

# Shenzhen filteroil: finding balance essay



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Managing People & Organisations Assignment: Shenzhen Filtroil: Finding Balance  
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Appendix 4 27 Appendix 5 28 Executive Summary Main Idea of the research is to analyze the conflict situation within Shenzhen Filtroil and to offer appropriate recommendations for the successful future management of the company and its employee team. Analytical Tools and Techniques used in the following research: The first part of the analysis includes three different theoretical tools to examine the external and internal environment of the company: PEST analysis, a Porter's five forces analysis, and a SWOT.

All have been used to categorize and summarize the findings in the analyses. The findings gave both positive and negative answers in terms of our research question: In what way Shenzhen Filtroil could improve the situation and solve the conflict among shareholders? The second part of the analysis consists of several theoretical models which helps to determine the present company structure and culture, as well as to make a conclusion on the behaviour and leadership patterns of the company's management. Main Conclusions and Recommendations of the analysis are: The company should focus the business on the main product that would be manufactured in China and therefore to save good relations between shareholders. • Shenzhen

FiltrOil should completely retreat from the factory in Dongwan and use it only as a supplier. • Main shareholders should resign their ownership and operate as Shenzhen FiltrOil. Introduction & Methodology of Research Expansion into new market has the potentials to increase a company's possibilities for the further development, productivity and profit.

To be successful in foreign markets a company needs to learn about and clearly understand benefits and problems that might occur in the entrance problem. Learning these issues is the key ingredient in becoming successful on a foreign market. Any rush decisions may be a costly experience for a company. China has long been known for its production resources in the form of low cost labour. However, with increased standard of living among the Chinese population and improvement in the general business environment, China has also gained attention for its great market potential. This country is specially interested in foreign investments that contain technological knowledge. Foreign companies which provide high-tech products have been favoured in terms of lower entry barriers and special tax reductions. FiltrOil, Inc. has been in business for over 25 years and is located in Richmond, USA. The company produces the highest quality by-pass filtration systems for industrial fluids. The benefits of these products help extend the life of oil, which extends the life of the machinery and its components helping organizations save money while being environmentally friendly.

FiltrOil, Inc. also offers several products and services geared towards total contamination control and proactive maintenance. Despite its relatively small size the growing demand for green technologies as well as

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manufacturing recession in the USA encouraged the company's owners to launch manufacturing in China. It is very important that an organization considers its environment before beginning the marketing process. In fact, environmental analysis both external and internal should be continuous and cover all aspects of the future planning or when making any significant decisions.

To make specific recommendations for the successful future management of Shenzhen FiltrOil and its employee team the Chinese market will be analysed in a four steps sequence moving from broad to narrow. A PEST analysis (Country level) will be used to give insight into China's overall business environment. These country specific factors are important since trends and rapid changes in the macro environment may affect Shenzhen FiltrOil's operations in China.

Porter's five forces (Industry level) will be used to give insight into the structure of the industry and a SWOT analysis (Market level) will give insight into strengths and weaknesses of Shenzhen FiltrOil on the Chinese market. These three tools will be used in the Part I of the research. Part II will include several other methods of analysis of resources and capabilities (Firm level) which will enable to estimate whether Shenzhen FiltrOil has the necessary internal resources to deal with issues raised in the above analyses and to make specific recommendations as well as to develop a detailed implementation plan.

All levels are equally important when assessing the issues of entering and operating on a foreign market (Ellis and Williams, 1995). Figure 1.

Theoretical framework (modified concept of Ellis and Williams, 1995) Part I.

External and Internal Environment Analysis To make the following analysis we need to present the clear structure of the company to be researched.

Figure 2. Filtration Group of Companies structure in China [pic] Filtration Group of Companies was presented on the Chinese market by two companies.

Shenzhen Filtration Filtration Technologies was a joint venture between Filtration Inc (USA) and its Hong Kong partners Shea Kai Young (Thomas) and Qian Kai Nam (Qian). The company was established in the beginning of the XXI century when Filtration, Inc. moved its manufacturing base from Japan to China in order to cut production costs and increase sales. Willing to reduce country risk and make the first steps on the Chinese market smoother owners of Filtration, Inc. decided to set up a joint venture with two Hong Kong based businessmen who provided them with local expertise and distribution channels.

