

Management practices of cross- national businesses in china



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China remains a hot topic for researchers over the past two decades, which is demonstrated by the substantial number of published articles focusing on doing business in China(Zhang 2004). My paper will aim to test Hostede's model using US firms that incorporate western cultures and norms in business strategies and practices as they enter the Chinese market. I hope to discover whether my findings are in line with literature or whether the disparities of the dimensions are out-dated due to China's more open economy since Hofstede's study was conducted.

Within China, rapidly changing demographics, rising incomes, increased consumer spending and an increasingly open business environment have all helped to make the Chinese market increasingly attractive to Western businesses across a variety of industries. Similarly, declining sales in their home markets has forced many US and European companies to relocate their businesses to China in order to implement their long-term global growth strategies.

As companies grow and begin their expansion adventures they quickly realise the major rewards of entering an emerging market like China, whether it be for manufacturing purposes or selling products in this quasi market economy. A worthy example of this was the highly controversial relocation of manufacturing outlets of Pacific Brands to China in 2009 which ultimately lead to the success of the company. China has shone a light onto the world, battling to become the number one economy in the world, with an economic growth rate of 11% in 2010, and is predicted by 2013 to have a arger economy then USA, measured by the real purchasing power by citizen. (Niu et. al. 2011). However, the literature also refers to numerous difficulties

relating to cultural dissimilarities when entering the Chinese market by Western based firms. Westerners are generally unaware that in China, social relationships may mean much more than what Westerners intend because they are so fundamental to the Chinese national character (Vanhonacker, 2004). Chung 2006) among other researchers have highlighted the impact of cultural differences on market strategies of Foster's Chinese operations that were a result of numerous failures in corporate strategies due to failure to integrate with Chinese culture appropriately. Hence, when entering into collaboration with a Chinese company it is crucial to prepare for cultural and economic differences. When doing business in China many researchers have found Guanxi to be a source of sustainable advantage, as personal relationships are central to every aspect of Chinese society, including business.

By developing personal relationships, firms can enhance their marketing effectiveness and efficiency (Lee, 2001), (Murphy, 1996) and (Vanhonacker, 2004). Guanxi means good connections, and is defined as " friendship with implications of continued exchange of favours. " It implies preferential treatment to exchange partners in the forms of easy access to limited resources, increased accessibility to controlled information, preferential terms including the granting of credit and protection from external competitors, special government relationships and networks. Lee 2001). It is a requirement when wanting to speed up processes and get approvals to do business in China. Nothing happens in China without a relationship, because the Chinese have a high degree of innate distrust and want to know whom they are dealing with (Murphy 1996). In contrast, westerners are

achievement oriented and managers may encourage their group members to learn from each other, to focus on task rather than on social and interpersonal relations, and to build the confidence required for superior performance (Sosik and Jung, 2002).

Other intricacies of Chinese culture will also be discussed further in my paper. While it is clear that culture is integral to all aspects of business ventures in foreign countries, there is much difficulty in defining, quantifying and measuring cultural costs incurred by firms. Hofstede (2001) attempts to gel cultural differences into a framework and has been the most influential contributor in this area. Among researchers who have given a variety of definitions of culture, Hofstede is one of the first to adopt a pragmatic problem-solving approach in the field and relates culture to management.

The definition of culture advanced by Hofstede (1994), namely as the “ collective programming of the mind which distinguishes the members of one group or category of people from those of another” has been widely accepted in the international business literature. To clarify the differences between China and the West, most literature refers to Hofstede's four cultural dimensions and Bond's fifth dimension. Taking national boundaries as a proxy for culture, Hofstede identifies five values that differ considerably between cultures.

These values are commonly referred to as (1) power distance, (2) collectivism-individualism, (3) masculinity-femininity, (4) uncertainty avoidance, and (5) long-term/short term orientation(Zhang 2004). Power Distance Index (PDI) is defined as, The extent to which the less powerful members of organizations and institutions (like the family) accept and

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expect that power is distributed unequally. This represents inequality (more versus less).

Power and inequality, of course, are extremely fundamental facts of any society and anybody with some international experience will be aware that 'all societies are unequal, but some are more unequal than others' (Hofstede 2001). Individualism (IDV) is rated versus collectivism, and is measured as, the degree to which individuals are integrated into groups. Chinese and American managers differ greatly in the attitudes toward risks when they make decisions for their different values in uncertainty avoidance.

