

Cultural difficulties of joint venture in china



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The benefits in Joint Venture: JV gives more resources, greater capacity and increased technical expertise. It acts as a representative for marking the companys entrance to a new market when still it is at its learning stage. The mutual trusted partnership and co-operation will lead to its success. It strengthens the long term relationships or it may also collaborate on short term projects which lead them to access a new market and access to new technologies and they can also learn how to tackle the cultural difficulties if they are successful.

The risks in joint venture: partnering with another company in an entirely new market is a bit risky. It takes more time and effort to build the right relationship.

the problems will likely arise if the objectives of the JV are not clearly mentioned and explained or communicated. Normally the companies have their own objectives which will be different than the JV objectives. Imbalance in levels of expertise, assets and investments will lead to a poor integration and co-operation. Different culture and management styles will also lead to poor performance and co-operation.

If both the companies doesn't provide necessary leadership support in early and developing stage of the JV it will also lead to disaster like dissolution.

Cultural difficulties may occur for a global company in JV follows below:

Understanding the cultural environments is critical to the success of the organisation or a company. Culture is important and it makes difference in

the management. Variable culture and different management styles will lead to dissolution of the venture.

Cultural differences always influence the way of making decision and solving problems.

this also may lead to disaster. Unmanageable complexity, loss of autonomy, information uncertainty and long term orientation will lead to failure of the venture.

Human resource management plays a vital role in the Joint venture. Poor human resource management will lead to ultimate failure of the venture.

The companies on their own have different structural style but in a joint venture there is a different style. It has been learnt in early days the Chinese use so called shame technique.

The Chinese do not regard people as mature until they are at least 40yrs old.

Most of the Chinese companies are part owned by the GOVT so the business decisions making are done or influenced by govt burucracies and this will also consume more time so this may also lead to impatience of global company.

Within the advertising industry in China, advertisements have also not been spared from controversy and national debate. With a strong influence of multi-ethnic Chinese culture and history, companies are constantly challenged to convey their messages to potential consumers effectively, accurately, and yet not appear offensive. While the Chinese embraces

globalization, they are not a least hesitant from voicing their dissatisfaction when the contents of advertisements threaten their strong Chinese values.

Western expatriate managers in JVs could be extraordinary. This could make an expatriate assignment to JV in China and it will be a very frustrating experience.

Presumably, cross-cultural training may be particularly helpful for the adjustment of westerners encountering the frustrating work environment in JV. In comparison, the adjustment of Western expatriate executives in other types of organisations may not be facilitated as much by cross-cultural training.

Senior managers in China have good technical training, but it is not common for Chinese managers to have formal management training. Besides, they may have little international experience or understanding of a free-market economy. Such differences may create substantial problems for expatriate managers in China. Disparity in education and background may result in lower affinity on an interpersonal level. Differences in age and experience may lead to further complications. A negative circle can easily take hold, creating a considerable amount of stress. Unaware of the finer nuances of the local cultural and social context, Western expatriates may quickly attribute their inevitable business difficulties to the ineptness of their Chinese JV partners. This attribution could be reinforced when they are reminded that they have been invited to China to improve on the business deficiencies of their Chinese counterparts. To the Chinese, the word contract

means only a commercial agreement, not a legally binding document.

Signing a contract is a formal confirmation that they intend to do business with you, not an indication of how they are planning to conduct business. It is well known that real negotiation in China begins only after the contract is signed. Any problems arising there from are due to the fact that the officials in the negotiation process have limited authority and also tend to interpret the provision of the contract from their own cultural, political and economic viewpoint. Also, the government frequently changes the laws; hence, parties to the contract try to keep the arrangements as open and flexible as possible.

Recommendations to enable a joint venture: China is booming market which has more than 1.3 billion of consumers and it has retained a considerable attraction for international business. Initially, the Joint Venture law from 1979 only allowed foreign companies to invest in joint ventures (JVs), but from 1987 onwards they could also form wholly foreign-owned enterprises.

Although the number of wholly foreign-owned enterprises are increasing at a faster rate. So if a global company wants to market their products in the Chinese market pyramid then the best option to attain their goal is to make a JV and reach their goal in china while still in the developing process.