They were also responsible for sourcing of reliable manufacturers as well as quality control. The PEST analysis (Appendix 1) covers the key aspects of the external business environment that will have an impact on operational performance in a new market entry (Ellis and Williams, 1995). The term PEST stands for political, economical, sociological and technological factors. In a new market analysis these features are difficult to ignore since they will inevitably effect the organization.

Since the business environment of an economy is a broad area, it is impossible to include all features that might affect Shenzhen Filtration if establishing itself in China. Therefore, it was chosen to focus on issues that

are of the most importance for Shenzhen Filtroil. Political Factors. Politically, China combines a socialistic political regime with the aim of a market economy. Over the last 25 years China has gone through remarkable changes. In the beginning of the 1980's China was an underdeveloped country with mainly rural economy.

Thanks to the policy of openness and reforms China has gone through a dramatic transaction to become one of the world's largest economies with average annual GDP growth of around 10% (worldbank). There are two major elements that can threaten China's political stability. Firstly, tensions between richer and poorer areas in China are increasing and the Chinese authorities must contend with separatist movements in Tibet and Xinjiang. Secondly, international disputes with Taiwan on political belonging, Hong Kong with pro democracy activists and Japan on exploitation of natural resources, might threaten stability in the long term perspectives.

Since the early 1990's, China has improved its foreign investment regimes. The authorities have encouraged Foreign Direct Investment (FDI) especially towards high-tech industries. China's participation in international economical organisations displays its increased role in the world economy. Entering the World Trade Organisation (WTO) in 2001 was perhaps the most crucial indicator of its integration into the developed world. Development of the special economic zones like Shenzhen where the enterprise was founded increases affinity index of the Chinese economy.

Economic factors. China is considered to be one of the world's primary growth engines. In 2007[1] the GDP growth was 14. 2 percent. Economic

growth, an immense reserves of inexpensive and productive labour and rich suppliers of natural resources guarantee high attractiveness of joint ventures for foreign entrepreneurs. However, despite the rapid development of the Chinese economy, the country still experiences structural problems in the financial and other sectors. The market often perceived by foreign investors as highly risky, not transparent and poorly regulated.

Although China's labour market is almost unlimited in terms of availability of cheap labour, some companies can face the problem with the recruitment of highly skilled employees. Social and Cultural Factors. The population of China in 2007 counted 1, 321, 000, 000 of people[2] that causes the high level of competition among active labour pool. Unfortunately, the economic development has not reached the common people. The gap in income between rural population and employees in urban areas differs to thousand folds. The average annual salary in Guangdong province in 2008 was (RMB) 33, 110[3].

Traditionally China is presented in many subcultures and the spoken language varies from region to region. China is considered to be a high context culture (according to the Hall's model of culturally distinct societies[4]), which means that speech and individual behaviour as well as the perception of the situation can vary significantly. Thanks to the historically established behaviour models communication between people exists even though words are not spoken and the non-verbal messages are full of hidden meanings.

In high context cultures, are ' more sensitive to contextual cues, suggestions and nuances' (Jakob, 2003[5] People used to ' read between the lines' when a person speaks and a western business person can often misunderstand when a Chinese business person " talks around" an issue and not in direct terms. Still one should remember that during negotiations it is important to know counterparts' cultural background, not only the nationality.

Technological factors. Since the early 1980s scientific and technological modernization has been given an especially high priority.

Areas of most critical interest have included microelectronics, telecommunications, computers, automated manufacturing, and energy[6]. R&D sector is highly supported by government which even unofficially support the production of counterfeited products. However that causes many Patent legislation issues as the Intellectual property rights are poorly protected. Porter's Five Forces Analysis Next step that will help to determine the external environment is to research the manufacturing industry that is relevant to the Filtration Group of companies (for Filtration, Inc. in common, for Shenzhen Filtration as filtration systems producer and Dongwan Filtration as for zinc products manufacturer and supplier) operations. For the purpose of the analysis Porter's five forces model is used. Threat of the entry of new competitors. There are several barriers when operating the Chinese market. Shenzhen is a special economic zone (SEZ) that limits the leases contracts in time period (the company had to move every couple years). There is also the number of foreign ownership regulations on FDI.

