

# Cross cultural challenges when doing business in china management essay



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Nowadays, businesses and organizations do not only limit in specific geographical areas. People are connecting to each other throughout the world using internet and other methods. Thus, globalization is important and become crucial especially for those companies who are growing and expanding. In today's business world, you will be said as "outdated" if you do not know what globalization is.

According to Bhagwati, J. (2004), "Globalization" can be described as "a process by which the people of the world are unified into a single society and functioning together." Other than that, globalization is also defined as internationalism. In general, "globalization" is a term that most of the company set it as one of the goals in the company. Companies tend to strive hard for growing globally and reaching more markets instead of sticking in one country.

In this globalization era, opportunities for doing business as well as earn more money is available everywhere. Entrepreneurs seek for many ways in order to get rich faster and easier. Therefore, they will never neglect in grabbing any chances.

Metaphorically, the whole business world is a delicious cake and each country is one slice of the cake. With natural characteristic of human beings, people will choose the biggest slice as they can enjoy it the most. Same thing happen in business world, from the aspect of population and opportunity, China can be seen as the biggest slice of the cake and companies would scramble to capture it as they can.

When there are many competitors, capture the slice is not easy. Therefore, management and strategy is important to achieve the slice. According to Deresky (2006), global management is the process of developing strategies, designing and operating systems, and working with the people around the world to ensure sustainable competitive advantage.

To capture China market, companies should use the adequate strategy and work hard on it. According to Haberberg and Rieple (2001), strategy refers to the “ ways in which an organization uses its knowledge and resources to achieve its objectives.”

Issues in Global Business is a broad subject that consist a lot of stuff including various challenges and strategies implemented on different issues. To grow globally, the first thing organizations should prepare is cultural challenges which can lead to a failure if companies do not handle it well.

With sharing a story, a result shows that knowing other’s culture is important because people’s culture is not same as us.

[Once upon a time there was a great flood and involved two creatures which are a monkey and a fish. The monkey, being agile and experienced, was lucky enough to scramble up a tree and escape the raging water. As he looked down from his safe perch, he saw the poor fish struggling against the swift current. With the best of intention, he reached down and tried to save the fish from the water. However, the result was inevitable.]

From the culture story, misunderstanding the culture of others may cause a huge impact in both parties. Therefore, cross-cultural management is

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important for a company to go globalization and familiar with the particular country.

In this paper, based on the case of ' Cross-Cultural Challenges When Doing Business in China' (Appendix 1), the analysis of culture will be conducted. Meanwhile, cultural comparison also will be evaluated between China and America. After that, the recommendations will be given based on the case, as well as provide some critical ideas about global business.

## Chapter 2: Literature Review

With the globalization of business world, China has become an appealing market for foreign investors. There is always called " management" in organizations in all countries. The global stage has brought challenges to the fore of management.

Globalization, on one hand is beneficial in creating opportunities for global collaboration. On the other hand, it creates a lot of problems and issues caused in cultural differences and end up with a failure. Therefore, organizations should pay attention on the issue. Generally speaking, there is a huge gap between Western countries and China in culture issue. To clarify the differences, the case of ' Cross-Cultural Challenges When Doing Business in China' has been used Hofstede's four cultural dimensions and Bond's fifth dimension, which are power distance, individualism/collectivism, masculinity/femininity, uncertainty avoidance and long-term/short-term.

From the article, some conclusion can be made:

## **Cultural Dimensions**

### **America**

### **China**

#### **Power distance**

Medium low

Tendency toward decentralized power

High

Centralized, tendency toward democracy

#### **individualism/collectivism**

Strongly

Individualism

Strongly Collectivism

#### **masculinity/femininity**

Medium Masculinity

Medium Femininity

#### **uncertainty avoidance**

Low

Risk-taking

High

Risk-avoiding

## **long-term/short-term**

Short-term oriented

Long-term oriented

On the aspect of cooperative strategies, America has lower appreciation for cooperative strategies due to individualistic and masculinity. They are highly independent and enjoy work alone. Besides, they place greater importance on contractual safeguards for maintaining effective cooperation. On the other hand, Chinese with collectivistic and femininity in nature are group-oriented and loyal to the group. They emphasize harmony and relationship (“guanxi”).

China Vs America

In handling conflicts, Chinese who are from collectivistic high power distance culture tend to use indirect ways and avoid open and direct conflicts.

