cried because of him. I thought: I don't need this. I'll quit working here.”(Nikola, 39)

#### *Lack of trust*

All of the above mentioned differences add to furthering of social distance and lack of trust. Foreign managers are often perceived as skeptical, reluctant, and unwilling to take employees' suggestions. Even the fact that most managers come from other countries is experienced as a lack of trust toward local management. Employees think that managers lack confidence in their knowledge and skills. As a result, communication, knowledge transfer, and cooperation are hindered. Employees see managers as creating barriers, not valuing their contribution, knowledge, and insights. Several participants shared their impression that foreign managers do not trust them.

Foreign managers are very skeptical about everything, any suggestion we make about how to improve something. They are afraid of losing their job. They see you as a threat. If I suggest something, they think I may want their position or have a hidden agenda. It is very hard to deal with it. If they speak in their own language to one another, we don't understand them, and that is very rude. It creates suspicion. You don't know what they talk about. They mix their private

lives with business, so it all depends on their mood. That is a very negative characteristic. They are all afraid of the owner. They are all too afraid to say what they really think. Some managers think they know everything. That is how they present themselves. They constantly hide what they don't know. They hire foreigners as general managers, because they believe they are better than locals. (Nikola, 39)

“The owner is not in Croatia. He showed distrust toward our people by hiring foreign managers for key positions.” (Petra, 59)

They are skeptical, and they don't want to take advice. They don't trust our good intentions. That is my objection to foreign managers. They take personally every idea or advice or correction. They take it as an attack to their ego. It is best to help them see for themselves what you wanted them to see in the first place. That is a process; they won't get it immediately. It takes time. Sometimes it takes them even two years to see that you did not have any bad intentions. But then we have a problem of management turnover. This one finally learns something, and then he leaves, and another one comes. Then you have to do it all over again. Then this new one thinks he is the smartest person in the world. Foreign managers don't want to accept and admit reality. (Ivan, 36)

### *Integrity*

In some cases local employees perceive foreign managers as lacking integrity, and they question managers' ethical behavior in terms of taking advantage of their positions and not



paying all employees' benefits. Here is how participants describe some foreign managers' questionable ethical practices:

When they would first come here, they seemed ok, but then they would abuse their position and start cheating and stealing. Then they accused us and said we did not understand them, that it was us who didn't want to cooperate, and it was very hard for them. So the owner trusted more those incapable people who destroyed his reputation and property and made a huge damage. (Petra, 59)

There is no help, they all know it, but they don't care. There is no justice. They don't pay us for all our hours. They steal from us. They don't care about quality. They let good people go, but they don't care. Bastards. (Marko, 38)

### *Skills and expertise*

Not only do employees think that some foreign managers act unethically, but they also question their managers' abilities and skills. Based on their observations of managers' behavior, employees do not regard managers as highly qualified and knowledgeable. The following quotes illustrate participants' observations of foreign managers' professional skills:

Those people know their job, they worked around the world, but probably they are not extraordinary chefs, because if they were, they wouldn't end up here. They do their best to prove themselves, but there are not many who have managed that. There was a chef who said he had cooked for a queen, but here he did not prove himself as someone special. They are not like our people who have it all in their heads. This guy has to take it from the computer. He does not do anything because he does not know how. They respect us because they know they could not succeed without us. If I don't do my job, he is ruined. They respect us more

than we respect them. Young people tell them to return where they came from.

(Mato, 64)

I think they are here only because of money. Half of them don't even know their product. Our general manager doesn't know how he sees this hotel in five years from now. They have no clue. I am surrounded by fools. They don't know how to introduce themselves, and yet they make enormous amounts of money. (Nikola, 39)

"They have management meetings all the time. They love meetings. He wants a meeting in the morning, then a meeting in the afternoon where one person talks and others are supposed to listen. That is a waste of time." (Ivan, 36)

They don't know how to work, they really don't. Our chef doesn't know how to work, he wastes time and ruins so much food. No one is responsible. There is no accountability. There is no control. He is one of them so they trust him. (Petra, 59)

Those managers are sloppy, irresponsible. They say one thing today, tomorrow they change their minds. They change their mind all the time. They don't take care of the restaurant. They change light bulbs in front of guests. They try to save money on stupid things. They are not too strict, but they are sloppy. (Marko, 38)

### *Eastern vs. Western managers*

Employees who have had the opportunity to work with both Eastern and Western European managers observe professional and personal differences among them. Western

managers are perceived as more professional, while managers from transitioning countries seem to still struggle to get past a socialist reputation and stereotype of not being “good enough” in comparison to Westerners. On the other hand, Eastern managers are easier to form relationships with, both at work and outside of work, especially when there is an overlap of cultural values.

