

**ŽIVNOSTENSKÁ BANK IN THE CZECH REPUBLIC:
REASON, CHARISMA AND THE LEGACY OF THE PAST**

Case study

Irena Kašparová (with kind co-operation of Lenka Štěpánová)

1. Introduction
 - 1.1. Characteristics of the field and data
 - 1.2. The structure of the text
2. Živnostenská – the mirror of Czech history
 - 2.1 The current situation in Živnostenská
3. UniCredito Italiano S.p.A. takes over Živnostenská bank
 - 3.1. Expectations and beginnings
 - 3.2. Managerial tactics
 - 3.3. Organizational structure
 - 3.4. Rules, risk and responsibilities
4. Culture and power in Živnostenská
 - 4.1 National character and power relations within Živnostenská
 - 4.2. Style of communication
5. Conclusion: Legacy of the past or unequal power relations within the bank?
6. Bibliography

1. Introduction

When entering Dioscuri, an international comparative project, one of the requirements was to conduct a study of a bank. Since most other partner countries chose Reifeisen bank, which too operates upon the Czech market, it seemed to be the natural choice also for the Czech team. Given the fact that Reifeisen is owned by Austrians, it was expected by the researchers, that due to the cultural closeness of Czechs and Austrians, as well as due to the common parts of history under the common empire, there will not be too many problems with such a study. At the same time, it was not expected to be too exciting as far as cultural encounters were concerned.

Reifeisen headquarters in Czech Republic nevertheless surprised us by refusing to participate in the project, despite the plea letter from the project leaders from Austria. The reasons for refusal were cited as *work overload, no clear or immediate benefit of such research and bank/financial secrets*. In between the lines there was a fear of external supervision and obvious discomfort about being studied.

Although the research did not take place in Reifeisen, the situation is in our eyes fairly typical under Czech circumstances. Here the research (of any kind) is carried out among the *Others* in the Czech society, be it the Gypsies, refugees, immigrants, homosexuals or mentally disabled, all of whom had no choice but to get used to bureaucracy attention. The rest prefers to remain *anonymous, little, unimportant*.¹ Ladislav Holý in his excellent book *The Little Czech Man and the Great Czech Nation* points to the defence strategy of individuals against communist persecution, which in his eyes survives until the present day. The coat-of-arms of an ordinary Czech is his imagined commonness and commonness, which most of those who had lived through and survived communist regime consider the best weapon against any sort of persecution. Private sphere of home-life and public sphere of work activities are strictly separated, where public sphere is governed by closely observed rules, while private life is often rule-free and anything goes if it is in the name of privacy protection. Questions (and in this mode also any kind of research) is thus a potential breach of a fragile balance between the two spheres.

The paradox is/was, that communist regime was very happy with this state of affairs (since this very duality kept it alive) and supported the duality of lives and worlds of its inhabitants to the extent of forbidding anthropological study and research in all Czech schools and universities during its rule. Only the minorities had no choice. Thus it is today

¹ Terms taken from Holý, L. 2001, see and compare

rather common to expect a research among Roma families (where an anthropologist accommodates herself in the family, performing daily tasks with its members), while rather unheard of such research among clerks working for e.g. county council. Unlike the Roma, they do not perceive themselves *exotic* enough to be the legitimate target of a study.

All these possible explanations could have played a role in Czech Reifesen's refusal to take part in Dioscuri research. Overruling the fact that the managers at Reifeisen headquarters had something to hide from the research, it could have been their assumed (but by the research also questioned) *commonness* which proved decisive in their negative answer. Thus – a new bank, a new cultural encounter had to be searched for by the Dioscuri project participants.

1.1. Characteristics of the field and data

Živnostenská bank was chosen for the case study for following reasons: Its management was willing to participate in the research. On top of that, the bank has been traditionally a Czech bank – kind of a *family silver treasure*. Yet at the same time – it was the first bank in the Czech Republic to be taken over by the foreign capital and changed owners twice within two years.

When conducting the case study in Živnostenská, two major sources of information have been used. First of all, there was the written information – mainly the on-line sources generally available to the public (web sites, news letters, promo leaflets, annual reports). This information builds up the backbone of the sonde to the bank's history and proved vital for the researchers to understand while interviewing the management of the bank, which thus allowed for the interviews to be carried out on much more professionally informed level.

The original source of the data is constituted by interviews. From the very beginning it had been clear that in order to receive proportional outputs for the case study, it would be necessary to interview both Italian as well as Czech management and employees. Due to time limitations of the research, a target of 10 interviews had been set and observed with the following proportion: three top Italian managers working in the head quarters in Prague,² three top Czech managers, also working in the head quarters of the bank in Prague and four

² There is the total of 4 Italians in the official hierarchy of the bank, one of the interviewees was at the time also a member of the Board of Directors

lower level managers and personnel, working in the Brno branch of the bank.³ At this point it has to be noted that the Italian mother company does not employ its nationals on lower positions of Živnostenská – and due to this fact it was not possible to conduct interviews with lower Italian personnel and is the reason for numerical disproportion of Czech/Italian interviewees.