Nevertheless, joint ventures are highly welcomed and supported by the government what contributed to a successful entry of Shenzhen Filtration

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through the existing barriers. The Chinese market is open for the companies with non-unique products or services. Secret formula of zinc production protects Dongwan Filtration from other newcomers. Bargaining power of customers (buyers). Shenzhen Filtration was founded to cover the growing demand (average sales growth was 20-30% per year) on filtration systems of the international market.

By that time Filtration, Inc. operated on several countries worldwide. Thanks to growing interest to the green technologies in filtration, unique technology of zinc production and wide range of buyers for zinc products the bargaining power of buyers is low. This can be additionally illustrated by 40-50% of manufacturing margins of the company's zinc products. Bargaining power of suppliers. The Chinese market is highly competitive among available suppliers of different metal-steel products. There could be many suppliers for Shenzhen Filtration in China.

However, the company decided to choose one strategic partner and an exclusive supplier for in order to reduce costs of manufacturing and to acquire new market opportunities. The advantage of this structure is that both parties can develop good long term relations and trust.. On the other hand, due to the suppliers' different system structures, it will be very difficult and expensive to change suppliers in this model of cooperation. Dongwan factory had all necessary technical and operational capability to manufacture necessary Filtration units. Threat of substitute products or services.

Filtration owned a unique technology which differentiates its products from competitions. Nevertheless there was a threat that some parts or even the

whole product may be counterfeited by Chinese companies. Zinc products could be replaced by aluminum parts, but in comparison more expensive (the cost of manufacture with zinc is 40% less than with aluminium).

Therefore the level of threat is medium to low as the unique technology is needed. Competitive rivalry within the industry. Sustainable competitive advantage through innovation was used in manufacturing process.

Only state-owned company could compete on these huge market-orders with the Filtroil Group of companies production (as zinc is also used in products like weed eaters, firework machinery, and other components). SWOT Analysis The above analysis should be brought together with the analysis of the market to create a SWOT – organisational framework representing Strengths, Weaknesses, Opportunities and Threats that helps management team to focus their attention on the key points that need to be taken into consideration in a decision making process.

The manager's responsibility is to take advantage from all strengths and opportunities and to minimize possible threats. Strengths Entering the Chinese market with its world-wide known product (filters) the company gained the venture whose management provided not only new channels of distribution but also new business opportunities. This venture guaranteed more profit due to lower cost of production and lower cost of labour. Further development of the joint venture guaranteed access to the unique echnology (zinc products manufacturing) through the daughter company. Proactive position of the Chinese partners and their readiness to solve different issued problems engage for the significant contribution to the future development of the company. Weaknesses Long distance between the main company's

owners and managers' team, lack of communication between the decision makers as well as language and culture barriers caused the substantial ground for the main conflict between shareholders.

Lack of in-house manufacture of the main product led to the dependence on unreliable suppliers and quality problems: Merger of Shenzhen Filtroil with Dongwan factory caused conflict among shareholders which affects quality and supply. Opportunities Starting new business in China the owners clearly understood opportunities for the company's growth. After differentiation of product line by introduction of zinc products they expected to reach USD 10 million turnover within three years, which shifted their previous expectations and business plans greatly.

Threats Abovementioned conflict was provoked and constantly escalated by one of shareholder, Liu Li, the only possessor of the unique formula of the zinc production. To lose the 'rebellious' manager means to lose the source of the additional revenue. Another noteworthy threat is possible problems with the quality and on-time delivery which results from the unstable inner situation may result in company's reputational losses in China as well as on overseas markets. Part II.

Analysis of the Organizational Structure and Culture Organisational Structure and Culture Since national culture is one of the fundamental notions of this discussion it is important to give a definition of it and recognize the nature of cultural differences. The problem is that there are hundreds of definitions of national culture and it is difficult to find the most comprehensive one, for the

reason that culture can be considered from anthropological or sociological point of view as well as organisational solely.

