

# [Shui fabrics question 1 ans](https://assignbuster.com/shui-fabrics-question-1-ans/)

Economic factors include economic growth, interest rates, exchange rates and theinflation rate. These factors have major impacts on how businesses operate and makedecisions. For example, interest rates affect a firm’s cost of capital and therefore to what extent a business grows and expands. Exchange rates affect the costs of exporting goods and supply and price of imported goods in an economy. There are economic differences that influence the relationship between the partners at Shui Fabrics.

Chiu Wai, operated Shanghai Fabrics LTC located in China, before it became a joint venture with Rocky River Industries in the United States. When the companies became a venture, Chiu Wai became the Deputy General Manager for Shui Fabrics in China and venturing company Rocky River Industries located in US. Ray Betzell who is the General Manager for Shui Fabrics came to China from Rocky River Industries. Many companies who do business in others countries and cultures fail miserably.

Managers must do their homework and learn the business ethic andculturelifestyles before even considering venturing into markets in different counties. To me it seems like neither of the managers did their homework and are having problems maintaining the economic factors that influence their company. A developing country is a non-industrialized poor country that is seeking to develop its resources by industrialization. A developed country is a country that has a high level of development according to some criteria such as income per capita and industrialization.

Political-Legal factors includediscrimination, consumer, antitrust, employment, andhealthand safety law. They also include how and to what degree a government intervenes in the economy. Specifically, political factors include areas such as tax policy, labor law, environmental law, trade restriction tariffs, and political stability. These factors can affect how a company operates, its costs, and the demand for its products. Political factors may also include goods and serves which the government wants to provide or be provided and those that the government does now want to be provided.

Furthermore, governments have great influence on the health, education, and infrastructure of a nation. Political officials are going to be a big part of the team because they have strong influence on economic life in China. Ray must reach out to them and understand theirgoals. Success will depend on the personal involvement of top executives. The partners differ dramatically in terms of what constitutes an acceptable financial return. Chiu Wai is happy with achieving a 5% to 6% profit and believes he is viewed as a local hero.

Upon achieving his goal he feels that he has done a good job for his country morally and for their side of enterprise by creating jobs for close to 3, 000 people. He wants to grow the scope of Shui Fabrics and establish a national brand. Ray Betzell wants a 20% ROI and will only consider growth if it improves profitability, has no interest in creating employment unless it improves the bottom line, is considering maybe having to layoff employees to improve bottom line. He wants to improve quality, and sees no benefit to creating a Chinese brand because it views China as a low-cost manufacturing platform rather than a market.

Social factors include the cultural aspects and include health consciousness, populations growth rate, age distribution, careerattitudes and emphasis on safely. Trends in social factors affect the demand for a company’s products and how the company operates. With this being said, Ray needs to move outside his personal comfort zone as a manager. There seems to be a lack of clear, shared strategy between the two partners. When the company started 10 years ago, Rocky River has launched Shui Fabrics, a 50/50 joint venture between the U. S. extile manufacture and the Chinese company, to produce dye, and coat fabric for sale to both Chinese and international sportswear manufacturers. Intent seemed clear in beginning after many obstacles, considerable red tape and severalmoneylosing years the joint venture was fulfilling China expectations and those of local government and party officials. It seems there was once a clear strategy that has been forgotten over the course of ten years. Another social factor that is different between the partners would be that a profit over 20% return on investment may be perceived as Western exploitation.

When it comes to doing business in China, respectfor people’s feelings is paramount - this sensitivity that needs to be taken in respect to people’s ‘ face’. Face - a cliche, is the currency of advancement. It’s like a social bank account. You spend it and you save it and you invest. And when you take away somebody’s face you take way someone’s fundamental sense of security. Because of China’s history of exploitation by foreign countries who colonized China or raided China for business purposes, particularly in the business sphere, Chinese do not want to be seen culturally as having been ‘ had’ by Western usinesspeople. (http://www. nytimes. com/2010/12/14/business/global/14iht-busnav14. html)Chiu Wai is pleased with the way the company is operating and feels that Shui is generating just the right level of profit especially because many U. S. -Chinese joint ventures are still operating in red tape. He sees no reason why Ray’s American bosses shouldn’t be more than satisfied with their 5% annual return on investment. This tells me that Chiu is unclear of his company’s strategic goals. Without a clear strategy it is impossible to choose right structure and extent of cooperation with a foreign partner.

Unfortunately Chiu Wai attitude at Shui Fabrics jeopardizes the success of joint venture investment. As you can see the partners don’t share the same vision orphilosophyat Shui Fabrics, the joint venture within China and the U. S. The disparity in viewpoints can dramatically hamper performance. In order for them to make the company succeed they need to come up with a clear, shared strategy that they both can agree and understand. Power Distance is the extent to which a community accepts and endorses authority, power differences and status privileges.

In China, social relationships are formal, hierarchical. People mostcomfortable in the presence of a hierarchy in which they know their position andthe customs/rules for behavior in the situation. The Americans social relationships are informal, egalitarian. People mostcomfortable with their social equals; importance of social rankings minimized. 2. Uncertainty avoidance is the extent to which a society, organization, or group relies onsocial norms, rules, and procedures to alleviate the unpredictability of future events. In China, obligation relationships with other people involve reciprocalobligations.

In American, obligation people avoid interdependent relationships andsituations that might entail long term obligations. 3. Individualism and collectivism Individualism stands for a society in which the ties between individuals are loose and everyone is expected to look after him/herself and hisor her immediatefamilyonly. Collectivism stands for society in which people from birthonwards are integrated into strong cohesive in-groups, which throughout people’slifetime continue to protect them in exchange for unquestioningloyalty. The Chinese are collectivist because they place higher value on groupcooperation and individual modesty.

The Americans are individualism because they place higher value on self-reliance. Self-promotion is more accepted. High value on freedom from externallyimposed constraints. 4. Masculinity/femininity indicates the extent to which dominant values in a society tendto be assertive and look more interested in things than in concerning for people and thequality of life. The Chinese are relationship-oriented maintaining a harmonious relationshiphas priority over accomplishing tasks. Americans have task-oriented relationships that are less important than gettingthe work done. 5.

Assertiveness is the degree to which individuals are assertive, confrontational, andaggressive in their relationships with others. The Chinese avoid direct confrontation, open criticism, and controversionaltopics. Concern maintaining harmony and with face. Americans are willing to confront directly, criticize, discuss controversionaltopics, press personal opinions about what they consider the truth. Little concernwith face. 6. Future Orientation is the degree to which a collective encourages and rewards futureoriented behaviors such as planning and delaying gratification.

The Chinese pay relatively more attention to the past and the longer termfuture. Americans are less interested in the past they focus on the near-term future7. Gender differentiation is the degree to which a collective minimized gender inequality. In China, traditionally a person’s status in the society was based importantlyon inherited characteristics such as age, gender, and family. This is changing. In America, traditionally a person’s status in the society was based importantlyon inherited characteristics such as age, gender, and family. This is changing. 8. Performance orientation