Živnostenská is the first foreign working experience for the absolute majority of its Italian managers. Before coming to the Czech Republic, they had mostly worked in the New Europe division – an organizational unit whose task includes the coordination of activity in Central and Eastern Europe; or in consultancy companies that helped the new Italian bank UniCredito Italiano S.p.A. [UCI]. to control mergers in banks of various countries. They were all men over forty years of age, all of them worked for the mother company for more than fifteen years.

These facts were in slight contrast to the characteristics of the Czech management, which was younger (all below forty years of age), worked for the bank a shorter period (maximum of 9 years) and their rise to current positions was much less complicated than that of their Italian colleagues. Lower level employees have been with the bank only briefly (for 2 years on average).

The interviews were conducted in a very friendly atmosphere. Especially the Italian managers came very well prepared and were very open. The Czech managers were less so. This could be due to the fact that the Italian managers in Živnostenská are in the leading position when it comes to power. They do not have to fear for their jobs, since in many cases they are the jobs. The Dioscuri research had been authorised by them, therefore from their position it was seen as a project which would enhance the work of the bank, with no fears attached. On the other hand, the Czech employees (especially those at the lower level), were in a subordinate relation of power. They were *told* to participate in the Dioscuri project, the order came top-down, and it therefore was not – unlike in the case of the Italian management – a result of their own desire and decision in the first place. In many cases it was unclear to them what the project was about, it had to be explained repeatedly and even so, at the end, some were holding back information in fear of it being used against them, or had been singled out as ‘this information is just for you personally, not for the project itself.’

³ With respect to the representation of the Czech side, 2 informants were at the Board of Directors level, 2 at the N-2 level, and the others were employees at lower management levels

During the interviews, individuals were asked a single question to start with – namely about their cultural encounters in the bank after the merger with the Italian UCI. Many statements were formulated by using pronouns such as *us and them* when referring to colleagues of the other nationality. "We can hardly understand you...you are kind of focused on processes" [ITA2].

The interesting point was that we, as researchers, were also included in these binary opposition games, both by the Italians and the Czechs, and we became *us* or *them* depending on the context. Thus it is clear that different prejudices, expectations and presumptions about differences in culture and more specifically, work culture, exist in Živnostenská upon both sides. These differences closely follow the nationality line, leaving aside other factors and attributes such as education, experience or age.

1.2. The structure of the text

The text may be read in several ways. First of all it allows the reader to follow a clear path of ordered descriptive information, including the historical background in the second chapter, introducing concrete steps and acts of behavior/business tactics of a particular Italian bank upon the Czech market. The somewhat technical language of the third chapter copies very much the language and topics used and stressed by the interviewees, commenting upon such issues as managerial tactics, style of selling, organizational structure, evaluation or risk taking.

Second possible reading enables analysis of reoccurring themes and topics which penetrate most areas of interaction between Czech and Italian group of actors. Often unpronounced or even unaware of the act, the interviewees are speaking about communication differences, temper, values or group approach to responsibility. In this case the stress is much more upon the cultural capital of both groups, which is nevertheless very tightly connected with given power-relations and business performance of the bank. It is here I propose to concentrate upon such issues as power and subordination, verbal and non-verbal communication, importance of language or national character of the actors as a group.

Last but not least, the case study contributes some general thoughts to the debate of national character and the sense this makes in the globalised world of economics.

2. Živnostenská – the mirror of Czech history

Živnostenská was established in 1868 as a joint stock company focusing on the financing of small and medium - sized Czech companies. It was the first bank in the Austro-Hungarian Empire to have Czech capital only. The aim of the bank was to support the development of newly established Czech businesses, offering credit to Czech entrepreneurs. In the first 20 years of its existence, Živnostenská was the largest Czech bank; although it was much smaller than the large Austrian banks, it played an important local role as a provincial institution.

True developments in Czech banking started at the beginning of the 20th century and were linked to the process of national emancipation. From the end of the 19th century, Živnostenská had been increasing its capital, and it went on to become the primary lender to Czech industry. By 1918 Živnostenská's capital represented 30 % of the total capital of all Czech banks.

After the formation of the Czechoslovak Republic in 1918, Živnostenská grew dynamically as the new state's key bank and became a financial colossus whose influence was felt in all sectors of the economy: under the chair of Mr. L. Kristy,⁴ at the time called *a captain of Czechoslovak industry*, it changed its strategy to providing loans to large industrial companies.

