

## Doing Business in Hungary and Indonesia – An Intercultural Approach

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Business is business world over and in every country, but the way it is conducted differs widely. Too often, business men assume that their partners have the same business values as themselves but that is wrong. One of the biggest challenges of doing business in a foreign country is learning how to operate in a different cultural setting. For those who wish to take advantage of the rapid economic growth taking place in Indonesia and for professionals who wish to develop successful partnerships with Indonesians, this brief overview of the differences between Hungarian and Indonesian business cultures, values and expectations might be of some assistance. Vica versa, Indonesians and Indonesian professionals who wish to develop relations with Hungarian partners – may they be engaged in education, science or industry – will hopefully find this comparison of cultural values and characteristics veru useful in minimizing misunderstandings, miscommunication or clashes, which would otherwise result in loss of time, energy and relations.

### **The imperative of understanding cultural traits**

The largest archipelago and the fourth most populous nation (254 million) in the world, Indonesia is comprised of approximately 17,000 islands. It has the world's largest Muslim population (over 200 million). It is an extremely diverse country where ethnic groups are united through the national language, *Bahasa Indonesia* (Jones et al.1977), and the country's motto, *Unity in Diversity*.

Business opportunities continue to expand as Indonesia has made major progress in recent years to transform itself into a major player in the world's markets. Doing business successfully in Indonesia, however, requires a comprehensive understanding of Indonesia's unique fundamental beliefs and values that affect daily life and business practices. Indonesia has a rapidly changing cultural landscape. Behaviours are dependent upon age, exposure to global ideas, region of origin as well as education and socio-economic background.

The Indonesian business culture is diverse and heterogeneous depending upon region, industry, and the ownership structure of the company, but business is always personal, motivations are strongly tied to personal factors unlike in western European countries. The axiom for successful business in Indonesia is *"never write when you can call and never call when you can visit"*.

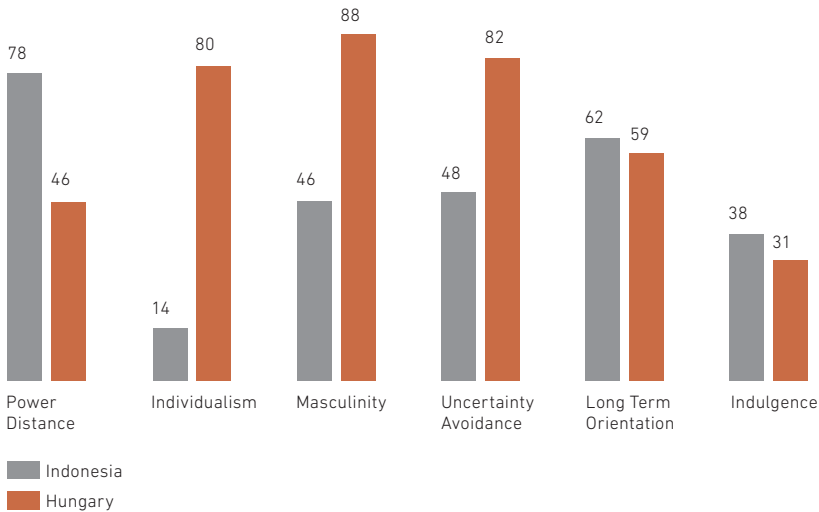
When compared, Hungary is in between, but is still relatively more relation-oriented than transaction-oriented. Hungary's (10 million inhabitants) location – on the cross-roads of East and West, North and South – positions the country in the virtual focus of cultural influences. For many centuries, Hungarians were forced to cope with an ever-changing environment (geographically, politically and culturally); hence ingenuity and resourcefulness were imperative to survival. This ability to adjust to contingencies may be summed up, somewhat tongue-in-cheek, in the colloquial adage: *"A Hungarian is one who enters the revolving door after you and emerges in front of you"*. This saying also implies that the ability to circumvent the rules might be used for bad as well as good things.

Hungarians traditionally are good fighters but less successful strategists. In communication and in business relations this attitude might sometimes lead to surprisingly frank utterances that may lack tactfulness. In educational and academic settings, students do not fear direct and outspoken confrontation with their superiors – once they are convinced they are right. Pride prevents Hungarians from compromising – they look with equal disdain to servility or to adulation. In response, they expect respect from others: respect for the honest display of their feelings and respect for what they have achieved. In historical perspective, this attitude has not proved very helpful in attaining their goals, either in diplomacy or in business. Hungarians often exhibit an ambivalent relationship toward their international partners. They are apprehensive of failure, averse to openly saying "no", but condescension irritates them to no end.

