

Hangzhou wahaha food group management essay



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In the global market today, culture has gradually seeped into our daily lives. People can no longer work within their own comfort zone, but the current business markets requires a need to step out of people's comfort zone to explore the wonders of cross cultural working culture. Like a coin, Culture has its flip side though it has been considered as one of the main factors in shaping and accounting for successful business attempt. However, culture has always been considered a sensitive topic among people, companies and even the nations. In the recent years, many multi-national companies have not yet grasp the culture of the country which they are operating or selling their products in. By using case studies of " Danone Vs Wahaha" and " Renault Vs Nissan" in our research, we attempt to compare the vast differences in national culture between France, China and Japan using Geert Hofstede's 6 dimensions of defining and interpreting culture.

In 1996, China's Hangzhou Wahaha food group, France's Danone group and Hong Kong's Bai fu qin corporation decided to form a joint venture named " Wahaha". In this joint venture, Danone attempted to enter the china market using " Wahaha" brand that is well-received by the Chinese. However, problems started to arise when Danone become the biggest shareholder in 1998; thus producing resentment from the China's Wahaha group as they felt that Danone has misled them from the very beginning. To worsen the problem, Hangzhou Wahaha food group that is managed by Chairman Zong was accused of breaching the contract by establishing non-joint ventures which have infringed the interest of Danone, claiming that the Hangzhou Wahaha's establishment of the nonjoint ventures as well as the illegal use of the " Wahaha" trademark has violated the clause started in the contract.

After which Wahaha's Chairman Zong was sued into courts by Danone in California and Italy, he further created a series of small companies producing the same products as the joint venture. The "Wahaha Vs Danone" case has significantly depicted a dispute between ownership rights. If reading were done further in depth, conflicts between Danone and Wahaha may be caused by unawareness of the cross cultural differences between France and China.

Nissan Vs Renault

Nissan, a Japanese company and Renault, a French company have decided to come together to work on a joint project. Both companies were well known for their distinct corporate cultures and brand identity. The joint project was formed as both companies shares a single joint of strategy for profitable growth and community of interest. However, Nissan's management style strongly encouraged group performance while the Renault focuses on individual performance. Communication between the top management and employees were not clear and direct, therefore resulting in misunderstanding within the company.

The conflict arises between the 2 partners was due to Nissan's employees assumed that Renault was another company similar to them by encouraging group performance. However, Renault's management style belongs to a much more individualistic approach, making the Nissan's employees felt uncomfortable of having the feeling of losing their family atmosphere. Communication between the Nissan employees and Renault employees broke down; Nissan did not understood what were Renault's main objectives and their company goals in their partnership with Nissan. Some of the

Nissan's managers felt frustrated and opposed to the entry of Renault representative on Nissan's board. The managers were old employees, and they felt that employees should be promoted according to their seniority instead of individual performance. The breakdown of communication is also caused by the differences in their language. With such a significant difference in their management style, there is a need in cross cultural awareness for the business joint venture to be a successful one.

Geert Hofstede's 6 dimensions

According to Geert Hofstede's cultural research studies, he has interpreted that culture can be classified into 6 different dimensions; Power Distance, Uncertainty Avoidance, Individualism Vs Collectivism, Masculinity Vs Femininity, Long term orientation Vs Short term orientation. The table below shows the different scores allocated to the different dimensions for France, China and Japan

France

China

Japan

Power Distance

68

80

54

Uncertainty Avoidance

86

30

92

Individualism Vs Collectivism

71

20

46

Masculinity Vs Femininity

43

66

95

Long Term Orientation Vs Short term Orientation

39

118

80

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Power Distance

Power distance deals with the fact that all individuals in societies are not equal - it expresses the attitude of the culture towards inequalities among us. Power distance can be defined as to the extent to which the less powerful expects and accepts that power is distributed unequally. (Geert Hofstede, 2001)

In comparison of France, China and Japan, China belongs to a society where the people believes that inequalities is acceptable where there is a presence of a powerful employer-subordinate relationship which the subordinate will abide by all rules and regulations set by the employer.

France on the other hand may be prone towards a more hierarchical organization system where the “ attitude towards managers are more formal”.

Japan belongs to a more hierarchical society where the Japanese should be conscious of their hierarchical position in any situations. All decisions made must be confirmed by each level of the management and finally by the top management.