In the twenties and thirties, Živnostenská supported mergers of large Czech industrial corporations and systematically built up its industrial empire. As a result of this decision, Živnostenská became an institution which had experience with and success on financial markets, both in serving small clients and individuals, as well as in being a partner to large businesses and enterprises. As the strongest bank in prewar Czechoslovakia, Živnostenská controlled 60 companies (numbering the largest among them) and influenced many other corporations. It also developed steady links with French and British financial institutions.

Under German occupation, Živnostenská tried, more or less successfully, to protect the interests of Czech industry. In 1945, like other Czech banks, Živnostenská was nationalized. Between 1950 and 1956, although the bank continued to exist as a legal entity, restrictions were imposed on its activities. It achieved a revival thanks to its experience in international dealings and expertise in foreign currency transactions, which, during the period from 1956 to 1988, made it the primary Czechoslovak bank for the import and export business, with its

⁴ All names within the text have been changed in order to protect the respondents to the most possible level a case study allows.

London branch playing a significant role. Živnostenská was the natural choice during this period for all foreign currency accounts maintained by expatriates, foreign firms operating in the former Czechoslovakia, and state agencies facilitating *invisible trade* such as tourism. This influx of foreign currency once again enhanced its existence as the *chosen* or the *privileged* one, both regarding its status as well as its clients, since during the communist era it was foreign currencies, especially the Deutschmark and the US Dollar, which were the symbols of financial stability and security in the eyes of the population.

Despite these facts – or perhaps it should be said because of these facts - Živnostenská was the first bank in Central and Eastern Europe to be privatized with an investment of foreign capital. This happened in the process of the Czechoslovak privatization program in 1992 when the German BHF-BANK took up a 40% shareholding in Živnostenská. The International Finance Corporation [IFC] - a member of the World Bank Group - acquired 12 % and the remaining 48 % was taken up by private individuals and Czech investment funds. In January 1998, Bankgesellschaft Berlin AG became the largest shareholder of Živnostenská after taking over BHF-BANK's 47% stake in Živnostenská's equity capital, which was increased to 85.16 % in the year 2000. Two years later, in 2002, Bankgesellschaft Berlin AG sold its stake in Živnostenská to UniCredito Italiano S.p.A. [UCI].

2.1 The current situation in Živnostenská

Although all Živnostenská's Italian employees have previous experience with bank take-over, for most Czech employees this is a new experience.⁵ The major discomfort which the Czech side articulates about the merger is a lack of information of any kind and sort from the Italian mother company. Inadequate information – or as the employees perceive it “information vacuum” [CZ6], leads to a creation of parallel channels of information being passed on and sought by the employees in the bank: the official information, available on the bank Intranet, is often supplemented by unofficial information, which is obtained through personal contacts with the top managers and other bank officials. Unofficial information is a direct consequence of the assumed official information insufficiency and at the same time creates communication chaos within the working space of the bank. Very soon we became aware of the fact that the Dioscuri project and the information available about it to bank employees also assumes two above mentioned forms.

⁵ Although the bank was sold to a German company in 2000, there was not much activity on the side of the new owner, not comparable to the activity of the Italian mother company two years later. This was possibly due to the fact that the German owner bought Živnostenská for speculative reasons only.

This dual mode of communication within the bank had already been taking place prior to Dioscuri project starting in Živnostenská and was well identified by the management, which tried to overcome it through various devices. During our research the official integration phase started taking place (March 2006), and consisted of creating work integration groups which worked jointly on the evaluation of individual parameters (e.g. product comparison, cash dispenser network state, quality management, etc.). However, none of these activities have been seen as much contribution to the improvement of communication by the Czech employees at the time of the project.

As a direct result of this observation it became clear that communication within the bank was going to be one of the key issues in our research. In other words, the mode, style, language, method or even a lack of communication manifesting the differences between these two cultures working together and /or alongside each other became significant.

3. UniCredito Italiano S.p.A. takes over Živnostenská bank

3.1. Expectations and beginnings

The entrance of a new owner to Živnostenská was not a new experience for either of the parties involved. The majority of Živnostenská's shares had been owned by Germans since the year 2000, The UCI has also gone through a very fierce process of changes and its management claims the experience of both taking over as well as been taken over.

“We have experienced a similar situation to yours several times. UCI was from 1994 a small bank – bank Nr. 6 in the Italian market. After the privatization of the bank and the arrival of Mr. Profumo in 1994, the bank began to structuralize more...the bank was divided into three segments and gradually extended into new banks. We first expanded in 1998-99 when we bought a group of banks in Poland” [ITA2].