The following quotes show participants’ different perceptions of Western and Eastern managers:

That man from a former socialist country, he did not treat us well because he came with the “winners,” and he made decisions about our destinies. What happened to him several years earlier, he wanted to do the same thing to us. He decided we should be paid like in Bucharest, but we worked as in the Netherlands. They probably think that we are inferior, so if they allow us to have an extra day off we would probably start a revolution or third world war. I sense huge distrust, but more from Eastern European managers than from Western European managers. I have never had problems with my time off when my boss was Western, but there are always problems with bosses from Eastern Europe. They probably feel inferior compared to managers from the West, so they have to work twice as hard to get rid of stigmas or stereotypes about people from socialist countries who don’t work hard or are not capable. They try too hard. (Luka, 39)

Westerners are rather cold. With Easterners you can talk about everything, while with Westerners, if you mention their soccer team, that is the maximum of what you can expect to talk about that is not related to business. With the other guys you can comment on everything. Maybe they are closer to our mentality. As far as business is concerned, Westerners are total professionals, no complaints about that. Work is their priority. (Ivan, 36)

### *Adaptation to local environment*

In some cases, foreign managers have been able to adapt to the local environment in a more meaningful and long-term way, especially if they create personal relationships and begin to appreciate and accept the local lifestyle. Others succeed in recognizing the value of establishing personal and professional contacts which are important for the success of their businesses, which is evident from the following participants' observations:

Some of those foreign managers partly adapted to local conditions. Most of them would want to return here because it is easier to work in a relaxed atmosphere.

Some of them fell in love with someone here. Most of them want this kind of environment personally and professionally, which is less stressful, and where it is not all about materialism. (Marija, 32)

“That manager created unbelievable connections with the local community. He knew the right people. He did great PR for the hotel. He wasn't all about numbers.” (Jasna, 38)

### *Interpersonal relationships*

While the following example is an isolated case, it well illustrates how the creation of interpersonal relationships with foreign managers contributes to individuals' satisfaction with their work and organization. Those relationships were created when foreign managers first arrived in Croatia and started working on a new project, acknowledging their dependence on local employees' knowledge of the local environment to do so. As a consequence of a quality relationship, this participant felt morally obligated to put much effort into the business and stay committed.

We would tell jokes, talk about sports. When they had lunch, they would always invite me. Whatever they bought for themselves, food or drink, they shared with

me. They never let me watch them eat. They shared everything. That felt great. I've had good relationships with those two managers. With one of them I still keep in touch. He calls, asks what is going on here. We used to go out together. He studied Croatian history, and he learned Croatian. They were really great people. If I lived 17 lives, I don't think I could meet people like them again. They were exceptions. He was totally happy when I came back. He told the financial director that he should definitely keep me there because I could do many things. I realized that he also cared. (Ivan, 36)

The findings illustrate that participants' sense-making of their relationships with foreign organizations include their perspectives of their own situation within the company as affected by external factors including corporate values and local and foreign management.

The findings show diversity of context. Some participants have experiences in culturally different contexts where they interact with foreign managers, while some participants work in culturally similar contexts with only local managers. However, there are no considerable differences in terms of overall participants' experiences of their relationships with the organizations, except that experiences of participants who work in culturally different contexts are additionally affected by their perceptions of foreign managers. Unfulfilled expectations and attempts to cope with less than satisfactory workplace situations are found in both contexts. Participants generally think of their own position and progress within the organization as consequences of perceived negative corporate culture and management in both culturally different and culturally similar contexts.

## CHAPTER 5

### DISCUSSION

#### *Expectations and perceived fulfillment*

This study provides in-depth insights into participants' experiences and perspectives of the state of relationships between local employees and foreign-owned organizations in a transitioning society. Employees interact on a daily basis with their organizations, investing their education, knowledge, time, effort, and energy for long periods of time. It has been indicated in previous research that due to the investment and needs, perceptions of fulfillment of needs and expectations reflect the state of a relationship which has a profound impact on employees' social, economic, and psychological well-being (Ledingham, 2003). This study's findings suggest that unfulfilled expectations and needs form the core of participants' experiences. Participants' overall experiences reveal dissatisfaction or unfavorable feelings toward their organizations as a result of unrealized positive expectations. Satisfaction has been identified in prior literature as one of the core relationship dimensions (Hon & Grunig, 1999).

Participants in the present study initially expected to receive promotions and financial benefits, as well as the opportunity to gain knowledge and recognition, but these have all been unfulfilled. Central to employee-organization relationships are psychological contracts which sum up employees' beliefs and perceptions of obligations between employees and their organizations (Morrison & Robinson, 1997). Unfulfilled expectations can lead to psychological contract violation when employees perceive that the organization has not delivered expected financial obligations and support. Affective and emotional components of contract violation include disappointment, frustration, anger, and even lowered self-esteem, as employees realize that they have not received the expected benefits. Interpretation is central to violation as it is derived from the meaning employees attach to unexpected circumstances and their attempts to

make sense of negative outcomes (Morrison & Robinson, 1997). Participants in the present study almost unanimously perceive that profit was the main corporate value; this emphasis on profit came at the expense of employees' well-being and the very quality of the corporation, suggesting employees' belief that their organizations deliberately fail to deliver on their promises.