One of the most famous and respected scholars on analysis of cross-cultural differences, Hofstede (1984), suggests that culture is “ the collective programming of the mind, which distinguishes the members of one human group from another ... culture, in this sense, includes systems of values and values are the building blocks of culture”[7]. He also states that since human beings accept national culture unconsciously from the very childhood, such a “ program” cannot be altered or lost.

A representative of a certain national culture holds the system of values inherent to his or her national culture throughout his or her life, including when an employee. Thus, in case of joining an international company, an employee’s national culture values will inevitably meet those of the organisational culture. Organisational culture is another basic notion essential to introduce. Apparently, organisational culture is even the more controversial subject than the national culture. Most number of sometimes-inconsistent definitions includes norms, values, rules, climate, and symbols.

One of the most comprehensive definitions of organisational culture was given by Schein (1984, p. 12): “ Corporate culture is the pattern of basic assumptions that a given group has invented, discovered or developed in learning to cope with its problems of external adaptation and internal integration. These have worked well enough to be considered valid, and are therefore taught to new members as the correct way to perceive, think and feel in relation to those problems”[8]. This definition shows that the

organisational culture of some certain company has accumulated its own specific experience of dealing with problems and meeting challenges.

In this sense the organisational culture is unique and there are no two companies with the identical culture. Therefore it is more expedient for the new member to get adjusted to the new environment rather than for the organization. The point here for the company is to share its experience with the new employees and to prevent them from mistakes. In fact, the company can benefit from having employees of different national cultures if it manages to use effectively specific features or elements inherent to some certain cultures.

It is important to select the candidates who can easily adapt and perceive the core values of the organization. Thus, one of the key factors contributing into the successful establishment of the shared organisational culture is the thorough recruitment policy. Considering the interrelation of national and organisational cultures the issue of establishing the core values in the organization is prominent. According to Schein (1984), the organisational culture consists of: assumptions and beliefs; values; and behaviours.

Mead (1998) defines organisational culture as “ the sum of perceptions that develop within an organization” and suggests that organisational culture constitutes of three levels: organisational beliefs, organisational attitudes, and organisational values. According to Hofstede (1991) at the core of organisational culture “ lie values in the sense of broad, non-specific feelings of good and evil, beautiful and ugly, normal and abnormal, rational and irrational – feelings that are often unconscious and rarely discussable, that

cannot be observed as such but are manifested in alternatives of behaviour”[9].

Jacob (2003) states “ core values are certain beliefs about what the organization stands for; how it values its customers, both internal and external; the direction in which the organization should move; and the nature of its work ethics”[10]. Thus, core values are an integral part of the organisational culture. They govern the company and determine the path of its development. Since there are so many different national cultures it is important for international company to have its strong core values that must be effectively irradiated across the cultures. Usually core values have long-lasting nature, once established they remain constant.

Therefore, multinational company should not change them adjusting to every single national culture. Despite the fact that Filtril, Inc. was not a big corporation it managed to develop some strong values of which Jeremy Leahman was a vivid example. Being a proactive, entrepreneurial and target oriented manager he at the same time respected such traditional values as family, personal relations and trust. As he put it himself ‘ It’s not all about money’. It comes as no surprise though that when Filtril, Inc. made its first steps on Chinese soil they looked for partners with similar values and attitudes.

Although politically Hong Kong is a part of China now, there are some significant cultural differences between its citizens and mainland China. These differences are not only in language (they use traditional characters and Cantonese dialect, whereas most of mainland Chinese use simplified

characters) and cuisine. According to Hofstede Hong Kong and China are quite similar in such dimensions as Power Distance Index (PDI), Masculinity (MAS), and Long-Term Orientation (LTO). But in term of Uncertainty Avoidance Index (UAI) and Individualism (IDV) there are significant variations.