Both sides thus had previous experience(s) with which to compare the occurred situation, yet - according to our research, both sides were in for a surprise. The interviews give away the fact that neither side knew well what the other bank was like – or to say it mildly – had a different idea linked to the newly occurred situation. ...”we were very surprised by the building...generally speaking - there was a huge difference in everything“ [ITA1]. This difference was, however, not felt only with respect to a difference in architecture and the environment:

“The first thing that surprised us was that Živnostenská was a totally different bank, an institution oriented in the market in a manner other than what we were accustomed to. While

UCI focuses on corporate and retail banking – upper mass market, Živnostenská belonged to small private banks with very good clients, a corporate segment and suffering retail” [ITA1].

The responses on the Czech side give away a mixture of feelings full of national stereotypes on one side and full of hope for a change for better in business performance and future orientation of the bank on the other side. ...”an Italian” or ”an Italian manager” means chaos ... mafia...even in connection with this bank.” [CZ1]. ”Previous owner – Germans – didn’t take care about the bank as we expected, much of us ...believed the Italians will take greater care of the bank, believed in the new wave of business...” [CZ4].

The legal steps and changes were, according to statements of bank’s employees less dramatic than initially expected. From the obtained information it may be assumed that the entrance of the Italian owner was divided into three basic phases: a) the preparation for an expansion in the Czech market, b) the implementation of the standard UCI business model, demonstrated by the adjustment of individual processes, organizational structure and the decision model and c) expansion into the entire Central and Eastern Europe.

The initial activities of the new owner were seen by the Czech employees as not too fierce and confirm the declared strategy of the new owner – however, this mild and slow development was not seen by the Czechs as necessarily positive but rather as a product of the total ignorance of the new owner as far as the Czech bank market was concerned:

“It was known that the Italians wanted to settle in the Czech market, and, after an unsuccessful acquisition of Komerční banka, Živnostenská was practically the only remaining bank in the market. This may have been the reason for a surprise on the Italian side, when they found out what kind of a bank they had actually taken over. That may be the reason why the analysis of the overall situation of Živnostenská could take much longer than was expected, and also why the first significant changes began to take place only after some time following the purchase “[CZ3].

The slow development in Živnostenská was thus perceived as a consequence of UCI’s spontaneous and somewhat unpredictable behaviour upon the Czech bank market.

The case study points to the following fact: although both sides had a previous experience with take-over, their expectations were fairly different. While the Italian mother company felt somewhat taken by surprise, they were proceeding with changes at a speed which did not seem in any way abnormal to them. The Czech side on the contrary, expected much quicker changes – due to the stagnation of the bank under the German rule they were looking forward to any sort of improvement or at least movement within the Czech banking

sector. When such situation did not occur, it was explained by the Czechs as a direct consequence of the chaotic and the unpredictable behaviour of the new owner. No clear strategy was communicated from the new owner to the bank's employees – there was a lack of official information, creating even further chaos, which resulted also in practical matters concerning the bank:

“...some employees told their relatives to place their money somewhere else ...not that anyone said it directly – I was then working at the call centre – not there, no one would dare, but when they met clients, they sometimes advised them to do so. I think clients weren't extremely touched by that, but that the employees just perceived it so” [CZ2].

However, the interviews give away, that the UCI's investment in Živnostenská was not purely speculative and that there was an initial desire to succeed and develop upon the Czech bank market. Action delays were therefore definitely not out of purpose. The initial differences in corporate culture were resulted by hiring a specialist with local/national knowledge.

“...we didn't know very much about the [Czech] people...there was no strong managerial team....and we were waiting for Mr. Montana⁶ to come. There was no Human resources manager, the working morale was very specific, and people were leaving 10 minutes before the official end of their work day. ...there were very young managers ... well-educated...they already had the opportunity to study abroad...they were mostly under forty” [ITA1].

3.2. Managerial tactics

The *local knowledge specialist* Mr. Montana played a very decisive role in the beginning of UCI upon the Czech bank market; nevertheless the new owner did not leave *everything* up to him. Italian managers explain the tactics and role of the mother company when entering a new market in the following way:

“...”the goal of UCI does not include the placement of its people in the TOP management of the company in the banks of new Europe. The policy is that the Italian managers are

⁶ George Montana is a general director of Živnostenská and is the chairman of the Board. After he came back from his practice in London prior to 1989, he briefly returned to Živnostenská and later moved to Slovakia where UCI had its representation at that time. Following the request of the Italian side, he took charge of the bank and has been in charge up to the present. It is speculated that should the UCI have only a short term interest in Živnostenská, the services of Mr. Montana would not be required. In many senses he also plays the role of the middle man between the Italian management and the Czechs, functioning as a 'bridge', assumed to know both the Czech culture and situation as well as the Italian style of management.

established in specific positions so that they may cover the most significant gaps - whether on personal or professional occupations” [ITA2].