Participants' fear of repercussion prevents them from expressing their discontent and discussing problems, which is consistent with previous research that indicates that fear of repercussion is a reflection of power asymmetry in relationships within their organizations. In most cases power asymmetry is caused by employees' lack of power in relationships which stems from their relative inability to switch to another organization (Morrison & Robinson, 1997). Power imbalance and the ability to influence another party refer to relationship control mutuality (Hon & Grunig, 1999). This study's findings show that power asymmetry is also reflected in participants' impression that they have no voice in decision-making and their contribution is not valued. Employees' fear of repercussion and avoidance of addressing issues with management could possibly be attributed to high power distance and uncertainty avoidance, which other studies suggest are still found in Eastern European countries (Bakacsi et al., 2002).

Scholarship on psychological contract violation indicates that perceptions and expectations are affected by previous experiences of the parties involved in a relationship, which is well illustrated by employees and management having different cultural, social, and professional backgrounds. The greater the difference in prior experiences, the greater also will be the incongruence or the difference between the employees' and organizations' perceptions of promises. Distinctiveness of employees' prior professional experiences and cultural background causes them to interpret situations through the lens of the social contract, which includes assumptions and norms governing employee-organization relationships (Morrison & Robinson, 1997). In the present study, some local employees' assumptions include promotion regardless of

national origin and age and organizations' care for their development, family status, and personal needs, e.g. mothers with children or absence due to health issues. At the same time, participants expect recognition and appreciation of their contributions. Such appreciation can cultivate what in scholarship on organizational behavior has been identified as perceived organizational support (Rhoades & Eisenberger, 2002). Employees' perception that their efforts are valued by an organization and that the organization is concerned with their well-being are based on perceived fairness, supervisor support, organizational rewards, and favorable job conditions. Participants in the present study have described a number of situations in which they were not supported by their supervisors, and it has been suggested in prior literature that employees' identification of their supervisors with the organization directly affects perceived organizational support (Rhoades & Eisenberger, 2002). When participants do not think their organizations provide needed and appropriate support, managers' attempts at two-way communication are not sufficient to make things right. Previous studies have found that employees are concerned with organizational behavior towards them, and communication alone is unable to sustain the quality employee-organization relationship if communication is not supported by adequate and fair management behavior (Kim, 2007).

Because of psychological contract violation and feelings of being caught in seemingly unchangeable circumstances, employees try to make sense of negative situations (Morrison & Robinson, 1997). At that point it becomes very important to find positive aspects of their employment. In the midst of disappointment and frustration, participants in this study describe their maintaining of interpersonal relationships at work as a way of dealing with hard situations and providing a source of satisfaction. These findings are consistent with previous research in which a positive correlation was found between the degree of satisfaction of employees in the hospitality industry and their trust in managers and/or supervisors (Gill, 2008), and between trust



in supervisors and satisfaction with them (Tan & Tan, 2000). A few participants in this study who expressed satisfaction with their jobs based their attitudes largely on quality relationships with their colleagues and local supervisors and managers. Research has shown that employees' trust in organizations depends on inferences they make regarding their supervisors and managers (Gill, 2008), so employees' perceptions of managers and organizations can be differentiated. As this study shows, employees can have positive relationships with their supervisors and managers and yet be dissatisfied with their relationship with the organization.

### *Organizational commitment*

Previous research indicates that informal relationships and friendships in the workplace contribute to job satisfaction, which in turn increases organizational commitment and diminishes turnover, as colleagues and friends at work provide necessary support in dealing with stressful situations (Morrison, 2004; Riordan & Griffeth, 1995). In the present study, organizational commitment without intention of turnover has been expressed by participants whose job satisfaction is largely based on interpersonal relationships and need for work-life balance. Those participants expressed no desire for promotion, which is consistent with previous studies showing that employees in some cases choose jobs where shifts and responsibilities allow them greater flexibility and balance with their lifestyle. In that way other priorities in life and informal relationships contribute to their organizational commitment (Moore, 2007). The importance of interpersonal relationships and work-life balance may be explained by group and family collectivism, as well as by a relational orientation found in Eastern European countries (Bakacsi et al., 2002; Taylor, 2004). It should be noted that all participants in the present study who emphasized their need for work-life balance purposefully chose to remain with their organizations; they expressed general satisfaction with their organizations and even insisted on

being interviewed at work during working hours. Their personal time after work was not to be used to discuss work-related issues.

For the majority of participants in the present study, relationship with their organizations is primarily an issue of necessity. The type of commitment they experience has been identified as continuance commitment, which is actually a type of organizational commitment based on awareness of the costs involved in leaving the organization (Mayer & Allen, 1991). This study shows that the only thing that ties those participants to their organizations is lack of other job opportunities. On the other hand, several participants experience their particular departments as their own and have no intention of leaving. Those participants have either spent most of their lives with their organizations or have been involved with their organization from the very beginning. The present study found life-long commitment to the organization to be the difference between younger and older employees who had working experience in the former Yugoslavia. Years devoted to their organizations and their knowledge of organizations contribute to employees' feelings of psychological ownership, which is a concept grounded in psychological theories of possession. It has been suggested in previous literature that fulfillment of human motives for efficacy, self-identity, and having a place can be achieved in organizations (Pierce, Kostova, & Dirks, 2001). As employees gain more knowledge about an organization, their relationship with an organization and feeling of ownership grow stronger. Parallel to that, as employees invest their time, skills, effort, and energy, their feeling of ownership also increases, and with that comes a sense of responsibility to devote more time and effort to their organization. Organizational behavior literature distinguishes between a sense of ownership and commitment, but a sense of ownership contributes to organizational commitment (Pierce et al., 2001). A sense of ownership impacts employees' sense of belonging and emotional attachment to an organization. Affective commitment in that way affects employees' involvement with

organizations with which they want to continue employment (Meyer & Allen, 1991; Rhoades, Eisenberger, & Armeli, 2001). Even though the present study's participants with emotional attachment to their organizations have expressed their dissatisfaction with a number of issues, their primary reason for remaining is strong emotional ties which prevent them from considering other employment alternatives.