Historically Hong Kong played a unique role as a trade hub where merchants from Europe, Middle East, South East Asia and China came together bringing different cultures and ideas. That is why in contrast to mainland China Hong Kong has low score for UAI which indicates its tolerance towards deferent opinions, readiness to take risks and freedom of choice. As for IDV dimension, relatively high score most likely reflects the British influence. A combination of such traditional Chinese values as high PDI and LTO combined with high IDV and low UAI made Hong Kong businessmen Qian and Thomas the perfect fit for Filtroil, Inc.

The result of this fit was a dynamic organization with strong organizational culture and common values. Since there were only few people involved in Chinese operations each member of the team had a distinct role and was fully responsible for particular tasks. Thomas took care of marketing and sales; Qian was responsible for relations with suppliers, production and quality control; Jeremy was an informally accepted leader of the team who controlled strategy of the company, international sales as well as finance (through its accountant in Shenzhen). The rest of the company's activity was outsourced.

Such companies an Irish academic Handy (1989, in Hannagan, 2002) defines as shamrock organizations. Shamrock leaf which has three parts symbolizes three parts of these organizations. A small team represents the core of the company. They are not only specialists in their fields by also generalists who run the whole business. Essentially they are the organization. They are rewarded for their achievements and not position within the hierarchy. Second part of the leaf is 'contractual fringe' – people and organizations which work under contracts and are paid based on the final result and not the time spent. Shenzhen Filtril production outsourcing falls into this category. The last part of the leaf represents 'flexible labour force' – part-time workers who may be easily hired or fired depending on the situation on the market. This structure allows Shenzhen Filtril small team handling big product volumes, avoiding excessive bureaucracy, and being flexible in response to market and technology changes. Goffee & Jones model of organisational culture is a useful tool which positions a company within a 2x2 matrix depending on its levels of 'solidarity' and 'sociability' Figure 3. [pic]

Source: Adapted from R. Goffee and G. Jones, *The Character of a Corporation: How Your Company's Culture Can Make or Break Your Business* (New York: HarperBusiness, 1998), p. 21. According to the case study, Shenzhen Filtril team became good friends. From the very first meeting there was a feeling of trust which was further reinforced after Thomas and Qian proved themselves to be a reliable partners when Dong Bo – one of Shenzhen Filtril suppliers – stole prototypes of new production. Partners enjoyed spending time together even after the work was done. Nonetheless, they always were very much goal oriented.



As discussed above, patience, hard working and high level of commitment were among the core values of the company. It comes as no surprise that company managers often spent nights and days working hard resolving some urgent issues. Such behavior is typical for companies with a communal culture. It is also quite common for small companies on the start-up stage. Knowing which type of organizational culture was in Shenzhen Filtroil it is possible to see the main reason for the conflict which occurred between Qian and Liu and threatened the whole business. On Dongwan Factory the situation was rather different.

Out of twenty two factory members eight were Liu's family members which determined the network culture. For Liu it was natural to be in good relations with his new partners and that is why Qian and Liu were so close at the beginning of the collaboration. But once Qian started to demand better quality Liu took it as a personal offence which eventually undermines their friendship. Since Liu associated himself with the network culture he could not work with Qian without good personal relations and he could not talk business only. To summarize, Shenzhen Filtroil faced a serious culture misfit with merged with Liu's factory.

As it mentioned above National culture is very difficult to define and change. But when it comes to organizational culture and personal traits of certain individuals the task becomes even harder. It is highly unlikely that Liu will amend its attitudes to business and personal relations to suit Shenzhen Filtloil organizational culture. Liu will never let the secret of the zinc production to anybody else so the company will always depend on his will.

Therefore the best solution will be to concentrate on Filtril, Inc core business and reduce its participation in Dongwan Filtril to a minimum.

Management and Leadership Jakob (2003) describes two approaches to leadership: ' first perspective avers that the system is paramount. The latter perspective emphasizes the importance of relationships'[11]. The majority of US companies develop their structure where so that the system and rule is the in the core. Quite the opposite China is considered to be a culture that gives maximum attention towards relationships. This may be explained by Trompenaars (1993) model who similarly to Hofstede used dimensions for the explanation of how national cultures affect managers' attitudes and behaviour.

