1. Introduction

Transnational corporations have been established for a long time now. Although the term *transnational corporation* was used for the first time by the US economist E. Karcher in 1964, it became popular as late as the 1970’s and 1980’s, when the UN formed its Commission on Transnational Corporations. In the early years of the 21st century, the number of international corporations was estimated at over 64,000 organisations that controlled at least 870,000 local subsidiaries [see Obłój 2007, pp. 40–41]. The existing literature on strategies pursued by multinational corporations and small-sized companies that decide to go international gradually is very extensive. Without this knowledge, we would not be able to grasp “the complexity of processes affecting the conditions under which modern organisations make their decisions, the behaviour of their managers and other members of the organisation; whether a firm is local or international it influences its external environment, thus becoming an important component of the global system” [see Kostera, Śliwa 2010, p. 12]. It has been proven beyond any doubt that cultural determinants strongly shape the functioning of transnational corporations. According to R. Linton [2000, p. 151] the recognition of culture was one of the most significant moments in the development of modern science. Some say that the last thing a creature living in the depths of the sea will discover is water. Likewise, entrepreneurs do not notice the weight of factors determining cross-cultural management until they start internationalising their companies. The presented study of internationalising medium and large-sized domestic companies in the textile and clothing industry aims to extend our knowledge of
the marketing tools they use, their organisational culture and the techniques of international negotiations.

2. The internationalisation of domestic textile and clothing companies

The pace of internationalisation arises from the company’s size and its line of business, the relations it has with the business environment and government’s policy towards the business sector. In the high-tech firms whose export reaches 25% of their total sales within three years from their establishment, the process is usually fast (the Born Global model), while local firms need more time to become international (the Uppsala model) [Madsen, Servais 1997, pp. 561–583]. The surveyed textile and clothing firms were found to represent the second model, which means that their internationalisation was divided into stages. They started with export activities of various intensity, then established their own chains of outlets, signed license or similar agreements, finally setting up manufacturing facilities in foreign countries [Buckley 2002, pp. 96–100]. Figure 1 provides a graphic illustration of the process.

**Figure 1. A business internationalisation model**

![Diagram of business internationalisation model](image)


It is worth noting that the model above is a simplification of a complex process. Other ways of organizations’ expansion into external markets are illustrated by the internationalisation stages in table 1.
Table 1. Stages of business internationalisation

<table>
<thead>
<tr>
<th>Company’s status and stage of internationalisation</th>
<th>Organisation’s sphere of activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic company</td>
<td>All operations are run in one country.</td>
</tr>
<tr>
<td>International corporation</td>
<td>Most operations are run in one country. Foreign countries provide a large part of the organisation’s resources and revenue.</td>
</tr>
<tr>
<td>Multinational corporation</td>
<td>The multinational market is the place where the organisation purchases raw materials, borrows money, manufactures and sells its products.</td>
</tr>
<tr>
<td>Transnational corporation</td>
<td>A borderless organisation that cannot be connected with one country.</td>
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At the domestic company stage the cross-cultural aspects are not very important, especially in Poland where the labour force is, in fact, ethnically homogenous. At this stage, almost all company’s resources come from the domestic market and its products are also sold locally.

The international corporation stage characterises an organisation that is based in one country, but sells its products abroad. As an exporter, the organisation needs to know the cultural background of its customers to sustain demand for its products. Because much of its resources are also procured abroad, cultural elements gain importance. Knowledge of foreign languages and business protocol is a prerequisite for communicating with foreign suppliers and buyers, because business meetings make a regular part of the business.

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

The transnational corporation stage is reached when an organisation establishes many centres forming a global business network. The decisions about the organisation’s development are made by managers that come from different countries and represent a variety of cultural backgrounds. Because strategic decisions require consensus, the cultural factors are also significant at this stage of internationalisation.
Polish textile and clothing companies tend to choose the step-by-step internationalisation. The events that have paved the way for their stronger involvement in internationalisation are as follows:

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

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

- Intensified their restructuring and modernisation processes,
- Lowered their prices and extended ranges of products on offer,
- Gradually improved their international competitiveness.

By becoming an EU member state, Poland assumed the obligation to apply the common external tariff to trade in textile and clothing goods with third countries whose customs duties are lower than Polish rates applied before the country integrated with the European Union. The average customs duties on textiles and clothing stand at 7.9%, compared with 13.1% imposed under the
national Polish customs tariff [Kaczurba, Kawecka-Wyrzykowska 2002, pp. 108–109]. Following lower customs duties and because of the international agreements that Poland actively joined as the EU member, many textile and clothing companies that were unable to compete have gone bankrupt, while others launched sophisticated restructuring processes. At the same time, new firms able to cope with the new economic environment have been established.