### **Understanding cultural dimensions for business purposes**

What are our business partners likely to be if they are Indonesians (Hirata 2009) and what are they likely to be if they are Hungarians (Bart 1999)? For comparison we turn to the 6-dimension model of the Dutch intercultural management scholar Geert Hofstede (Hofstede et al. 2010). He identified 6 cultural dimensions that mainly affect the way people behave and act in business situations.

### Indonesia in comparison with Hungary



Source: [www.geert-hofstede.com](http://www.geert-hofstede.com)

#### *Power distance*

Power distance index shows the extent to which the less powerful members of organisations expect and accept that power is distributed unequally.

Indonesia scores high in this dimension (78) meaning that people accept dependence on hierarchy and acknowledge unequal rights between power holders and non-power holders. Power is centralized and managers count on the obedience of their team members. Employees or inferiors expect to be told what to do and when. An example from the educational domain:

*Three students from Indonesia have come to their Hungarian professor to request that he spend more time lecturing and less on class discussion. They prefer to be told what to know and how to understand things instead of being involved in speculating on certain issues.*

Indonesians respect hierarchical relationships (status, position, and age) that are also part of the business culture, where managers often take on a patriarchal role. They are the decision makers and their orders are never directly questioned. Superiors are

often called *bapak* or *ibu*, the equivalent of father or mother, sir or madam. Titles tell Indonesians where to place their partner relative to themselves, which is vital in a culture where status is important. The partner's title should be readily understood and unambiguously displayed on their business card. In comparison, Hungary scores relatively low on this dimension (46). People prefer to act independently; hierarchy is used for convenience only. Management facilitates and empowers, the ideal is the coaching leader. Employees expect to be consulted. Control is disliked and attitude towards managers is informal: they might – more often than not – be addressed on first name basis. Communication is participative.

### *Individualism*

This dimension refers to the degree of interdependence a society maintains among its members. Depending on whether people's self-image is defined in terms of "I" or "We", cultures can be classified as individualist or collectivist.

With a low score of 14, Indonesia is a collectivist society. This means there is a high preference for a strongly defined social framework in which individuals are expected to conform to the ideals of the society and the in-groups to which they belong. Indonesians see themselves as members of a group first and as individuals second. Hungarians in contrast (score of 80) see themselves as individuals first and as members of a group (family, organization, nation, etc.) second.

Employees in Indonesia are rewarded in groups; promotions will draw heavily on seniority, relationships, and experience, not necessarily performance and achievement. Decision making may be a slow process, as many individuals across the organization will need to be consulted. However, once consensus is reached, implementation may be surprisingly rapid. In Hungary, as in most individualist societies, the employer/employee relationship relies on a contract, based on mutual advantage: hiring and promotion decisions are supposed to be decided on merit only.

Indonesians are careful to show respect and to avoid situations that would embarrass their partner as this would cause the person in question to lose face, which would also bring shame to the individual's group (family, department, etc.). This concept in Indonesian business culture is called *malu*, literally translated as embarrassment or shyness, but in business context it also means loss of face or social shame. The idea of loss of face is external; it is how one believes others perceive him or her. The idea of social shame is internal; it is how one perceives himself or herself. It is the inner

feeling that one is ashamed of one's actions and that one really did do something wrong to let the group down. In Hungarian violation of the business culture causes guilt and a loss of self-esteem, but does not lead to "loss of face" in front of others. Hence, individuals tend to act less carefully to protect face. This might manifest itself in less tactfulness and a more direct communication style.

### *Masculinity*

High score countries (masculine) on this dimension are driven by competition, achievement and success, with success being defined as being the best in a given field – a value system that starts in school and continues throughout employment. The motivation of wanting to be the best is driving people forward. Hungary with its score of 88 highly stands out amongst most European countries. Low score countries (feminine) on this dimension care for others and for the quality of life. For them the motivation to like what you do is the main driving force. Indonesia with its score (46) on this dimension can be considered "low masculine", particularly when compared to some other Asian countries like Japan, China and India. Indonesia displays traits of masculine societies but to a lesser degree. In Indonesia status and visible symbols of success are important but it is not always material gain that is the motivating force, but rather the position that a person may be holding. This *gengsi* (outward appearance) is part of status and dignity – so important to Indonesians.

### *Uncertainty avoidance*

This dimension has to do with the way a society deals with the concept of the "unknown": can we try to control the future or shall we just let it take shape? This index shows the extent to which members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions in an effort to avoid them.

Indonesia scores 48 on this dimension and thus has a low preference for avoiding uncertainty. This means that maintaining workplace and harmony in a relationship is very important in Indonesia, and no one wishes to be the transmitter of bad or negative news or feedback.