#### *The significance of foreign management*

The present study's findings illustrate that interpersonal relationships, sense of ownership, and organizational commitment all come internally from employees, and none of these have been associated with organizations' initiative or behavior. On the contrary, local employees do not perceive corporate values and managers' behavior as having positive effects on their progress and commitment to the organization. Participants perceive profit as the most important corporate value, and it is usually perceived in sharp contrast to both caring for employees and quality of products and services. Participants are aware that their organizations are privately owned, and private ownership is often equated with pursuit of financial benefits. In the same vein, local employees think that foreign managers' most important values are their own careers and profits. Managers' career paths and progress are often geared towards achieving short-term goals for organizations and shareholders, then moving on to the next assignment; foreign managers spend on average two years in a local subsidiary.

The present study's findings are consistent with previous research indicating that foreign managers in Eastern Europe and Russia were often perceived by local employees as being interested in pursuing personal interests and consciously neglecting employee development (Engelhard & Nägele, 2003). Earlier studies on Western managers' values reveal their orientation toward professional instead of personal relationships at work (Danis, 2003). However, while Western managers claimed to have a team orientation, a consensual

management style based on employee participation in decision-making and empowerment with quality customer satisfaction as their main value (Danis, 2003; Michailova, 2002), this study showed that participants often complain that foreign managers do not encourage employee involvement and participation; they also suggested a lack of concern with the quality of products and services. Low levels of involvement of local staff and little delegating of responsibilities, as well as a lack of teamwork, have been perceived by local managers as a weakness of expatriates, as indicated in some studies conducted in Central and Eastern Europe (Peterson, 2003). Other areas observed by local managers as issues preventing successful integration of Western managers with local staff included: lack of cultural sensitivity and intercultural skills, not having the right set of skills and knowledge, fast changes of projects, arrogance, unwillingness to adapt, and expecting things to work as in their home country (Peterson, 2003). This study's findings concur with these observations. Income gaps, career orientation, and cultural distance have often contributed to social distance between expatriates and local employees, often expressed in an "us vs. them" mentality (Engelhard & Nägele, 2003). Similarly, local employees' perception of foreign managers contributes to the gap.

The present findings show lack of trust in foreign managers as analyzed according to all three previously identified dimensions of organizational trust: ability, benevolence, and integrity (Mayer, Davis, & Schoorman, 1995). In terms of ability, participants in the present study do not highly value foreign managers' competencies and skills. In terms of benevolence, participants do not believe that foreign managers are interested in employee benefits and well-being. In terms of integrity, foreign managers' moral values are questioned, even described as corrupt. The importance of mutual trust should not be overlooked, as lack of trust was already found in previous scholarship to be the most significant obstacle in organizational learning and information sharing between foreign managers and local employees (Engelhard & Nägele,

2003). However, developing trust is a long-term process, and in many cases expatriates' assignments are not long enough to allow for the development of meaningful relationships, which in some cultures is a prerequisite for trust. Russia is an example of a high context culture in which there is mutual dependence in relationships, trust, and information sharing, as information comes through more informal channels. Therefore, organizational hierarchy and rules are not a sufficient structure for the development of trust; trust requires social interaction, as it is developed through relationships (Engelhard & Nägele, 2003). Cultural sensitivity and learning the local language, integration into local life, friendliness and developing close working relationships, knowledge and expertise, understanding the local business environment, effectiveness at team building, and treating local employees with respect were suggested as crucial elements in diminishing social distance and therefore facilitating more successful adaptation of foreign managers (Engelhard & Nägele, 2003; Peterson, 2003). This study also found that foreign managers' adaptation to the local environment was appreciated by local employees. On those rare occasions when foreign managers took the initiative to study local culture and to establish personal and professional relationships, such efforts contributed to employees' satisfaction, respect of foreign managers, and ultimately to organizational commitment. It should be highlighted that learning about local culture and values and relationship development within certain cultures is best achieved through socialization (Engelhard & Nägele, 2003). At the same time, socialization and social interaction occur mostly where there is respect for local culture and awareness of the importance of relationship development and socialization. Social interaction is valued in Croatian society; relational communication and personal influence were found to be of importance in establishing relationships with publics here (Taylor, 2004).