In the firms covered by the survey, internationalisation started with the export of products. It should be noted that all surveyed organisations exported (2%) or export (98%) their own products and/or B2B services. The services mainly involve manufacturing of clothes from materials provided by clients. The importance of this segment of the textile and clothing firms’ international business can be illustrated by the fact that in 1994 the services accounted for 26% of UK’s output, with the rate steadily rising [Ambler 1999, p. 138] (the statistics for Poland are not available). The domestic producers’ competitiveness in this area is based on the high-quality workmanship and competitive costs of labour. This observation is confirmed in K. Wadell’s report, from the Boston Consulting Group, according to which the quality and productivity of labour were comparable, however, wages in Poland were twelve times lower than those in Germany. As a result, the actual costs of making a man’s suit were 30% lower in Poland than in France or Germany [Wróblewski 2004, p. 120]. The Polish clothing manufacturing services still have competitive advantage over those provided by Asian producers, but only in the segment of high-end products that are produced in limited numbers and frequently replaced, which requirement is not met by clothing manufactured in Asian countries.

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

– Establishment of firm’s own chain of outlets;

This process is costly. The costs are not a problem for the largest domestic apparel maker, the Gdańsk LPP firm, whose 2009 sales exceeded 2,000,000,000 PLN (an increase by 25% compared with 2008). LPP, a public company since 2001, has created six mainstream brands of clothing: Reserved, Cropp, Mouse, Mohito, Esotiq and Promostars. LPP sells its products in Poland and 11 countries in the region, from Estonia to Bulgaria, as well as in Germany, Russia and Ukraine. The Reserved brand alone has 263 stores, whose commercial space totalling 180,000m² has been provided at the cost of around 4,000,000 PLN. Other clothing companies have been equally expansive for many years now; for instance, the Łódź KAN company (the Tatuum brand) sells its products in the Benelux countries, the UK and Ireland, and runs its own stores in Hungary, Prague and Moscow. KAN is also expanding its network of stores in Russia and the Czech Republic.
– Procurement of intermediate materials;

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

– Product manufacturing;

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

– Capital transactions;

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

3. Cross-cultural activity and firm internationalisation

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

To export textile and clothing articles to international markets, a strategic decision has to be made, whether the product will be standardised or differentiated. Standardisation means that the same range of products will be offered to the same target segment in all supplied markets. In the world of the satellite TV and global media, lifestyles can be observed to converge. Managers’ dress codes are similar regardless of the country of their employment. The front office personnel or TV presenters have to look almost the same in most countries of the world. With pastime activities becoming alike, clothes people wear on such occasions are becoming standardised too. Sports fans going to see a game dress the same, whether in Europe, South Africa or the USA. Only the colours of their favourite teams are different. Cyclists, rowers or climbers wear the same dresses in various parts of the world. (The Scandinavian and Mediterranean consumers favour different colours, though, because the volumes and intensity of sunshine in the two regions are different too). It follows from the above that it is rational to standardise a textile and clothing product, when [Bartosik-Purgat 2006, p. 47]:

– Volume of production reduces unit production costs,
– R+D savings reduce the manufacturer’s costs,
– Marketing costs involved in the promotional strategies targeting particular markets can be decreased,
– Global competitive advantage can be gained by concentrating resources around a small number of programmes,
– Similar products can be sold in different foreign markets; buyers are very mobile today and wherever they go they tend to seek brands they know and recognise (e.g. sportswear brands such as Nike, Adidas, or high-end clothing by Dior, Armani, Boss),
– High-quality products are involved,
– Standardisation facilitates delivery of after-sales services and spare parts (for products other than clothing).

There are certain exceptions to clothing standardisation that arise from cultures that developed from centuries-old traditions of many nations. For instance, orthodox Muslims will tend to use their clothing as one way of manifesting their attachment to tradition, wherever they live. On the other hand, the global market for textile and clothing products for such customers is so large that a product differentiation strategy can be justified too. An example of customised sale is the LPP company’s decision not to sell its Cropp brand on the
Russian market. Cropp is a special brand addressed to young people, characterised by tracksuit tops with hoods and baggy, low-crotch pants. The products and the related hip-hop music are not in demand on the Russian market. Hence, the main objective of the product differentiation strategy should be to adapt the product to local culture, when [Bartosik-Purgat 2006, pp. 48–49]:

- A foreign market shows the diversity of conditions determining product use (in the case of clothes these are mainly climatic conditions),
- The markets have different legal, political and economic characteristics (e.g. when the levels of populations’ incomes are different),
- Product technical standards are considerably different between markets (clothing is basically excluded from this),
- Products are offered to culturally diverse customers (preferring different colours, having different consumption habits, values, religions, etc.),
- Product use is market specific,
- Competitors adapt their products to the given foreign market,
- The firm pursues a management decentralisation strategy.