China is distinctly different from most other countries and would be a challenging destination for Western business expatriates. Their need for effective cross-cultural skills appears to be substantial, as they have to adjust to a fundamentally different cultural and social context than their own. That adjustment may be facilitated by means of cross-cultural training, there is inconclusive evidence of its effectiveness the impact of such

training may be contingent on circumstances at the host location. Hence, the challenges facing Western expatriate managers in JV could be extraordinary. This could make an expatriate assignment to a very frustrating experience. Presumably, cross-cultural training may be particularly helpful for the adjustment of westerners encountering the frustrating work environment in JV. In comparison, the adjustment of Western expatriate executives in other types of organisations may not be facilitated as much by cross-cultural training. In organisational settings totally dominated by the foreign parent, Western expatriates may encounter a less frustrating internal work environment.

It is best that the global and foreign company both should seek due representation in the top management group. They both should offer enough leadership to provide a better developing process.

Human resource management plays a vital role in joint venture before starting the process for the joint venture they should go for look see process in which they analyse the key factors like how they are going to train and employ staffs from china with the help of the JV company, by studying the cultural advantages and disadvantages and what are the resources they will be needed from the parent company and from the foreign company. Next the key task should be picking the right person for the right job and they should also keep in mind that in china they consider the person is mature when at least they are 40 yrs old others will be considered as kids, so they should keep the age in mind when they are appointing key persons in the company.

Language training may vary from brief survival language instruction to extensive, immersion training, aiming for complete spoken and written fluency. Host language ability may serve several purposes. Besides facilitating communication with locals, it may also demonstrate an attitude of attempting to learn about the host culture, enabling one to be polite, and permitting cultural understanding not otherwise possible.

They three key dimensions of in-country adjustment:

- (1) adjustment to work;
- (2) adjustment to interacting with host nationals; and
- (3) adjustment to the general non-work environment.

For a successful company it should establish a good relation with the partner company to learn the cross culture and what are the key tasks they should concentrate to acquire the required knowledge for implementing the process to form a greater JV company.

They should provide training for the people in the organisation to understand basic tenets of Chinese values, norms, and behaviours through cross-cultural training may facilitate the daily work routines of the Western expatriates increasing their work adjustment. In a Joint venture both the companies should learn their foreign languages in order to improve the communication and share information which will lead them to success in the joint venture.

Both companies should share their resources, technology and analyse the aims and objectives of the company to succeed in the JV. Marketing is one of the major tasks in the joint venture company are any company.

Marketing: Marketing, among all business functions, is most down-to-earth in terms of dealing with customers. As ordinary customers, every one of us already knows about marketing. After all, it is all around us. Many people may be under the impression that marketing is only selling and advertising, but it is actually only the tip of the marketing iceberg. There exists a massive network of people and activities, competing for customers' attention and purchases. In today's marketplace, marketing must be understood in the new sense of satisfying customer needs. They define marketing as the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.

The company has to understand the marketplace and customer needs and wants. Therefore, the company needs to research its customers and the market place in order to collect and manage marketing information and customer data. The second step, designing a customer driven marketing strategy, takes place once the market place and customers are fully understood. The company will select which customers to serve through market segmentation and targeting. A value proposition will also be decided through differentiation and positioning. After deciding on its overall marketing strategy, in the third step, the company is ready to construct a marketing programme, which transforms abstract strategies into real value for customers. The programme is also known as the marketing mix which consists of 4 elements (the 4Ps)-product, price, place and promotion. The <https://assignbuster.com/cultural-difficulties-of-joint-venture-in-china/>

fourth step, which is actually throughout the whole marketing process, is to build profitable relationships and create customer delight. To achieve the goal, the company must establish strong relationships with marketing partners as well. The fifth step is when the company can finally reap the fruits of its strong customer relationships by capturing value from customers in return. Once the company has created satisfied and loyal customers, it can capture customer lifetime value with a result of increased share of market and customer. The marketing mix starts with product strategy. Product covers more than the physical goods the company wants to sell. It is the goods-and-service combination the company offers to the target market.

The company has to be aware of the advertisements which they produce this may also incur some problems because within the advertising industry in China, advertisements have also not been spared from controversy and national debate. With a strong influence of multi-ethnic Chinese culture and history, companies are constantly challenged to convey their messages to potential consumers effectively, accurately, and yet not appear offensive. While the Chinese embraces globalization, they are not a least hesitant from voicing their dissatisfaction when the contents of advertisements threaten their strong Chinese values.