The new owner focused at first on the building up the managerial team, which would then help him navigate through the process of change. Very soon the major difference between UCI’s managerial expectations and Živnostenská’s usual model sprang up. This difference was a direct consequence of their different age and type of work experience: ...”their [Czech managers’] problem, however, was that they skipped the period when they should have been working operatively...learning how to implement things...they were good at theory but they weren’t able to put new things into practice...that was especially demonstrated in retail, which was controlled as a private segment” [ITA3].

From this point of view, there is a justified requirement/expectation on the side of the new owner that the one who takes up managerial status must be able not only to draw on knowledge and education but also experience – namely following intuition and inserting part of one’s own *life experience* into the decision-making process. These decisions are usually not supported by long-term analyses; there is no time to lose.

“Italians underwent several years of brainwashing... that taught them that if they have a problem they must search for solutions. The needs of the client are the decisive force...what we have to do is obvious and we don’t need any analysis for that...we must especially anticipate future development...in this case, the sensitivity of managers is very important”[ITA2].

The Czech management sees it somehow different:

“It [managerial style of Italians] is strongly individual. From my point of view, the model of people from Italy, if there is any, is to lean on experience from the mother-company in complicated matters. The level of managerial skills as such is - from my point of view - at a low level” [CZ1].

A major difference upraises in the realm of mutual expectations. Czechs are too analytical, Italians too spontaneous. Czechs are seen as preferring to talk about problems rather than solving them, Italians solve the problems even when this means changing the final goal. For each side the work of the other discredits its own. From the Czech point of view - analysis of the situation is of no use once the goal has been changed through the process, solved problem means one off, unless the situation as to why it occurred is analysed. A definite tension steps out of the picture.

“Czechs are especially focused on processes. They are very analytical, very pragmatic, well-organized and well-structured, but they often have problems to really focus on the goal. They are good at situation analysis but analyses don't solve problems...and they are not focused on decision making” [ITA1].

The message of the Italian managers to the Czechs is clear: take action! Make decisions! The main differences between the two cultures are recognised and articulated by the Italian management, they are nevertheless in the position to direct, to manage, to set the rules. They recognise the differences but at the same time do not take them into consideration much in their management strategy. Rather, they expect the Czechs to change.

Completely new to the Živnostenská's business culture was the introduction of informality of internal relations on the side of the new owner. Italian managers are not verbalising their interest only in business performance, but also in personal matters and issues of their Czech counterparts. This quest for friendly working environment is achieved through friendly *small talk* and long lunch hours, during which personal matters are discussed in addition to business.

“Good employee relations are important in Italy. The informal approach enables quicker changes. In the Czech Republic these relations are not important; I am hugely surprised that you are able to work with people who hate each other....that would not be possible in Italy. We need a good personal relation, if we fail to get it, we have a problemespecially in a situation when we need to perform quick changes. The Czech Republic is colder, though” [ITA3].

The aim of such behaviour is to build trust between parties as a useful capital, which could be well utilized in ordinary as well as in business life. It is a kind of social capital which could be valued more than the best written agreements and deals by certain business cultures.

“Have a look at the general picture and tell me what really is important. Forget what is not important. In Italy we close some deals only by verbal communication – then we prepare the second step – verbal agreements are stronger....here if you haven't agreed upon all issues, you go step by step – huge number of stages. If your customer asks, you answer, you can't go through the entire bank and search for the answer, you don't have time” [ITA2].

At the same time, trust based purely on oral agreement is something which is traditionally NOT part of the Czech business culture. Be it due to Austro-Hungarian or

communist bureaucratic heritage or later post-communist *wild*⁷ monetary development, a saying which still very much governs all the transactions in the Czech Republic translates as: “what is written is also given” (co je psáno, to je dáno). Czechs look with great suspicion upon those business cultures which function without the written documents that may be consulted at any time in the future for whatever reason necessary. The interviews illustrate this discrepancy: “Italians are smiling but in reality they don’t know anything about our mentality. They push us to do everything according to their expectations but on the other side they expect our Czech creativity” [CZ6].

3.3. Organizational structure

Živnostenská has a clear hierarchical structure with vertical elements under N-1 level and at the N-2 level. The Supervisory Board and Board of Directors are in charge of the bank. At the time of the project in both cases the Czechs make up the majority [2:1], although all factors point to the fact that significant changes may be expected in the future.

All positions in the bank are provided with job descriptions. These descriptions of individual positions are part of the so-called individual development plan system, i.e. containing mutual connections of individual working positions and indicating possible penetrability of individual positions and carrier growth. Competency evaluation and development plans are conformed to this job description. It also serves as a *safety net*, especially for the employees, since it contains their duties and rights and as such specifies the additional workload, working hours, overtimes etc. Nevertheless, every job description includes a passage *open to interpretation*, wherein the loyalties and additional duties of the employees are described. It is this ambiguous passage which provides the management with clearly recognisable space for manoeuvring, while leaving the employees in uncertainty.