*Emerging issues and differentiation among foreign management in Central and Eastern Europe*

While management, international business, and human resource scholarship have dealt primarily with issues of Western managers in Central and Eastern Europe and Russia, this study reveals new and emerging issues of Eastern European and other non-Western managers as expatriates to other Central and Eastern European countries. When foreign-owned and multinational companies first started opening subsidiaries in CEE, Western managers were in charge of expertise and were seen to possess the know-how of corporate culture transfer. For some years the trend has been to use more local managers ready to take leading positions in subsidiaries of international companies (Peterson, 2003). The findings of the present study expand previous insights on the role of foreign managers in subsidiaries of foreign-owned and multinational companies by showing that local employees in Croatia now work with Western, Eastern European, and other non-Western managers, thereby making a distinction among foreign managers. While previous studies indicated that more local and other Eastern European managers would be hired, those studies have not dealt with the employees' perceptions of Eastern European and other non-Western managers and perceived differences in national and organizational values and practices. The present study's findings illustrate the differentiation among foreign managers based on country, as Eastern European and other non-Western managers are sometimes perceived as less successful than Western ones in terms of expertise, integrity, and managerial practices. It seems that there exist some stereotypes about managers coming from former socialist countries even among employees in countries with similar social and political heritage. In the same vein, these findings expand prior literature by showing the emerging issues with local managers in foreign-owned companies.

Previous studies have suggested that local managers were more dedicated to maintaining relationships with employees, especially when foreign-owned companies and MNCs attempted

to lay off local employees in attempts to reduce operating costs (Danis, 2004). Findings now indicate that local employees expected more support and protection from local managers; there was shared disappointment when local managers were interested in pursuing their own personal interests and the interests of their organizations while neglecting employees. These findings point to potential cultural and organizational gaps between local employees and local managers who have been differently influenced by foreign employers.

Issues of employee participation and empowerment illustrate other areas in which the present study's findings differ from prior literature. It has been argued that local employees in Russian subsidiaries of MNCs were not readily accepting of the opportunity to participate in decision-making and problem-solving (Michailova, 2002). However, this study shows that local employees consistently complain about not having opportunities to participate and contribute knowledge and advice.

Even though there has been a vast amount of literature on the importance of cross-cultural management and communication, the present study's findings indicate that issues in cross-cultural organizational settings persist and are now burdened by new emerging issues which will need to be further explored.

## **CHAPTER 6**

### **IMPLICATIONS**

#### **Implications for Management**

This study offers several implications for management. First, corporate values need to be clearly defined by management and communicated to employees. Corporate values can provide a sense of mission and meaning to employees, but values have to be supported by managers' actual behavior in order to have positive effects on employees' perceptions of the organization.

Special emphasis should be placed on management geocentric orientation and policies of foreign-owned and multinational companies that value and reward employees' contributions fairly and equally worldwide. Geocentric orientation relies on local competencies and talents and positively affects employee organizational commitment (Taylor, Levy, Boyacigiller, & Beechler, 2008). Local employees' contributions in achieving organizational goals should be acknowledged in order to help employees experience their work in a meaningful way. Managers should also create more opportunities for employee participation, involvement, and empowerment, as corporate values should include identifying the significance of employees' contributions toward organizational goals. The present study's findings suggest that employees have a need to contribute and participate in decision-making and production processes, contrary to earlier findings which suggested that post socialist employees were reluctant to be empowered and assume responsibility for their actions (Michailova, 2002).

Employees' initial expectations and perceptions of reciprocal obligations should be handled in order to avoid possible psychological contract violation. Employees' expectations are culturally determined, thus employers need to understand the impact of cultural differences and employees' previous experiences on psychological contracts (Thomas et al., 2010). Supervisors and human resource managers should engage employees in constant communication to clarify



expectations and obligations, especially when employees are not familiar with the organization. Communication with employees should be continual, as perceptions of obligations and promises change over time; this is especially crucial in times of organizational change. Two-way communication is necessary to provide employees a safe environment in which they have the freedom to provide and receive feedback, as well as to discuss unfulfilled expectations and/or contract breach. Opportunities for dialogue are even more necessary when employee-organization relationships and expectations are more relational than transactional (Morrison & Robinson, 1997).

As a component of employee expectations and participation, part of managers' duties could include employee development in areas such as setting goals, defining strengths and areas for improvement, and learning. Employee development plans would partially contribute to fulfillment of employees' expectations, increased motivation, and a sense of belonging and commitment.

Finally, cross-cultural training needs to be a component of managers' education and preparation for international assignments. Even though previous research identifies the need and potential benefits and outcomes of cross-cultural skills, there is clearly a lack of understanding of its necessity and practical application. Local employees could also benefit from learning about the cultural backgrounds of foreign managers. Mutual learning through socialization could increase familiarity and contribute to decreased social distance.

### **Implications for Communication**

The present study's findings suggest several communication-related issues, which reflect and are closely related to higher managerial issues. Participants describe their unsuccessful attempts to communicate with their managers and supervisors about their concerns and problems. They make efforts to express their ideas and offer suggestions about daily business

operations but constantly report they are not being taken seriously or allowed to speak without fear of repercussion. Consequently, employees give up trying to communicate and their voices are silenced. Management's communication is perceived as shallow and irrelevant, as it does not address issues that concern employees; even more importantly, employees do not perceive that management's communication attempts lead to positive relationship outcomes or actual changes in the organization. The present findings lead to several communication implications.