Individualism Vs Collectivism

In the dimension of Individualism Vs Collectivism, Individualism can be identified as the high degree of independence a society maintains among its members. It relates to people's self image in terms of “ I” while Collectivism can be identified to be the opposite. In a individualist society, people tends to only look after themselves and their direct family only while a collectivist

society consists of people belonging to a group that takes care of them in exchange for their loyalty.(Geert Hofstede, 2001)

Comparing the 3 countries, there is a significant difference; China belongs to a highly collectivist country where people act at an interest of a group. In this norm, personal relationships prevail over the task and company.

However in France, there is a certain degree of independence a society maintains among its members. The French prefers individual and private opinions and work relationships between the employer and employees are contract based where everyone's focus is on the task itself. Communication within a individualist company would be direct where everyone can give their opinions freely if they do not agree. Referring back to the " Nissan Vs Renault" case, it has clearly shown that Renault (France) encouraged a more individualist approach by promoting individual initiatives and hoped that the employees are promoted through individual performance. Direct contacts between the top management and employees were encouraged in their individualistic approach.

Japan similar to china belongs to a highly collectivist society, this can be shown through putting their harmony of group above the expression of individual opinions and the Japanese have a strong sense of shame for losing face. In the " Nissan Vs Renault" case, Nissan's employees feel that it is important to have a family atmosphere in their working environment. The managers of Nissan felt frustrated and opposed to the entry of Nissan as they felt that promotions should be done according to seniority, not

individual performance. This clearly shows that Nissan (Japan) belongs to a collectivist society.

Masculinity Vs Feminity

Masculinity Vs Feminity is another dimension where we can infer that a masculine society will be driven by competition, achievement and success. It is a value system that starts in the school and continues throughout organizational behavior. On the contrary, a feminine society will be driven by caring for others and quality of life. It is one where quality of life is the sign of success and standing out from the crowd is not admirable. (Geert Hofstede, 2001)

In China, Leisure time to the Chinese is not as important compared to the status and better salaries. Such examples can be found in students as they care very much about their exam scores and ranking as the main criteria to achieve success or not.

France belongs to a relatively feminine society. It may be due to their famous welfare system, " *securité sociale*" where the French are only required to work 35 working hours per week and entitled to 5 weeks of holidays per year. France cares greatly for their quality of life and focuses more on work in order to live the reverse. Competition in the working environment is usually not encouraged and flashy signs of success should not be shown in the public. In the " Renault Vs Nissan" case, Nissan is shown to be " treated males and females equally". Some of the female employees were offered several managerial positions in the company.

Japan, a total opposite from France has a highly masculine culture. It is usually shown through competitive situations between groups, not individuals. Their famous “workaholicism” is also another expression of their highly masculine culture. In Japan, women find it difficult to climb the corporate ladder due to their masculine norm of hard and long working hours. Contrasting Renault in the case study, Nissan belongs to a masculine company which managerial positions are only offered to the male employees, not the female workers.

Uncertainty Avoidance

Uncertainty avoidance has to do with how the society deals with the fact that their future will not be known. The unknown elements will bring about ambiguity and different cultures will react to the ambiguity in different ways. The uncertainty avoidance can be defined as the extent to which the members of a culture feels threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these. (Geert Hofstede, 2001)

The high degree of ambiguity can be seen from the Chinese as their language is often full of ambiguity that can be seen as confusing for the westerners. It is shown that the Chinese are comfortable with ambiguity and seen to be adaptable and entrepreneurial. 70%-80% of Chinese businesses tend to be small to medium sized and family owned.

France on the other hand tends to have their teachings and training done in a deductive approach. In the management level, rules and securities are ensured to create a stress free working environment and a certain level of

expertise are welcomed. A change of policies can also be seen as a stressful event.

Japanese is one of the few countries that have the highest uncertainty avoidance score. It may be due to the fact that Japan is constantly threatened with natural disasters such as earthquake, volcanoes eruptions that most Japanese are always prepared in any kind of situations. In the business environment, a lot of time and effort are put into feasibility studies and all the risk must be worked out before the project can proceed.

Long term Vs Short term orientation

In the Long term Vs Short term orientation, a long term orientation can be seen closely related to teachings of Confucius and can be separately interpreted as dealing with society's search for virtue. Long term orientation can be defined as the extent to which a society shows a pragmatic future orientated perspective while Short term orientation shows a conventional historical short term point of view. (Geert Hofstede, 2001)

China belongs to a long term orientated society whereby persistence and perseverance is seen to be normal. The Chinese are thrifty and tends to invest in long term projects such as real estate. They also recognized that the government is by men rather than being influenced by external factors such as god or the laws.

France on a contrary is a short term oriented society; there is a great respect towards traditions, cultures and their language. In business related issues, the French tends to focus on short term results and therefore, companies are

usually driven by quarterly results. They do not focus on saving and the management style is based on self-reliance, personal achievement, hard work and managers are judged based on short term results.