“From the beginning I did not like the fact ... that they destroyed everything and did not have any idea what it would look like. All processes, structures were affected and little was known about the form and contour they would actually have. I think [Czech] people took it very badly” [CZ4].

For the Italian owner, however, the original organization structure of the bank was not something to be left intact:

⁷ *Wild* is often labeled the period of Czech coupon privatization and tunneling of new businesses and banks in the 90’s of the 20th century. See e.g. Tomášek, M. 2006

“Each segment, each department or division in the bank worked as separate, unique banks. There was no human resources, processes were significantly different from the Italian ones, segments did not speak with each other and one could hardly speak of any cooperation... everything was different... The characteristic behaviour of employees was to make rare, accumulative and exclusively responsible persons” [ITA1].

“After the merger there was a downsizing process ...today if somebody is ill we are not able to cover his work activities. We sometimes work overtime because other people are dependent on us” [CZ6]. The foreign managers have managed to motivate/persuade/force people to work in a different style which seems to be more productive according to economic criteria, but that does not necessarily mean that the employees have internally accepted neither these changes nor that they are decided to stay with the bank.

“Employees...there are few of them who don't get into conflict with the Italians...the ones who have done so, and who understood that it was not worth it, left or are leaving. Some of them are delaying their departures. They are waiting to see what effect the merger will have There is surely a smaller number of them than those who don't get into conflicts” [CZ2].

3.4. Rules, risk and responsibilities

The major conflicts which occur among the new owner and the Czech employees concern the nature or absence of rules and responsibilities in the bank. ‘Do the rules allow this? Make sure, write it down, and have it signed, so if something goes wrong, you have a scapegoat to point to’. This negotiation style with both the personnel and the customer by the Czech employees is much criticised by the Italian managers. In their view it slows down the process and creates problems, because it is not the interest of the customer that has been prioritized. Such a system is seen as rigid and not enough customer-oriented. Risk and responsibility are lacking in this behaviour; rules govern everything else.

Rules and individual responsibility are seen by the Italian management as interdependent issues. The rules are there to be followed (and to be broken – some would say) and at the same time to direct the responsibility away from the individual. If something goes wrong, it is a problem of a rule which is wrong or bad, not of the individual person. Personal responsibility is absorbed by an anonymous rule. This has been recognised as a rigid factor and drawback on the Czech side by the Italian management. Such an attitude does not work when a crisis or a problem needs to be solved urgently.

“In Italy – we have rules too – because this is the base of every organization. Starting with cashiers and ending with the person responsible for the branch. Each of these takes responsibility every day.....– one cashier here refused to pay one customer twenty thousand crowns because this customer had an identity card, while when opening the account he used a passport...the rules changed...I understand the rules – but there is a customer in front of you – in this case – the answer could be – please, I can't pay you, give me five minutes and I will try to solve your problem. I am sure that the customer would be happy. Not: ‘sorry I can't pay you’” [ITA2].

Getting rid of this rigidity is seen by the Italian management as a target not only on the level of work skills but also as a part of inter-cultural communications. To a great extent, the Czechs are trying to resist it, although they recognise its positive effect upon the performance of the bank on the market.

“With respect to market development in the Czech Republic, we needed to create a flexible bank without necessary decision making levels to be able, as quickly as possible, to respond to market needs” [ITA3]....”at the beginning it was very tough for our people. As they were not used to walking alone, they were not able to do that....It is true that they [the Italian owner] helped that business a lot” [CZ3]. “After all, there is something to their less democratic managing style. To make people interested in their business results...they have changed people's attitude to work...they have begun to push them and the results have gradually been coming” [CZ5].

So what is the problem - the rules or the people?

“How could we solve this situation? ...Answer: if you don't like this rule – change the rule – this can be done....in the meantime – if you are a manager – you have to take some responsibilities and I am not sure if the managers are ready to take it....They must be able to identify important situations and take responsibility for negotiations. Generally – because this is a managerial skill. And now the question is: is it a problem of individuals or a problem of the culture?” [ITA3].

4. Culture and power in Živnostenská

4.1 National character and power relations within Živnostenská

The reader would have noticed that one major binary opposition runs through – or even structures the whole case study and that is the difference along the national line. Since cultural encounters are the major issue in Dioscuri case studies, this opposition may be rather

understandable and not surprising. What is rather interesting is the way in which it is interpreted by the two parties. The Italians see the difference due to different culture and socialisation, with a possibility to change; the Czechs see it also due to different culture and socialisation, they – however, feel a forced necessity to change in order to keep their position within the bank. As one Italian manager puts it: “Czechs have a German approach, which is: tell me where to go and how and I will go there. However, what is expected, is that one will begin to search for solutions...it is not the existence of the problem that is significant, but the solution” [ITA1].