*Subordinates go out of their way to present only good news to the manager, if possible. This practice is referred to as "keeping father happy". Bad news is generally conveyed in private, often by a trusted advisor. If a manager tells a subordinate that something must*

*be done by a certain time, the subordinate does not tell the manager that the timing is impossible since doing so would be disrespectful. Instead, the subordinate agrees and trusts that the manager will understand that other matters prevented him/ her from achieving the agreed-upon deadline.*

Hungary scores 82 on this dimension and thus has a strong preference for avoiding uncertainty. There is an emotional need for rules – even if the rules oftentimes seem not to work – and people feel safe and secure only if they “know the rules”. Bitter historical experiences have taught Hungarians to stay alert so as not to be cheated or let down by outer forces. Contracts and written agreements are considered to be of increasing importance in the globalizing business environment.

Another aspect of this dimension can be seen in conflict resolution. Direct communication as a method of conflict resolution is often seen in Indonesia as threatening and disrespectful. Instead, a well-established method of conflict resolution is to take the safer route of using a third party intermediary, which permits the exchange of views without loss of face as well as to maintain the appearance of harmony in the workplace.

#### *Long-term orientation*

This dimension describes how a society cherishes its own past while dealing with the challenges of the present and the future. Normative societies, which score low on this dimension, prefer to maintain tested traditions and norms while view societal change with suspicion. Cultures with high scores, on the other hand, take a more pragmatic approach: they encourage thrift and put efforts in education as a way to invest for the future.

Indonesia’s relatively high score of 62 indicates that it has a pragmatic culture. In societies with a pragmatic orientation, people believe that reality depends very much on situation, context and time (high context culture – Falkné 2008: 225-226). They show an ability to easily adapt traditions to altered conditions, a strong propensity to save and invest, and perseverance in achieving results. This is a dimension that Hungary is nearest to Indonesia in terms of scores (58), which is largely attributable to having strong inherent agricultural traditions in mentality, which presupposes the ability to think ahead.

### *Indulgence*

This dimension is defined as the extent to which people try to control their desires and impulses based on the way they have been socialized. Relatively weak control is called "indulgence" and relatively strong control is called "restraint".

The low score of 38 in this dimension indicates that Indonesia has a culture of restraint. In contrast to indulgent societies, restrained societies do not put much emphasis on leisure time and control the gratification of their desires. People of this orientation have the perception that their actions are restrained by social norms and feel that indulging themselves is somewhat wrong. Hungary scores even lower (31), but this refers only to the "official" domain – where people do, in fact, behave. In private, Hungarians give up their restraints: they love to eat, sing and dance, and pride themselves on the quality of their food and drinks. Cultural tourism and wellness tourism – owing to the high number of excellent spas – attract many visitors from abroad, who enjoy themselves and also enjoy what Hungary has to offer. Visitors appreciate the somewhat easy-going lifestyle in Hungary; the number of foreigners purchasing apartments and country-cottages is growing rapidly.

*Hungarians often tend to spend more than what they can afford. They may be tempted to spend a fortune on a wedding or on holiday travel. This mentality is best summed up in a quip by a Hungarian comic genius of the 20<sup>th</sup> century: "I wish I had the standard of life I affect".*

To sum up: when comparing Indonesia and Hungary along the 6 cultural dimensions, scores in 2 (Long-Term Orientation and Indulgence) domains are similar, but in the other 4, they differ considerably. The greatest divide is evident on the individualist-collectivist scale, followed closely by the masculinity, power distance and uncertainty avoidance dimensions. These are the areas that partners might experience the greatest differences in values, approaches and judgements. These differences might also affect decision-making, negotiation-style, and management practices. Therefore being aware of them, understanding their nature, and expecting them may be of great value in successful interactions.

### **Conclusions**

Much could be and should be said about non-verbal communication as well. Indonesia is a high context culture where the tone of voice, body language, eye contact, and

facial expressions can be just as important as spoken words. To some extent this is true for Hungary as well, but Hungarians might have difficulty in hiding their emotions. Indonesians strive to maintain an outer appearance of calm control regardless of what they may be feeling. They use an indirect communication style that includes figurative forms of speech, gestures, and other forms of body language. They prefer a quiet and subdued tone of voice and shun loud laughter. Hungarians are more direct – both in their use of language and behaviour.

Indonesians will do almost anything to avoid confrontation and risk the loss of face. To this aim and out of politeness, they may tell you what they think you want to hear. If you offend them, they will mask their feelings and maintain a veil of civility. Hungarians on the other hand might not intend to be that indirect – they might appear even uncontrolled in the eyes of Indonesians. For Hungarians frank and honest communication is more vital than politeness or harmony.

Due to volume limitations this short overview could not provide an in-depth investigation of Indonesian or Hungarian cultures and business approaches in order to ensure the development of successful working relationships with Indonesian/Hungarian counterparts. We still assume that awareness raising to intercultural sensitivity might be a first and necessary step in making partnerships and working relations smoother between our cultures.

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