Chinese culture at the level of national culture, which is best embodied in the values held by its people. A value system is seen as a relatively permanent perceptual framework that influences an individual's behaviour. Chinese cultural value system is so unique that it

distinguishes Chinese culture from Western cultures and the other Eastern cultures. Chinese culture is composed of traditional culture, communist ideology. The key to understand the traditional Chinese culture is Confucianism. Having competed with the other schools of thought in history, such as Taoism, Buddhism, etc., Confucianism is undisputedly the most influential thought, which forms the foundation of the Chinese cultural tradition and still provides the basis for the norms of Chinese interpersonal behaviour

If the HR department and the operations department are clear with the Chinese culture and able to differentiate between them then it will reduce the risk variable culture organisation.

The first key and method to market a product is to adopt cultural approach in marketing.

Culture penetrates our inner being subconsciously and at a deep level. World cultures share many common features. It is highly risky to ignore the potential influences generated by distinctive Chinese culture on marketing outcomes. It can lead to embarrassing mistakes, or more importantly, little rewards after all the efforts on marketing.

Strategic management has to be global, whereas marketing management largely needs to be tailored to local contexts; therefore, an intercultural orientation to marketing best serves a global strategic view.

Product is the central element in the market offering. Localization in China is to appeal to Chinese customers taste.

The production department should always keep in mind that brand new designs for a single market may be very effective in terms of delivering customer value for a specific market. Whereas, it cannot be applied to a wide range because the costs shoot up.

Price is a significant element of communication and a decisive element in the social interaction between buyer and seller. It endorses their agreement and shapes their relationship, immediately and in the long term. For customers, price is a means of evaluating products in terms of social representations strongly akin to culture.

The major priority lies in capturing the most customer value at the lowest cost, which is achieved by sourcing locally. culture's influence on pricing seems a little weak.

Pricing is a big problem facing many marketing executives. The rest of the marketing mix must be taken into account while marketers decide how to price.

The choice of place or distribution is one of the two elements of the marketing mix, which are essential in pushing the product towards the customer. Due to that reason the distribution forms subtle relationships with consumers by means of direct contact, it also plays a role as a cultural filter.

Company's promotion mix also called its marketing communication. Mix consists of the specific blend of advertising, sales promotion, public relations, personal selling and direct-marketing tools. The company uses the set of tools to persuasively communicate customer value and build customer

relationships. Ideally if the company carefully coordinate these promotion elements to deliver a clear, consistent, and compelling message about the organization and its products then it can capture the market.

And there are situation like you can only appoint Chinese officials only for certain market strategy and product developing, if the necessary steps had been taken by both of the companies then the JV will lead to great success.

And there are necessities to have a relation ship in Chinese govt bureaucracies to have better understanding and learning of laws.

Multinational companies or global company face more complicated marketing environments when dealing with customers cultivated in different cultures in the times of globalization. The JV helps in these situations so it is best to become a JV and focus on the market after studying the cultural differences thoroughly. There exist other concerns apart from culture, such as the local marketing environment, the company's long-term strategic plan. The marketing should be culture conscientious, they should perform locally as well as be customer value oriented, holding a global view.

The key to success in joint venture is the global company and the foreign company should have mutual understanding and trust on each other.

In organizational communication, people are mainly to express him self through language to express ideas, concepts and facts. Language is the foundation of effective communication

So it is best to keep a common language to communicate between the people.

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To improve cross-cultural communication skills as an effective measure is to develop cross-cultural training programs. These training programs should focus on training efficiency and effectiveness, avoid engaging in forms of training objectives and training should be based on object-choice training content, training content selection based training methods. These methods will help the organisation to run in smoother way.

It is true that global companies cannot impose their ways of doing business on China. On the other hand, China actually wants and needs overseas firms to introduce more modern practices as a way of whipping domestic businesses into shape. So there will be success for the joint venture firms if they focus in the right direction at the right time. They should always analyse their aims and objectives it will lead them to success.

Even though they are from different cultural backgrounds they should exceed in visualising their goal by communicating each other and passing through to even the lowest grade staffs. This reduces misunderstanding and their performance improvement can be seen.

Due to the globalisation even the Chinese also try to keep up with the current trends in the market to survive so this will also help in a matter of fact for the joint venture company.