However, the available material does not point to the fact that this difference along the national lines would be perceived by either side as something inherent, genetic or intrinsic. It is rather to be understood as a part of power relations within the bank. Positive and rising economic results of the bank empower the Italian managers to implement their views rather forcefully. The Czech manager summarises it in a following way:

“When they bought us, they changed a lot for the better. The figures are there and demonstrate it. It is, however, difficult to say if they did that because they understood the culture and knew how to cope with it or they didn't know it, didn't want to understand it and did it their own way. I have a feeling that we don't want to understand differences much, why it is like that and not another way, what could make it easier...on both sides. Probably it would be of help if they understood what encourages a Czech. They never wanted to understand this.” [CZ1]

An Italian manager comments on the similar subject in the following way:

“I began to push my people to start making decisions – not to waste time with long discussions....there were many complaints against mebut now, after 19 months, I think that this corporate culture in retail has changed and the people are more flexible and especially in retail, we are speaking in a total different language... Czechs are, however, a bit different nowadays: we have spread like a virus. Czechs today – at meetings - already behave in a similar way as the Italians” [ITA3].

4.2. Style of communication

Major difference which penetrates all the behaviour of all involved is in style of communication, once again firmly rooted in the above mentioned discourse of national differences and power relations within the bank. The Czechs are characterised by the Italian Other as those demanding reason, structure and rules; Italians are seen by their Czech

counterparts as those yielding to charisma, emotions and individualism: “There is always something said and then you just wait for half a year until it is revised by the Italians once again” [CZ2].

“They mostly don't absolutely understand why and for what you need some information. If you want to push something through, then you bear responsibility, everyone looks at the other ones... I am responsible only for field A, you only for field B, but unfortunately you can't do anything unless you have information about field B, so your requirements wander all around and a big problem with Italians is that they ask why we need it. Why is your country so organized, why do you actually need it? They just simply don't get it” [CZ1].

What is being criticised by the Czech management is the disrespect for the local practice. The mode of communication is different, and dependence on individuals is seen as an obstacle, since they change their minds/rules much too often for the Czech management to be able to work effectively; they do not see any development strategy for the bank. It all results in 'chaos' which for most is a synonym for absent strategy. However, the extent to which communication bypasses the two sides is expressed as somehow different by the Italians, who, unlike the Czechs, do not see their actions as representative of a missing strategy – for them this seeming 'chaos' *is* the strategy. “There is a strategy...only tactics are missing” [ITA1].

Different style of communication penetrates all levels of corporate behavior: decision making, willingness to take risks, in/dependency, ir/responsibility, business culture (written vs. oral agreements) or communication on personal level among the employees. The Czechs prefer and demand analytical, rule following and a formal mode of communication, as opposed to informal, spontaneous and charismatic mode of communication on the side of the Italians. The Czech manager describes initial situation:

“The main thing that struck me was the fact that the communication was immensely fragmented, absolutely uncoordinated between individuals and there was a monstrous mess, there is mess everywhere, in all mergers there is a mess but there is a big one in this merger. The integration effort is totally uncoordinated, we don't have any model of how to inform; a basic, at least theoretical, model of how to inform is lacking. The management says one thing and the rest has different information and then there is a fuck-up..... You overcome the fact that you don't know everything, what you don't overcome is the fact that you don't know the main guidelines.... Sure, when someone else comes, there is a certain change but I didn't see

what the long-term goal was and if any goal has been presented, then it has changed a lot. Once again, without any communication, a continuous change for 3 years” [CZ1].

In the initial phase, the arrival of the Italian owner brought only weak communication and increased discomfort – not only the feeling of the Czech management but also acknowledged by the Italian owner:

“Speaking about Živnostenská, we made a lot of mistakes inside the bank but it is not true we did nothing at the beginning, especially in the first year when we did the most things...lack of communication could lead to the confusion of employees” [ITA2].

The fact that we have been so far analysing communication within the bank without addressing a language as a mode of communication is at one side very predicative as well as very supportive of the above mentioned analysis. In Živnostenská, the communication language among the managers is English and it follows very much the same pattern described above in relation to communication in general. Although English is an international language of communication, it is not the native language of either side and that gives both sides an equal starting position. It is thus very interesting to see what the two sides make of the English communication code. Italians in the bank have a reputation of bad English speakers:

“Earlier when I came here, I wasn't able to communicate in English. I had begun studying the language shortly before I came....my arrival at the bank was without problems due to the tolerance of the Czech people” [ITA3].

So we see that at least one of the four Italian managers was not able to lead communication with his Czech counterparts at the beginning of his post in the bank but he does not see this as a problem. This was however, unlikely he may have thought, not a view shared by his Czech colleagues:

“Moreover, I have a feeling that whenever an Italian comes, everyone knows he is going to spend at least two hours at the meeting...he stops at some detail and what's more, he cannot speak English properly...it is always like that” [CZ4].