Internal communication begins with top management, and it needs to be identified and incorporated in corporate values. Dedication to communication with employees needs to reflect the real attitude of top management and their ongoing effort to relationship development. Furthermore, internal communication has to be initiated by top management and built into corporate culture encompassing all hierarchical levels. Finally, internal communication has to reflect real values and be consistent with management decisions and behavior.

Communication alone is unable to sustain the employee-organization relationship if management behavior is not aligned with communication. Managing relations with strategic publics should focus on relationships and not solely communication (Ledingham, 2003), as communication is not the only means of relationship development and thus has to be closely tied to management. Positive employee-organization relationship outcomes cannot be achieved through symmetrical communication alone, if there is no fairness in management decision-making, employee treatment, and organizational policies, which have been shown to be crucial for relationships with employees (Kim, 2007). In essence, management primarily has to deal with organizational justice.

Scholarship on internal communication suggests that communication is closely related to organizational success (Ruck & Welch, 2012), as it affects relationships between managers and employees both positively and negatively (Welch, 2012). In this study communication is shown

to affect the relationship negatively. Trends in internal communication research indicate a predominance of measurement of managers' satisfaction with the process of communication and not employees' expectations in terms of the content of communication (Ruck & Welch, 2012).

This study's findings suggest that both communication process and content need to be meaningful to employees, related to issues that matter to them, and consistent with managers' actions. "Assurance of legitimacy" is an employee-organization relationship maintenance strategy through which management takes the initiative to address employees' concerns (Shen, 2011). This strategy suggests employee-centered communication that contributes to relationship building by focusing on employees' needs, such as opportunities for discussing problems, opportunities for providing and receiving feedback, fair evaluations by supervisors, etc. Successful communication can further enhance employees' feelings that the organization cares for their well-being and values their contributions (Rhoades & Eisenberger, 2002), which are key components of perceived organizational support. Communication with employees promotes a sense of belonging (Welch & Jackson, 2007) and a sense of being valued by the organization, and not being perceived as merely numbers, as participants in the present study have expressed.

Internal communication has been suggested as a means of connecting the goals of employees to the goals of their organizations (Verčič, Verčič, & Sriramesh, 2012), so employees can find personal fulfillment and meaning as they realize that their work and contribution is significant to overall organizational success. Therefore "openness" might be another useful organization-employee maintenance strategy. "Openness" is defined as management's effort to reveal information about the organization and its willingness to discuss the quality of relationship with its employees (Shen, 2011). Two-way communication is a good start towards positive relationship development only if management is willing to engage in dialogue about the relationship state and to understand local employees' experiences, perspectives, and needs.

Openness in communication allows management to discover issues and obstacles preventing their meeting of business goals and objectives. However, managers need to allow for communication to be approached from the employees' perspective and tailored to more meaningfully address employees' concerns. Therefore, communication has to be more than dissemination of information that is relevant to management. Most importantly, communication should not be used to manipulate or control, but rather to serve as a starting point for managers to solve issues that concern employees in their organizations.

Employee communication should be an integral component of managers' initiative and proactive efforts in relationship development and cultivation. Direction-giving, empathetic, and meaning-making communication was found to have a strong effect on trusting employee-organization relationships (Jo & Shim, 2005), and in the present study, lack of trust has emerged as an important aspect of relationship between local employees and foreign managers. Interpersonal interaction and communication with managers and supervisors were found to have a strong correlation with trusting relationships within organizations. Organizational trust here refers to organizational competence, integrity, and dependability (Jo & Shim, 2005). While meaningful communication can foster trust, trust-communication relationship can also work in the opposite direction; lack of trust can prevent successful communication.

Exploring public relations in Croatia, Taylor (2004) found that trust was created in interpersonal relationships, which in turn affected organization-public relationships. While employees' communication needs and employee differentiation such as age, type of job, and education level, may suggest appropriate communication channels (Welch, 2012), interpersonal communication is usually perceived as more trustworthy than mediated communication, since receiving information directly from managers and supervisors contributes to a sense of importance among employees (White, Vanc, & Stafford, 2010). Interaction, socialization, and

context-related communication can all serve as a platform for overcoming barriers to communication, trust, and relationship-building by helping reduce fear of repercussion. Interactions and interpersonal communication assist in mutual learning about cultural backgrounds of both local employees and foreign managers, thus decreasing fear of the unknown or negative stereotypes. Increased knowledge and familiarity can diminish social distance, as employees also need to hear managers' perspectives, especially in new organizations where employees are unfamiliar with business operations and objectives. Relational communication and interaction can hopefully lead to mutual understanding and benefits which are goals of organization-public relationships (Ledingham, 2003). Socialization and mutual understanding have even greater significance in cross-cultural organizational settings, as interactions among local employees and foreign managers are affected by perceived cultural differences, while at the same time perceived differences are further being created through interaction (Lauring, 2011).