In Japan, people lives their lives guided by virtues and good examples in life. There is a hint of long term orientation in the constantly high rate of investment in R&D, even through difficult times. This is all done for the sake of a steady growth for market share instead of a quarterly profit, thus increasing the durability of the company, serving the stakeholders and the society for many generations to come.

From the graph above, it has shown that the cultural differences between France and China is distinctly difference in terms of their power distance, Individualism, Masculinity, Uncertainty avoidance and Long term orientation. With that significant difference, there is furthermore a need to focus on the awareness of cross cultural differences between the 2 country in order for the joint venture between Wahaha and Danone to be a successful one. By relating back to the case study, Danone, the French company may not understand the ambiguity in how the Chinese operates in Wahaha and may misinterpreted their good intentions. Likewise, for Hangzhou Wahaha, it is founded by the Chairman Zong who started the company from a small company which may be very much more family-owned. Chairman Zong may not have a vast understanding of how international joint ventures works and can end up leading to bigger misunderstanding and conflicts which results in the failure of the joint venture or business attempts.

Given an example from the case study; Zhang & Cheryl(2001) stated that “ the interpretation of losing control is different between the western society and china”. In the western society, “ the meaning of losing control may not be treated at a personal level”. However, losing control in china is equally be meant as losing face, and “ losing face in this case study would refers to losing the power to make decisions” which puts Chairman Zong of Wahaha in a disrespectful situation among his employees. Wahaha therefore insist to runs normally in their daily operations in order to keep their face. To worsen the situation, Wahaha perceived “ it was losing face when Danone established other IJVs with their competitors” resulting in Wahaha being less motivated to settle their conflicts and disputes between each other.” From the case study, we have seen how important cross cultural awareness is important in shaping and cultivating a good business attempt.

In comparison of France and Japan, there is still a significant difference in the 6 dimension index from Hofstede’s theory. In the “ Nissan Vs Renault” case study, the difference in management style, breakdown of communication, different cultural values and language barrier are factors which may have caused a conflict between the 2 companies.

One of the major problems may be the different management style; where Nissan is prone to work in a family like atmosphere. However, Renault focus on individual performance where individual employees only cares about their own results. Nissan can also be seen as a more masculine society which managerial positions are only offered to male employees while Renault treats all employees as it can be shown that “ several managerial positions were taken up by female employees”. In such a different cultural

environment, it is important that both companies should have cross cultural awareness for the business venture to be successful.

Importance of national culture

As discussed above, The analysis and evaluation between “ Danone Vs Wahaha” and “ Renault Vs Nissan” (France, Japan & China), we have identified and come to an understanding that both companies have failed to understand and account for each party’s culture thus leading to main issues such as communication breakdown, management problems and conflicts. Previously where this essay has analyzed and critically evaluated the two different case studies of “ Danone Vs Wahaha” and “ Renault Vs Nissan” (countries France, China and Japan), what we have identified is that that both companies have failed to understand and account for each other’s culture because of the failure to do so, main issues like communication breakdown, management problems and conflict happens.

It is therefore crucial for large multinational companies to be exposed to the different international cultural differences as in their daily operations they are exposed to multiple national cultures. This suggests that managing across borders introduces substantial complexity because it forces multinationals to attune their practices and approaches to each and every cultural context they operate in.

In the previous section, Geert Hofstede’s 6 dimensions index were discussed to evaluate the two case studies. It has shown that each country would have its own significant difference from the 6 dimension index from Hofstede’s theory.

Failure to appreciate and account for them can lead to issues like strain relationships between employees and employers or between stakeholders, communication breakdown between management team and drag down business performance. Each country has a unique cultural perspective and approach to certain situations and hence it is important for companies to strive to understand and support relevant programs or strategies in each region.

However, based on Geert Hofstede's research on national culture, he has demonstrated that organizations can no longer ignore the impact of national cultures on organizations' cultures particularly for multinational companies. It is also clear that in the current times, the implementation of positive organizational cultures and effectively merging of national cultures into organizational culture is critical for positive business performance and outcomes.

Newman & Nollen (1996) state that " there is no one best way to manage a business. Differences in national cultures call for differences in management practices". One of their conclusions also states the importance of the congruence between management practices and the national culture should be in harmony in order to produce better performance outcomes, therefore pinpointing in another way the importance of cultural differences. Therefore, the management team of a company should pay extra attention to national cultural differences as it may influence the effectiveness of the strategies and decisions that the company makes. In addition, it may also affect the manager's management style too.