Although some Italians cannot speak English properly, it is not seen as a problem by them since under their managerial logic it is the action what is important more than analysis and words. Czechs on the other hand see it as a problem, for them words are important. Since they are not familiar with Italian business culture, words are the only steady point in communication which they may lean on. If not, how can one ever be sure that what is really meant is also articulated and understood as such? This difficulty has been recognised by both sides, where each party resolves the problem in a different manner. The Czech management

for this reason prefers to have the key agreements written down rather than agreed upon only by word of mouth.

5. Conclusion: Legacy of the past or unequal power relations within the bank?

In Živnostenská we have come across two seemingly incompatible worlds: The Czechs demand from their Italian employers precise rules of conduct, since these are seen as both the guidance and limits to ones responsibilities. They fear independent decision making, since this leaves too much space for the interpretation of individual action and subsequent evaluation. Italians on the other hand understand 'individualism' and 'chaos' not only as a cultural sign but also as a business strategy, in which detail is not important, (it is lost in the large pool of the business) and yet the individual (customer) is more important than the structure itself. Is this merger to work in the future? Italian managers believe it can:

“The combination of both cultures is good if people are able to accept variety. It can help growth. I think, that when one takes the Italian relaxed attitude of solving problems and one adds to this the Czech responsible attitude and stance on firm foundations, they are definitely compatible, but only with mutual respect for basic features of each of these cultures. And they want to succeed in the Czech market with the Czech customer, i.e. it especially concerns how they manage the assumption of Italian culture with those customers” [ITA3].

Although the social sciences have long ago closed the door on studies aimed at discovering the 'national character' of a nation,⁸ it is obvious from the interviews that popular discourse still spins around stereotypes it has created. 'Italians are chaotic, charismatic, and spontaneous, Czechs are ordered, rule following, adaptable...' Combined with unequal power relations, oppositions are bound to occur: 'Us' and 'Them', a simple dichotomy. Real life often has little to do with academic social science and this case study is not trying to pretend that the differences between 'us' and 'them' do not exist in Živnostenská. Quite on the contrary, they do exist and they are very pronounced. What is encouraging is the fact that these differences are not seen as physically inherent but rather as culturally determined. What is more, these differences were never pronounced as a form of cultural pathology—this new form of cross-national racism, but rather as differences which are mutually respected.

There are many antagonisms and expectations between both cultures. The issue of coexistence of both cultures in Živnostenská depends on the future development and position

⁸ Compare R. Benedict. 1967.

of the bank in the wide multicultural environment of the international banking sector. The market performance of the bank will either bless or condemn the union in the future. The changes taking place are not on the level of economic theories; the 'global' remains the same. The question 'what to sell' is clear; it is the method by which it is addressed that is negotiated between the Italian management and the Czech employees. Paradoxically, it is the local—the culture—which will have influence upon the global—the economic performance of the bank. If the union is to be a success, local knowledge must necessarily be incorporated into the wider scenario.

It is widely acknowledged that cooperation - on both sides - is possible only under the condition of mutual respect and tolerance on both sides towards mutual differences. It is obvious that learning about each other and from each other takes time. The cultural and linguistic differences, including the fact that the major language of communication is not a native language for either side, are deeply rooted in the minds and bodies of all actors on the scene. The game, however, is uneven, since it is the Italian management which holds the major portion of power. Nevertheless, it is also recognised by the headquarters, that they aim to succeed upon the Czech market and thus to a great extent it must be their strategy to 'go native' in the Czech environment. Thus, getting to know the world of the Other, and increasing one's assets in the field of this cultural capital⁹ is clearly the key to successful coexistence and to the prosperity of Živnostenská. The willingness is there to start with. Only the passage of time will show whether this was enough.

6. Bibliography

Benedict, R. 1967. *The Chrysanthemum and the Sword : Patterns of Japanese Culture*.

Cleveland: Meridian Books

Bourdieu, P. 1994/1998. *Teorie jednání*. Praha: Karolinum

Hall, S., du Gyu, P. (ed.) 1996. *Questions of Cultural Identity*. London: Sage

Herzfeld, M. 1992. *The Social Production of Indifference*. Chicago: University of Chicago Press

⁹ Bourdieu, P. (1994)1998

Holý, L. 2001. *Malý český člověk a skvělý český národ*. Praha: Slon

Konopásek, Z. 1999. *Otevřená minulost – autobiografická sociologie státního socialismu*. Praha: Karolinum

Tomášek, M. 2006. *The Economic Culture of Transitory Order*. Dioscuri paper (State of the Arts Czech Republic – unpublished)