

Shui fabrics question

1 ans



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Economic factors include economic growth, interest rates, exchange rates and the inflation rate. These factors have major impacts on how businesses operate and make decisions. 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 and culture lifestyles before even considering venturing into markets in different countries. 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 included discrimination, consumer, antitrust, employment, and health and 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 services which the government wants to provide or be provided and those that the government does not 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 their goals. 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, career attitudes and emphasis on safety. 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. textile 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 several money losing 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, respect for people's feelings is paramount - this sensitivity that needs to be taken in respect to people's 'face'. Face - a cliché, 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 away 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 businesspeople. (<http://www.nytimes.com>)

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

In American, obligation people avoid interdependent relationships and situations 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 his or her immediate family only. Collectivism stands for society in which people from birth onwards are integrated into strong cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty. The Chinese are collectivist because they place higher value on group cooperation 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 externally imposed constraints. 4. Masculinity/femininity indicates the extent to which dominant values in a society tend to be assertive and look more interested in things than in concerning for people and the quality of life. The Chinese are relationship-oriented maintaining a harmonious relationship as priority over accomplishing tasks. Americans have task-oriented relationships that are less important than getting the work done. 5.

Assertiveness is the degree to which individuals are assertive, confrontational, and aggressive in their relationships with others. The Chinese avoid direct confrontation, open criticism, and controversial topics. Concern maintaining harmony and with face. Americans are willing to confront directly, criticize, discuss controversial topics, press personal opinions about what they consider the truth. Little concern with face. 6. Future Orientation is the degree to which a collective encourages and

rewards future-oriented behaviors such as planning and delaying gratification.

The Chinese pay relatively more attention to the past and the longer term future. 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 importantly on inherited characteristics such as age, gender, and family. This is changing. In America, traditionally a person's status in the society was based importantly on inherited characteristics such as age, gender, and family. This is changing. 8. Performance orientation