High uncertainty--avoidance Chinese managers usually lack the adventurous spirit and the sense of risks. They dare not make immediate decisions if they feel the circumstance is uncertain, which may deprive them of the opportunity to compete in the market. American managers are more likely to consider risks as natural and volunteer to take the risks, especially in terms of developing new products, open a new market and applying new technology (Hofstede 2001).

Masculinity (MAS) is measured versus femininity, and refers to, The distribution of roles between the genders which is another fundamental issue for any society to which a range of solutions are found. The IBM studies revealed that (a) women's values differ less among societies than men's values; (b) men's values from one country to another contain a dimension from very assertive and competitive and maximally different from women's values on the one side, to modest and caring and similar to women's values on the other.

The assertive pole has been called 'masculine' and the modest, caring pole 'feminine'. The women in feminine countries have the same modest, caring values as the men; in the masculine countries they are somewhat assertive and competitive, but not as much as the men, so that these countries show a gap between men's values and women's values. (Hofstede 2001) Uncertainty Avoidance Index (UAI) is how a country, Deals with a society's tolerance for uncertainty and ambiguity; it ultimately refers to man's search for Truth.

It indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situations are novel, unknown, surprising and different from the usual. Uncertainty avoiding cultures try to minimize the possibility of such situations by strict laws and rules, safety and security measures, and on the philosophical and religious level by a belief in absolute Truth; 'there can only be one Truth and we have it'. People in uncertainty avoiding countries are also more emotional, and motivated by inner nervous energy (Hofstede 2001).

The opposite type, uncertainty accepting cultures, are more tolerant of opinions different from what they are used to; they try to have as few rules as possible, and on the philosophical and religious level they are relativist and allow many currents to flow side by side. People within these cultures are more composed and contemplative, and not expected by their environment to express emotions (Hofstede 2001) Long-term Orientation (LTO) is rated versus short-term orientation, and is the newest Hofstede measure.

This fifth dimension was found in a study among students in 23 countries around the world, using a questionnaire designed by Chinese scholars. It can be said to deal with Virtue regardless of Truth. Values associated with Long Term Orientation are thrift and perseverance; values associated with Short Term Orientation are respect for tradition, fulfilling social obligations, and protecting one's 'face'. Both the positively and the negatively rated values of this dimension are found in the teachings of Confucius, the most influential Chinese philosopher who lived around 500 B.

C. ; however, the dimension also applies to countries without a Confucian heritage. (Hofstede 2001) It is no exaggeration to say that Hofstede's dimensions of national cultural theory are a dominant theory. However, an initial critique by Jones (2007) states that Hofstede assumes that the terminology used in his method is universally applicable. For instance, company loyalty in Asia may be seen as devotion to one's workplace and following the rules, whereas in Australia it may be following instructions and not breaking the rules.

Furthermore, Hofstede's study assumes the domestic population is a homogenous whole, however most nations are groups or areas of cultural units. China demonstrates this idea comprehensively. So there is reason to believe that Hofstede's theory may not be entirely viable as a testing model in my paper. Project GLOBE is a recent study, in which culture is linked to behavior in organization (Shore and Cross, 2005). Globe proposals nine cultural dimensions, some of these are similar to Hofstede's Dimensions of National Culture (Shore and Cross, 2005).

However, Globe's theory is still a new theory without sufficient test; therefore it will not be considered in this paper. While the criticisms may be sound, Hofstede's research is still one of the most widely used among scholars and practitioners. (Jones 2007). In order to further test the rigourousness of Hofstede's model, I refer to Ybema ; amp; Byun (2009), who emphasize that culture difference influences communication between the peoples with different identity.

In this study, internal communication of organization includes two parts: management style and staff behavior. In this context I will discuss Hall's High context or Low context communication theory known to be one of the most important theories in cross-cultural research (Richardson and Smith, 2007), and suitably link it to Hofstede's dimensions to discuss the issue of cross-cultural management in communication. I hope that this will enlighten me findings further to mitigate some of the shortcomings of Hofstede's model.