Therefore as a start, multinational companies should understand and be aware of the different types of national culture as well as adopting a fitting organizational culture themselves to account for international culture differences towards their employee, employers and well as their customers.

Organizational Culture

Greenberg and Baron (1997) define organizational culture as “ a cognitive framework consisting of attitudes, values, behavioral norms, and expectations”. These values stated have a strong influence on employees’ behaviors, thinking, and behavioral patterns. For example, if a company is in the international business industry, having a culture that encourages diversity and adaptability will support its performance. In turn, the employees’ behaviors and thinking may be affected overtime and will react positively to diversity within their company and welcome it.

In current times, companies operate in an increasingly complex and global environment where they are conducting more and more business in foreign countries. Apart from serving a global diverse marketplace, multinational companies would also consists of a diverse staff. As such, companies are faced with the challenge of managing a culturally diverse workforce.

Martin (1992) and Goffee and Jones (1996) also demonstrates that strong cultures exist where employee’ values are unified and aligned to the values of the organization hence creating a sense of belonging and loyalty toward the company. Organizational culture is also an effective control mechanism for managing employee behavior.

Therefore, this is a need for an organizational culture that fits to the needs of the company and its employees.

Influence of Organizational culture

Organizational culture shapes the way people do business, the way they do things varies across different countries. As such, same organizations of different national origins may have to do things differently and bearing in mind the culture of the nation or origin in which they operate. This certainly impacts on policies, communication strategies, organizational structure, human resources, recruitment and retention.

Organizations particularly multinational companies can therefore no longer afford not to consider the national origins of countries where there operate and the degree to which the national cultures of these origins affect organizational culture when doing business. Organizational culture precedes employee behavior. Managers have the ability to influence and manage organizational culture. When this is done effectively, employees will too express those values positively through their behavior.

To elaborate, if a typical organization has an extensive range of people who have international differences, the company would then need to foster a cultural diversity culture among its employees to create a mutual respect for the different cultures. This also in turns enables their employees to reach their full potential. The company should also portray the cultural diversity aspect of the organization in their mission statement.

Edgard Schein's Three Levels of Culture

Apart from Geert Hofstede's 6 dimensions of defining culture, there is another famous culture theorist, Edgard Schein that devotes all his effort into comparing and identifying the organizational cultural differences. According to Edward Schein(1992), " Organizational learning, development, and planned change cannot be understood without considering culture as the primary source to change". Schein has categorized culture into 3 different levels: Artifacts, Espoused Values, Basic assumptions and values.

Three Levels of Culture

(Schein, 2004, Organizational culture and leadership, 27)

Schein defined that culture is first seen through artifacts such as visual organizational structures or tangible items. Underlying artifacts is the values such as strategies, goals and philosophies. The core of the 3 levels would be assumptions such as taken for granted beliefs, perceptions, thoughts and feelings through experience.

Applying Schein's 3 levels of defining culture into " Wahaha Vs Danone" and " Nissan Vs Renault" case studies, a person would first judge a person through tangible and visible elements. In " Nissan Vs Renault" case study, the Japanese employees from Nissan first perceived Renault as a company from France with elements such as language, or even particular dress codes from the French employees.

Underlying that judgment through visible elements would be espoused values such as how the organization represents itself through official statements or philosophies present in the company. In Renault, the common

culture within the employees is that the top management focus on individual performance and everyone is equal to vie for the managerial position. Vice versa for Nissan, the common culture within the company would be “ Family first” mantra which promotes the family-like atmosphere in the company.

With the diverse differences between the 2 companies, conflicts would arise when the 2 companies’ espoused values are not aligned with one another.

Lastly, the core element would be the shared basic assumptions which are usually deeply integrated into the culture and usually unconscious, thus people find it difficult to identify from within. Edgar Schein argues that the different cultures which people belongs can affect the different assumptions we would make about a particular situations based on our own values.

According to the “ Wahaha Vs Danone” case study, the assumption of “ losing face” to Danone was nothing close to personal; however Wahaha views “ losing face” as a disrespect among the employees. Such situations would cause a dispute between both companies who has diverse differences in their national culture.

From the previous case studies from “ Wahaha Vs Danone” and “ Nissan Vs Renault” where they are example of companies that have failed to grasp the culture of the country and to adopt a fitting organizational culture. Now, using a case study on “ Google” in our research, we will attempt to evaluate how “ Google” makes use of national culture and their organizational culture to account and shape for international differences using Edgard Schein’s Three Levels of Culture theory.