One of his dimensions was universalism vs. particularism. According to the scholar, most managers from the United States represent universalist culture. They focus on rules and contracts which often take precedence over personal relations. Chinese managers represent particularist culture. They tend to rely on personal relations and informal rules and rituals. For them contracts are just guidelines. It can be easily modified due to changing relations. This may also partly explain the conflict which developed between Hong Kong owners of Shenzhen Filtril and their Chinese partner from Dongwan.

Regarding Shenzhen Filtril case the evident and acknowledged leader of the company is Jeremy Leahman, president of Filtril, Inc. Well educated, with sound work experience in international sales business he gained good reputation as top manager and respect among the colleagues thank to his

employee-centred and democratic leadership. Trait theory allows to state that regarding Mr. Leahman significant relationships exist between the assumption of his leadership and his individual traits as: • intelligence • adjustment • extraversion • conscientiousness • openness to experience • general self-efficacy

His leadership style according to House, Robert J. (1996), who stated that the essence of the theory is “ the meta proposition that leaders, to be effective, engage in behaviors that complement subordinates’ environments and abilities in a manner that compensates for deficiencies and is instrumental to subordinate satisfaction and individual and work unit performance”[12], can be defined as achievement-oriented. The theory identifies four leader behaviours, achievement-oriented, directive, participative, and supportive, that are dependent to the environment factors and followers characteristics.

Achievement-oriented Leadership assumes the leader emphasises the achievement of difficult tasks and the importance of excellent performance and simultaneously displays confidence that subordinates will perform well. In order to motivate and lead effectively the top-manager has to understand and choose the appropriate leadership style in different situations. In the case of conflict situation in Shenzhen Filtroil Mr. Leahman could re-direct his approach and practice directive leadership according to which he, as the leader would explain the performance goal and provide specific rules and regulations to guide subordinates toward achieving it.

One more method from Kenneth Blanchard and Paul Hersey justified the above-mentioned ideas and holds that managers must use different

leadership styles depending on the situation[13]. The model allows to analyze the needs of the situation the company is faced, and then use the most appropriate leadership style. Depending on employees' competences in their task areas and commitment to their tasks, the leadership style should vary from one person to another.

Blanchard and Hersey (1997) characterized leadership style in terms of the amount of direction and of support that the leader gives to his or her followers (see Appendix 4). Hersey and Blanchard also categorized leadership style in terms of the amount of Task Behaviour and Relationship Behaviour that the leader provides to their followers. They categorized all leadership styles into four behaviour types, which they named S1 to S4. • S1: Telling/ Directing • S2: Selling/ Coaching • S3: Participating/ Supporting • S4: Delegating

Effective leaders need to be flexible, and must adapt themselves according to the situation. Effective leaders are flexible in being able to move around the matrix according to the situation, so there is no style that is always right, preferred. Similarly the competence and commitment of the follower (or their Maturity and Development) can also be distinguished in the same 4 quadrants (see Appendix 4). Similar to the leadership styles, these development levels are also situational. A person could be skilled, confident and motivated for one part of his job, but could be less competent for another part of the job.

In the case of Shenzhen Filtroil Delegating managerial style (S4) should be switched to Selling/ Coaching (S2) or even Telling/ Directing (S1). Thus, the

company could solve the problem; a stronger leader will have more rights to make individual decisions and will hold all the responsibility for this.

Summarizing the analysis the fact that it's not the issue of leadership weakness of Mr. Leahman, who has only to improve his leadership style slightly, but the issue of conflict with the certain manager (" Money is not a problem; it's attitude. "[14]). Conclusion and Suggestions

Based on the analysis above the fourth option of the solution for the situation in the Group of companies is recommended: the company should retreat completely from the factory and use it only as a supplier, new product development would be contract-manufactured by any other factory in the region. Main shareholders should resign their ownership and operate as Shenzhen Filtroil. This decision predicated upon the fact that the attempt to join two almost different organizational cultures represented by Shenzhen Filtroil and Dongwan Filtroil multiplied by the cross-cultural differences is on the verge of total fail.