Besides, they seldom use tactics in resolving problems to avoid embarrassing and overt disagreement as well as damaging “guanxi”.

Instead, they like to use negotiation and compromise. In contrary, Americans who are from individualistic low power distance are reluctant to invest time and effort to solve the conflict. They always use tactics in open and direct way to confront problems.

America Vs China

Furthermore, Americans who are low risk avoidance and have adventurous spirit, like to take risks. In the contrast, Chinese who are high risk avoidance prefer comparatively safer always avoid risks. They do not make immediate decision when the circumstance is uncertain. For participation in decision-making, Americans believe in decentralization and empowered subordinates. They always make decision either individually or deferring to their supervisors instead of consulting with others. However, Chinese who are typically collectivistic-high power distance are participatory. Somehow this depends on many factors and in most cases, final decisions are made by higher level superiors without consulting subordinates in most of the time.

#### America Vs China

In addition, relationship (“guanxi”) is the prerequisite in Chinese business world. Chinese who are highly collectivistic and long-term oriented place great importance on building social and interpersonal relations. On the contrary, Americans are tasks and achievement-oriented. They are short-term oriented who place greater importance on dealing a business effectively. Basically, Americans do not focus on long term business relationship and therefore tend to deal the business as soon as possible. In their mind, the time used to building relationship can be used in other more significant thing like closing other projects and businesses.

#### America Vs China

Lastly, the case discussed about motivation system in term of cultural differences. In general, equity principle is used in individualistic culture. In

America value systems, reward system pay for performance and individual  
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achievement. Therefore, competition, achievement and personal goals are valued in recognizing individual contributions. On the other hand, collectivistic cultures focus on cooperation, interdependence, and group goals. Chinese believe that one's success belong to group work not oneself. Thus, Chinese who support group harmony pay for equality principle in reward system.

### China Vs America

In conclusion, America and China differ greatly in all the aspect regarding culture. According to Dess, Lumpkin and Eisner (2007), to create competitive advantage, global-national companies should work hard on cross-cultural management in order to have smooth collaboration. Besides, a good alliance may help the organization in gaining good reputation in the long run.

### Chapter 3: Critical Analysis

Firstly, with regard to the case's content, the whole article is easy-understand and interesting. The language used by authors is generally not difficult and easy to understand. Besides, although the content included a lot of " high" and " low" word and some statistics, it is not complex at all since authors have already summarized it into the table. Readers can easily catch the result and information from the table. Furthermore, it is clear that authors discuss the Hofstede and Bond's cultural dimension into several aspects and separate it into subtitles, which are general cultural differences, cooperative strategies, conflict management, decision making, level of participation, work-group characteristics and motivation systems. As a result, readers will not confuse among each other. Moreover, readers are able to <https://assignbuster.com/cross-cultural-challenges-when-doing-business-in-china-management-essay/>



know that which value dimensions affect which aspects to the organizations. Other than that, not like other articles, this article is short and sweet. The main points and some elaborations are clearly shown and there are not many superfluous and lengthy words. Eventually, reader will not get bored easily to read the lengthy words. Nevertheless, it is a pity thing in overall article is that the figure 1 has been omitted. I have tried my best to look for it through online and books but at the end still cannot find out the omitted figure. However, to the article, figure 1 is not much important and it is still acceptable without having the figure in page 1.

There is no perfection in the world. In following, some of points should be critiqued according to the case. Firstly, there are some contradictories existed in the article. In Hofstede's value dimension, it is claimed that America is a low power distance country. Thus, superiors and subordinates are inclined to regard each other as being equal power. Consequently, it may be chaotic because leaders are often contested and challenged. According to Deresky (2006), Autocratic management is not well-received in this culture. However, the article stated that American managers prefer making decision individually or deferring to their supervisors instead of consulting with others. Implemented the theory in low power distance, it is difficult for American people to defer to others because they are also come from ethnocentrism who always believe that their decision and practices are the best. On the other hand, China is a collectivistic country. Thus, Chinese involved a lot in communication and consultation among each other. When these theories applied in the level of participatory in decision-making in the article, the contradictory existed again. For example, some researches

propose that decisions are typically participatory in collectivistic-high power distance countries like China. Despite this, other researchers claimed that employees in the country resist participation in decision making because of their unquestioning attitudes toward their supervisors. Since some characteristic like high formality, low disclosure, and openness as well as centralization are common in most of the companies; employees seldom have chances to really participate in decision-making process. Eventually, readers may get confuse whether Chinese employees have the participatory in decision-making.