Google

Google is a worldwide company that has strong practices in diversity. Google culture revolves around their mission: to organize the world's information and make it universally accessible and useful. (Corporate Information, 2011)

Google consists of a diverse staff, and supports a variety of cultural norms. Through this cultural norm, Google encourages and supports the diversity of its contacts and employees. Diversity is an essential component of the culture and business at Google.

Google has employees that speak many languages to cater to the diversity of their consumer base. In fact more than half of the results Google provides to its customers are outside of the United States (Corporate Information, 2010). Diversity is distinguishable in all parts of Google such as their employees, offices, products, and customers. Therefore, when employing people from different cultural backgrounds, companies may benefit from generating a unified organizational culture.

Google's Culture

As Google consist of a diverse staff group, it shows the importance of having a strategically appropriate culture, a culture which will ' fits' the needs of the organization, its employees and the marketplace.

" At Google, we don't just accept difference - we thrive on it, we celebrate it, and we support it for the bene→ ĩ t of our employees, our products, and our community". (Google Annual Report, 2010) Google has embraced diversity and integrated it into their culture and into their core culture statement.

The manifestations of Google's culture are analyzed by evaluating the artifacts at Google (Gagliardi, 1992). Through looking at the various aspects of Google, it is shown that Google has an integrated and informal culture (Martin, 1992), which comprises of four key elements.

Mission

Innovation

Fun

Reward

Using Edgard Schein's Three Levels of Culture, it is first defined and seen through the artifacts such as visual organizational structures or tangible items. Google supports diversity of norms in each office by utilizing "local expressions of each location, from a mural in Buenos Aires to ski gondolas in Zurich, showcasing each office's region and personality" (Corporate Information, 2010). One of the key aspects of Google's culture is that they promote communication between the employees. Google's office and cafes are designed to encourage interactions between employees within and across teams, and to spark conversation about work as well as play. Social interactions stimulate knowledge and learning breakthroughs. Without communication, there is no way to express thoughts, ideas, manage differences and feelings. Communication plays an important role in keeping and maintaining values and relationships necessary to keep the system of the organisation united.

The next level of culture would be the exposed values which are the strategies, goals and philosophies. Daft (2003) stated that managing a global environment requires managers to have the ability to manage change through innovation and creativity. Therefore, the employees in Google are motivated to contribute their suggestions and ideas. Most of Google's work are project based hence employees are required to team up and pursue the project. The team may consist of a diverse group of members. Through the concept of a group project, members would then need to learn to accept one another and work together. This enhances the communication between Google's employees and hence they share a unified common goal and vision.

As Google consists of a diversity of staff and most of the work is project based, conflicts are bound to happen between the employees. Therefore, conflict management between employees and respect for cultures must be structured and organized for the many cultures and diversities. This notion requires much research, training, and awareness to be spread throughout the company.

One strategy that Google implement is to create awareness of international differences is by organizing national cultural events such as " The 6th Sense: Diversity Week in India" and " Diwali and Google Mela" to develop cultural intelligence to the employees and international cultural competence. Cultural intelligence integrates the three interrelated elements of knowledge, mindfulness, and behavioral skills. International cultural competence goes in depth to a complex skill that make use of cognitive, affective, and behavioral learning to effectively engage in successful cross-cultural relationships. The purpose of these cultural events is that the employees would generate a

culture-specific understanding of the other and positively regard of the other. Through these events, it will groom and educate the employees on cultural awareness.

During such events, Google's employees are able to interact and appreciate each other's culture; consequently, an accommodating culture and organizational behavior is then established within the organization.

The next level of culture would be the assumptions such as taken for granted beliefs, perceptions, thoughts and feelings through experience. Google's employees are passionate and self-motivated, and the company empowers them to a certain degree to make responsible decisions. Therefore, employees could get the opportunity to innovate and unleash their imagination and ideas.

After analyzing all of Google culture characteristic, using Deal and Kennedy model of organizational culture (Deal and Kennedy, 1982), Google most likely falls into the "work hard/play hard" culture. Characteristics of the culture include high levels of activity and where employee has to take few risks. We have identified that most of the work that Google's employees faced are project based and employee have the freedom of choice to complete their project in any way they would like. Another characteristic of this culture includes ensuring that quality accompanies the high levels of activity. Google integrates the concept of the "70-20-10 Rule" where they are encouraged using 70 percent of their working time on central business functions, 20 percent on related business functions, and 10 percent on areas entirely of their own choice (Google Corporate Information, 2012). In

addition, due to stiff competition the employees are also passionate and motivated to develop one by continuously contributing ideas, suggestions to potential profit gaining activities through their meetings.

Through the concept of organizational culture on how they are established and