When an item of clothing is adapted to meet the requirements of the selected segment of a foreign market, the risk of the product being rejected can be reduced, or its competitiveness may even improve, thus increasing the manufacturer’s profits. An item of clothing targeted at many market segments may have culture-bound traits. Figure 2 illustrates the relationship between a product type and its capacity for standardisation or differentiation. Examples of the so-called culture-free products are products made by the armaments industry.

Figure 2. Product type and the degree of standardisation/differentiation

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

For an international textile and clothing corporation, foreign purchases of intermediate materials are as important as the export of its products. In this specific industry, the import of the intermediate materials involves more interpersonal communication than the export of products, because organoleptic testing is one way of confirming fabric quality. In the course of the survey, the respondents stressed that in dealing with the Chinese suppliers the client’s surname and the appropriate title have to be used. The surname is always at the top of a business card, followed by two given names. Business protocol describing the appearance of a business card and the proper manner of handing it over is an important element of interpersonal communication and its details are discussed in the literature. However, the verbal and non-verbal aspects of communication are crucial. Communication can be divided into three levels: macro, organisational and micro. The middle level is connected with the culture of a given organisation. Even the appearance of employees’ and managers’ offices alone may give a lot of information about their organisation. For instance, “(...)who has a personal office and who shares space with others; whether the office doors are usually closed or open; (...) how the office space is arranged; how easy it is for external persons to get access to the organisation’s premises” [Kostera, Śliwa 2010, p. 82] reveal the organisational culture and the hierarchy of the personnel. The way the organisation’s members say hello and goodbye to each other is also important. The author had the opportunity to watch Hyundai’s personnel in their free time. Particularly low bows unmistakably indicated the superior in the group. While in Poland addressing a superior by his or her first name signifies close contacts with the person, in the UK the practice is common. People of the same cultural background may view a person raising their private and family issues during a business meeting as straightforward, but others may consider this non-business behaviour. Some of the surveyed respondents mentioned that the dress code was part of their organisations’ culture. In Poland, it is obligatory for employees meeting with outside persons to have a very tidy appearance. A British bank that offered its female staff to set up training in dressing attractively for work met with protests, as the initiative was interpreted as a discriminatory practice against women [Kostera, Śliwa 2010, p. 83]. Other elements of non-verbal communication include gestures, postures, mimics, proximity, etc., that are specifically discussed in the literature. In conclusion, non-verbal communication treated as part of interpersonal communication can be an important source of information offering significant advantage in negotiations to the party that can use thus acquired information.
Verbal communication is similarly diverse. It can be divided into three styles. In the study, the Anglo-Saxon style was represented by German suppliers. Germans start talking as soon as the interlocutor stops and break off immediately when the other person resumes. They believe that cutting in is a very uncivil habit. Italian suppliers represent the Latin style, where interrupting proves the person’s strong involvement in negotiations. Negotiations with Asian suppliers are very different and characterised by moments of silence that are meant to express respect for the interlocutor and to gain time for thinking decisions over. Because the Oriental suppliers have become a major source of materials for the textile and clothing industry, the knowledge of their negotiation style is a necessity today.

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

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

Many mistakes in the advertising business arise from mistranslated slogans or from advertisement authors missing the fact that some peoples write from right to left, while others from top to bottom. The context of advertisements is also important. For instance, the low-context advertisements transmit a direct message to the consumers. They are devoid of allegories and subtexts. Such messages can be typically found in the German, US or Belgian markets [de Mooij 1998, pp. 272–283].

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

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

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

4. Conclusion

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

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

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

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

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

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

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

7. Foreign capital transactions are usually preceded by analyses of local markets and of these elements of foreign culture that are likely to affect business activity. Whether the transactions will expand depends on the results of negotiations conducted with the third countries in order to reduce their customs duties (including those on textile and clothing products) and on the EU Member States’ effectiveness in protecting their markets against dishonest competitors. The initiatives can be expected to provide Polish enterprises with conditions enabling the development of the cross-cultural management.

Abstract

The process of going international shows, stage by stage, how an organisation becomes a transnational corporation. Companies embark on such transformation to improve their market position and to boost their growth. To achieve the goals, internalisation has to take account of cultural determinants, as the knowledge of cultural factors makes it easier to run business on an international scale. The entrepreneurs are increasingly aware that the pursuit of formal and rational goals involves also ethical, legal or strategic aspects. The article deals with some selected dimensions of national cultures that significantly affect negotiations with foreign partners, production management and the sale of products manufactured by transnational corporations. The article is based on surveys carried out in the textile and clothing industry.
References