Developing and cultivating employee-organization relationships in foreign-owned organizations is a great opportunity and challenge for public relations. Relationships can be built through boundary-spanning individuals who possess the knowledge and skills necessary for building bridges between foreign and local cultures, values, knowledge, and experiences in the workplace. Boundary spanning has proved to be a crucial tool for foreign-owned and multinational companies in post-socialist transition for intergroup dynamics and socialization, language translation, communication facilitation, managing conflict and negotiation, and corporate culture creation (Koveshnikov et al., 2012). If public relations practitioners are to serve in this unique and valued role, several issues will have to be addressed.

Recent studies suggest that practitioners across Europe do not consider culture to be an important segment of public relations practice, even though the European Union and Eurozone are highly heterogeneous and multicultural with their large group of nations and mobile

workforce (Verčič et al., 2012). European practitioners tend to perceive public relations as more of a technical function, although managing complex intercultural relations and employee-organization relationships burdened with serious managerial issues requires the profession to be viewed as a management function.

Public relations needs to achieve a status and position in the organization as well as the necessary knowledge and skills to be able to build bridges between local employees and foreign management. Practitioners will further need to re-examine their own role and decide whether they will serve the interests of their organizations or engage in moral counseling; moral counseling may require of them a willingness to resist the dominant power in cases of organizational injustice and help legitimize the concerns and contributions of employees, thereby giving a voice to those who otherwise will be silenced (Holtzhausen & Voto, 2002).

## **CHAPTER 7**

### **CONCLUSION**

Previous research on the role of expatriates, organizational learning, transfer of organizational practices and knowledge, and differences in values in foreign-owned and multinational companies in post-socialist Central and Eastern Europe and Russia ascribes barriers to the successful transfer and internalization of Western systems, mostly because of the social, cultural, and psychological characteristics and values of local employees and managers in these nations (Danis, 2003; Engelhard & Nägele, 2003; Koveshnikov et al., 2012; May et al., 2005; Michailova, 2002; Peterson, 2003). Studies suggest that Western managers should take into account socialist heritage and socio-cultural and organizational traditions. They should also rely on local competence for an understanding of the local business environment, culture, and relationship development in CEE subsidiaries if they are to successfully implement managerial and organizational practices.

However, it can be concluded that the overall long-term goal was to end with former attitudes and behavior and eventually to adopt a Western corporate culture and mindset in order to develop organizations that are better suited for a market economy. The goal was also evident from the fact that foreign-owned companies and MNCs have preferred hiring younger people who were not educated and socialized during the communist era and have thus more readily accepted Western corporate values and practices (Peterson, 2003).

In that light, four important issues need to be considered and explored further. First, previous studies have explored differences between Western managers and local managers and employees by explaining Eastern European and Russian organizational practices and behavior as consequences of a communist and socialist heritage. Their behavior and values have been interpreted through the lens of previous employment experiences and organizational culture in

the socialist era, which resulted in a lack of initiative, decision-making, personal responsibility and accountability, high power distance, anti-individualism, lack of information sharing, reliance on hierarchy and authority, mistrust, and fear of sanctions (Engelhard & Nägele, 2003; May et al., 2005; Michailova, 2002; Peterson, 2003). As two and a half decades have passed since the fall of communism, present findings of local employees' experiences and perspectives should not be interpreted by the socialist past. Employees have lived and worked in different social, political, economic, business, and cultural environments, and have been exposed overall to gradual changes in society, employment, and workplaces. Also, many employees without working experiences in a socialist system have been hired over the past twenty years.

Contrary to the largely held opinion that within nations most differences and barriers to knowledge internalization and implementation are explained by cultural differences, some studies also show that Western and Eastern European managers ascribe differences mostly to a socialist systematic heritage rather than to a cultural one. It has thus been suggested that overcoming obstacles could be an easier process, as in most cases local managers have been adopting Western business values (Danis, 2003). Related to the discussion of the importance of systematic legacy and national values, it should be noted that previous studies found that values of Eastern Europeans had been deeply affected by adaptation to life circumstances in socialism, even though a majority of them refused to embrace communist ideology (Schwartz & Bardi, 1997). As people in CEE have been exposed to different life circumstances, their values also change over time.

Second, it has been a widespread assumption that foreign-owned and multinational organizations will be more effective when their organizational and managerial practices are adapted to the national cultures in which they operate. Employees' cultural value systems determine their approach to work and what they expect from their employers. Organizational



practices that are consistent with employees' values have a higher chance of positively affecting employees' behavior and performance (Newman & Nollen, 1996). At the same time, it has been proposed that global organizations aim at creating a universal corporate culture that transcends the values of individual members. Instead, organizational members from different countries and cultures share values and attitudes that guide their behavior and managerial practices (Ralston, Holt, Terpstra, & Kai-Cheng, 1997). This distinction is important, as foreign-owned companies in Croatia, shown through findings of the present study, hire managers from multiple countries with different national and cultural backgrounds. Ralston et al. (1997) present an opposing view regarding the interconnectedness of national cultures and economic ideology, stating that as countries accept a free-market economy or capitalism, they embrace Western values, since capitalism has been historically associated with Western societies. The opposing argument suggests that cultural values will remain constant even when economic ideologies change. In their study of the United States, Japan, Russia, and China, contrasting different cultures and economic ideology, authors support the view that national cultures should be respected rather than forced into a global corporate culture. However, their findings also support crossvergence, suggesting synergy between national cultures and economic ideology which creates unique values different from both national culture and economic ideology. The idea of crossvergence might be useful for foreign-owned and multinational companies coming to post-socialist transitioning societies as they transfer to a new economic ideology. Even though post-socialist countries have aimed at developing a free-market economy, they may still differ from Western free-market economies without a socialist past. In the same vein, since the Wall came down, the world's major players have attempted to promote different models of a market economy (Ławniczak, 2007). Likewise, foreign-owned and multinational corporations coming from