Other than that, although China is a collectivistic country, it is not suitable to use equality principle solely in reward system. From the article, we know that collectivistic cultures emphasize cooperation, interdependence, and group goals, and thus prefer to support group harmony. It is nothing wrong to emphasize on group goals, but companies should also pay attention on personal performance. It is because some employees may be the key persons who are outstanding and help the whole group be the best. Besides, it is unfair that companies only emphasize on group performance. In general, there are always some free riders inside the organizations or the groups. From the hard workers' point of view, it is unfair for them to share the same reward with those free riders. Instead, they deserve more reward on their hard works. According to Noe, Raymond A(2002), employees are the important assets in an organization that needs recognition and support from top management. Therefore, employees need appreciation and encouragement from their superior in term of motivation. Consequently, they will feel more confident in accomplishing the following tasks and devoted

themselves more in the organization. Thus, I would suggest that although one cannot claim the reward just for oneself, he or she can claim “ more reward” according to his or her effort. Moreover, in collectivistic country like China, it is recommended to use both equality and equity principle in reward system. As a result, company can not only practise harmony but also satisfy employees and perform fairness in the organization. It benefits company in the long-run because the satisfaction of employees may lead the retention of good employees. Moreover, it helps the company in building good reputation and gaining competitive advantages.

#### Chapter 4: Conclusion and Recommendation

In conclusion, globalization motivates a lot of organizations to go globally and extend their markets. China, with the widest land and population has become popular for foreign investors to go in. Companies would like to scramble a slice of this market because of great opportunities and low cost of production.

Growing globally spend the organizations a lot of time and effort in order to succeed in the country. Therefore, strategic management is the most important thing that the investors should look into. According to Dess, Lumpkin and Eisner (2007), strategic management includes a lot of management and challenges which is a crucial thing for going internationally. In strategic management, cross-cultural management is an interesting but toughest management which should be paid attention to all managerial people who are expanding their business to other countries. You

can deal with people only when you know their culture and adapt to the differences.

Among the value dimensions, Hofstede's four value dimensions are the most important knowledge which managerial people should be focus on, which included power distance, individualism/collectivism, masculinity/femininity, uncertainty avoidance. Besides, Bond's long-term/short-term dimension is also important to differentiate the cultural differences. Hofstede and Bond's value dimensions can be used in many aspects in the organization which included cooperative strategies, conflict management, decision making, level of participation, work-group characteristics and motivation system.

For recommendation, I would suggest that the article should add one more impact of cultural differences, which is also affect a lot in productivity and profitability. That is " Impact of cultural differences on achieving goals."

Generally speaking, achieving goals is an important part in company and that is why companies set vision and mission. To achieve effectiveness, companies should evaluate the ability to achieving goals and the attitude of employees in achieving goals. In this case, several variables have been made in differentiate the cultural differences between America and China.

Due to individualism of America, Americans like to work alone instead in group-work based. Individual-work based has its advantage and disadvantage. For the advantage, Americans can concentrate in their tasks. Eventually, they are able to meet efficiency. However, they may lack of ideas when doing their work. Limitation of ideas is not a good phenomenon for a company especially in term of creativity. Besides, limited idea is one of the <https://assignbuster.com/cross-cultural-challenges-when-doing-business-in-china-management-essay/>

weaknesses that company might face and lead to a threat if other competitors have better ideas.

On the other hand, China is collectivistic and high power distance country. Chinese love to work as a group instead of doing individually. Thus, more people can come out with more ideas which benefit the company in many ways. Besides, group members can advise one another about the weaknesses and mistakes in order to reach effectiveness. Nevertheless, disadvantages are unavoidable. Firstly, when there is a group of people doing one thing, they might chit-chat and do not concentrate in their work. Eventually, they might not meet efficiency. Moreover, when there are a lot of ideas, it might be create some problems and conflicts which can damage harmony in the group.

Ultimately, there are both advantage and disadvantage in the culture and practices from different country. Organization should get to know the practice of other countries in order to develop their business successfully in the particular countries. The more effort invested, the more successful will be gained.