It is very-low-probability situation that Mr. Liu Li will share his knowledge of the secret zinc formula, that is why this joint venture as well as the other business are considered to be under the permanent threat. The idea to focus the business on the main product that would be manufactured in China and therefore to save good relations between shareholders (Qian, Thomas, Mr. Randolph and Mr. Leahman) that would be appreciated in time-period notwithstanding the alternative expenses and lost of zinc business profit.

Some specific recommendations for the successful future management of Shenzhen Filtroil and its employees are made in the implementation plan

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November 2010] Appendix 1. PEST Analysis Political Factors | Economical

factors | | Join WTO | Outstanding long-term potential of the market | |

Foreign direct investment (FDI) attraction policy | Economy growth | |

Development of the special government economic zones | Weak competitors

| | | | | | | | | Overall effect: POSITIVE | | | Overall effect: POSITIVE | | Social

and Cultural Factors | Technological factors | | Tremendous difference of

power and wealth within the society | Low level of the high-tech production

manufactures | | High competition level among employees due to number of

population | Easy access to the technologies and natural resources | | Cross-

and domestic-cultural differences | R&D governmental support | | Language

barriers | Constant Patent legislation issues | | | | | | | | Overall effect:

NEUTRAL TO NEGATIVE | | | Overall effect: NEUTRAL | Appendix 2. Porter's

Five Forces Analysis Appendix 3. SWOT Analysis Strengths | Weaknesses | |

High-tech product (filters) | Long distance between some company's owners

and employees | | Access to the unique technology (zinc products

manufacturing) through | Lack of communication between the decision

makers | | daughter company | Language and culture barriers | | Low cost of

production | Lack of in-house production (quality problems and unreliable | |

Global distribution network | suppliers) | | Well established sales and

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management within China | Poor organisational culture and structure among employees | | Proactive managers | Conflict between shareholders | | Opportunities | Threats | | Good prospects for future sales growth due to the big market volume | To lose the ‘rebellious’ manager means to lose the most profitable | | Differentiation of product line by introduction of zinc products | business | | USD 10 million turnover within three years | Problems with the quality and on-time delivery may result in | | reputational losses in China as well as on overseas markets | Appendix 4. Blanchard & Hersey leadership matrix [pic] Appendix 5. Implementation plan Step 1.

To announce new strategy of the company to all shareholders during the meeting. Step 2. To elaborate a tactical plan with defined time schedule of the dividing the manufacture in Dongwan. Step 3. To elaborate new strategy of the development in China. (Variants of the strategy performed by Chinese shareholders should be highly encouraged) Step 4. To work out new plan for the HR-policy of the company. Step 5. To organize tender among potential suppliers for the manufactory. ————— [1] <http://databank.worldbank.org/ddp/home.do>

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Porter's five forces Market Level SWOT analyses Firm Level Analyses of the company's resources and capabilities solidarity sociability Networked Culture Members are seen as family or friends. They are always ready to help and exchange information. But, sometimes friendship may tolerate mistakes and low productivity. Fragmented Culture Individualists' heaven Employees have little or no interaction with others. Commitment based. Limited identification with a company. But, no collective work and exchange of ideas. Excessive critiquing of others Mercenary Culture Goal is everything Constant focus on high performance and task fulfillment. Little or no socialization.

But, employees are often treated as inhuman means of production. Poor performance is evil. Communal Culture Friendship is as important as performance. Employees share sense of belongings and at the same time

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very much target oriented. But, sometimes work substitutes employee's private life. Competitive rivalry within the industry Sustainable competitive advantage through innovation Bargaining power of suppliers High competition level among available suppliers on the Chinese market Bargaining power of customers (buyers) High-tech filtration systems, unique technology and wide range of buyers for zinc products lead to low bargaining power of buyers. Threat of the entry of new competitors

High level barriers (as the company owns the unique technology), but easy access to the Chinese market for regular manufacturers due to government support of FDI. Threat of substitute products or services Zinc products could be replaced by aluminum parts, but more expensive in comparison.

Therefore the level of threat is medium to low. A lot Little Little A lot

Supporting S3 For employees with: High competence Variable commitment

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Directive Behavior