different countries also introduce different socio-economic models of a market economy and have to balance this with changing national cultures in CEE countries.

Third, while previous cross-cultural studies on foreign-owned and multinational companies were based on West versus East comparisons, today more Eastern Europeans and other non-Western companies and managers come to CEE countries. Even though previous studies tend to view CEE as a uniform area, it is actually very diverse in spite of its shared socialist past (Szondi, 2005). Closer attention should be paid to value differences among Eastern Europeans and their mutual perceptions, as evidenced by the present study's findings. European Union membership may allow for more permeable borders and migration of the work force, as noted in comments by some of this study's participants regarding their being replaced by a cheaper labor force from other Eastern European countries. Different values have also been found among Western European managers, emphasizing diversity as a continual challenge in organizations across Europe (Sagiv & Schwartz, 2007) and multiculturalism as therefore the proper focus of study. Given the dynamic, changing nature of culture in post-socialist transition, employee-organization relationships in foreign-owned companies in Croatia can possibly be viewed outside existing cultural dimensions which potentially do not account for newly emerging features. Because of transition dynamics, such aspects as interconnectedness of past socialist systems, national cultures, economic ideologies, and the presence of foreign managers from multiple Western, Eastern European, and other non-Western countries should all be taken into consideration; this will allow for more comprehensive and holistic insights into many aspects of employee-organization relationships.

Fourth, even though some authors suggest (for example, Koveshnikov et al., 2012) that reliance on local competencies without forceful attempts to democratize and modernize transitioning markets has ultimately led to more effective transformation of operational practices,

the discussion on transnational institution-building should not neglect power and socio-political processes in asymmetry and inequality of relationships and power. The relative dependency of local managers and employees on foreign knowledge, management expertise, technology, and capital could make relationship development, mutual learning, commitment, and collaboration irrelevant to foreign managers (Clark & Geppert, 2006). Even studies in organizational theory, such as organizational commitment, have focused more on outcomes relevant to organizations (i.e. performance and productivity) and less on employees' well-being (Mathieu & Zajac, 1990; Meyer & Maltin, 2010; Meyer, Paunonen, Gellatly, Goffin, & Jackson, 1989). So, while organization-public relationships' suggested outcome is mutual benefit (Ledingham, 2003), the question is how much symmetry exists between foreign-owned companies and local employees when considering the imbalance of power and dependency.

Future studies may attempt to conduct interviews with participants outside their workplace, as the interview location is recognized as a limitation of this study. Participants were less willing to engage in discussion on some issues regarding their organizations while on their job site. However, in order to obtain more complete understanding of employee-organization relationships in foreign-owned organizations and MNCs in Central and Eastern Europe, future studies should focus on foreign and local managers' perceptions of the relationship. Additional valuable insights could be obtained from studies that expand to different organizational contexts and also to other underexplored post-socialist countries. As the present study's findings illustrate, Europe will continue to face challenges in cross-cultural communication and management in coming days.

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## APPENDIX



1. How did you decide to work in the hotel industry?
2. How long have you been working in the industry?
3. What do you remember from your first day of work here?
4. What has been your experience working at this hotel since then?
5. How would you describe this organization to someone who has never been here before?
  - a. What is important?
  - b. What are their goals?
6. How do you perceive your role in this organization?
7. What do you appreciate about working at this hotel?
8. What are some of your concerns?
9. How do you deal with them?
10. Tell me about how employees are treated at this hotel.
11. Tell me about a time when you were treated well.
12. Tell me about a time when you were treated poorly.
13. What do you think could make this organization a better place to work?
14. What do you expect of the organization you work for?
15. What would you like to see changed/different?
16. What is the difference between this and other hotels you worked at?
17. How would you describe the differences between working at this hotel now and earlier when it had different management?
18. How have the changes affected you?
19. If you had an opportunity, what would you tell your general manager? What do you think is important for this organization/management to know about working here from the employees' perspective?

20. What else can you tell me that would help me better understand your work life and the relationship you have with this organization?

## **VITA**

Danijela Radić is a third year doctoral student at the University of Tennessee majoring in communication and information with an emphasis in public relations. Her research interests include relationship management, internal communication, cross-cultural communication and management, and strategic public relations. Prior to pursuing her doctorate, Ms. Radić worked in public relations in international arts and music festivals and theatres in her home country of Croatia, where she is planning to continue her academic and professional career upon completion of her studies.