

Hooker furniture corporation essay sample



**ASSIGN
BUSTER**

I have chosen Hooker Furniture Corporation based in Martinsville, USA, to prepare a case study when entering China. Founded in 1924, Hooker is an independent company now in its third generation of family- led management, and the company still applies the common-sense ideals of a small family furniture business to what has become an international corporation. Hooker has specialized in lifestyle-driven furnishings such as entertainment centres, home theatre, wall units, home office furniture, accent items and console tables.

The company is known for its leadership in producing the highest-quality furniture at the medium-to-upper medium price levels. Reasons for expanding the business and to manufacture furniture abroad are gaining new business, defending existing business or saving costs, etc. Why did I choose China? China is the fourth largest country in terms of size and the largest in terms of population. In China live 1.3 Billion people, which means over 25 percent of the world's total population are living in china. Compared to the U. S. it is a huge population.

China has the seventh largest economy in the world and also the fastest growing consumer economy. The total value of goods and services has been growing at a double digit rate for over 20 years. Driven by domestic demand and supported by World Trade Organization accession, China's economy should continue to grow robustly over the next two years and will soon be a very large market. China finds also support by the pro business government and by their progressive economic policies that encourage foreign investment.

With the opening of China and its admission to the World Trade Organization (WTO) China has given foreigners unprecedented access to its market.

According to the government's new policy, house ownership is encouraged.

Chinese are now allowed to own homes for the first time in 50 years. In the five-year period that started in 2001, China will build 5.7 billion m² of housing-space, up 15 % from the previous five years. The furniture industry will greatly benefit from the construction activity.

Understanding the Chinese market and culture is essential to the successful business venture of Hooker Furniture Corporation in China. The spider diagram about cultural framework proposed by Terpstra and Sarathy (1997) incorporates various components to identify culture; including language, religion, values and attitudes, education, social organisations, technology and material culture, law and politics and aesthetics. To operate effectively in China recognition is required that there may be considerable differences in the culture.

To mention here China's government policies; China's trade and investment systems lack transparency. Policies and regulations are not readable accessible. Even central government policies are often applied inconstantly and can vary between regions. Government regulations can be changed instantly, often without notice. According to Li (1996) "one of the most frustrating aspects of investing in China is that the government never discusses new business policies and regulations with foreigners, nor announces such changes in advance. Remnants of the centrally planned economy are still very active in Chinese business. Governmental units or former government officials own the vast majority of businesses. Thousands

of 'private' businesses are owned and operated by the military, police, or township governments. Local officials still tightly control government regulation of business. Government regulations, including essential permits to do business in China, can vary widely, often at the whim of township officials.

Thus, it is essential to work with a Chinese business partner who has strong government connections and understands local government regulations. China is controlled by a Communist government. Accordingly, the government continues to play a powerful role in the Chinese business community. Especially language differences have a significant impact on the way a product may be used in China, its brand name and the advertising campaign. Also not everything will translate- it is not possible translate meaning exactly for all elements of an interpretation.

Culture specific elements will block some elements in an interpretation. The creative use of copy to gain attention and to influence comprehension of the target audience can result in a clever use of words. However, inadequate translation often results in clumsy errors. Also Chinese people exhibit behaviour that places more weight on nonverbal aspects of interpersonal communication and Americans rather tend to be verbal. But the silent language such as body language is a less obvious but a very powerful communication tool. Another example would be social behaviour.

There are a number of social behaviour and comments that have different meanings in the Chinese culture as it will show in the next case. Americans generally consider it impolite to mound food on a plate, make noises when

eating, and belch. On the other hand, some Chinese feel it is polite to take a portion of very food served and consider it evidence of satisfaction to belch. Therefore Hookers Furniture Cooperation should employ or hire who has a great understanding of the Chinese culture and get advice about social issues such as day to day rituals, leading people within the company, etc.

That would help to prevent any inconvenience between Chinese and Western people. Further Hooker Furniture Cooperation must understand the important of visual aesthetics embodied in the colour or shape of the product, label or package. China is very sensitive towards these things. For example the white colour connotes purity and cleanliness in America, but it is associated with sadness and other negative connotations in China.

Furthermore to mention the values and attitudes of the Chinese people differ from Americans on things such as time, achievement, work, wealth and risk taking.

That should not only affect the products offered but also the packaging and communication activities. Religion is also a major cultural variable in entering a foreign market. For example, the identification of sacred objects and philosophical systems, beliefs and norms as well as taboos, holidays and rituals are crucial for an understanding of a foreign market. The role of personal relationships, or *guanxi* (pronounced *guan-she*), is crucial when doing business in China. Nearly all business negotiations depend on personal connections.

These connections may be formed through family relationships, classmates, government work unit assignments or prior business relationships. Two

recent surveys identified *guanxi* as the most important factor in Chinese business negotiations. Leung and Yeung (1995) surveyed U. S. businesses doing business in Hong Kong. Their conclusion was “ only one item, good personal relationships, scored ‘ high importance’ [in the survey]. ” Kai and Enderwick (1994) surveyed small businesses in New Zealand and found that “... familiarity with Chinese business practices’ and ‘ good business connections and relationships with Chinese officials’ were important attributes for success in a joint venture in China. ” In China negotiations are done different compared to the western world. For example Chinese usually conduct business over lunch and dinner, and deals are often concluded over a meal. Also entertaining is a crucial part of Chinese business culture. Also Chinese do not like to say “ no” or to be the bearers of negative news.

They will hint indirectly in the conversation. At the same time Chinese tend to say “ yes” to almost everything. But this does not necessary mean that it draws positive conclusions. Business meetings often begin with small talk over tea, and appropriate topics include the weather and recent travels, etc. then it gets more serious. An integral part of conducting business in China is the practice of gift giving. But this must be done sensitive to cultural, legal and ethical aspects. A common mistake of western business people is to get quickly impatient.

The Chinese people tend to keep the formality in the early stages of a business relationship. Chinese negotiation styles differ to the western worlds. For example the Chinese tend to hide emotions or the good of the group is the aim but in the western world hiding of emotions is not highly valued and the good of an individual is the ultimate aim. The Chinese view of a business

contract is different from the American view. Although it is important to include critical details in contracts, it is also important to recognize that the Chinese see business contracts in more general terms.

Details of contracts are considered less important and subject to change. According to Kenna and Lacy (1994) “ the Chinese prefer vague agreements which can be adjusted later as needed... they prefer contracts that do not have too many details and they feel all issues in a contract are still subject to negotiation afterwards. ” Since China does not have a well- developed legal system of contract enforcement, most contract arrangements are based on trust and mutual understanding. Thus, it is essential to deal with a Chinese business partner who is honest and trustworthy.

Tolerance and patience are two attributes that are important when entering the Chinese market. Setbacks and frustration should be expected since doing business in China is substantially different from doing business in the U. S. 2. Using case examples, analyse advantages and disadvantages a firm may experience by employing either ethnocentric or polycentric management orientation. Within an ethnocentric orientated company it is assumed that products and practices that are successful in the home country will be just as successful anywhere else without adaptation.

A good example for an ethnocentric orientated firm would be Nissan as it exported cars in its first years to America. Originally designed for Japan and its mild climate during the winter period the vehicles showed starting difficulties in many parts of the USA during the cold winter months. What went wrong? During the winter period Japanese people cover their cars with

blankets. Nissan assumed that Americans would do the same thing, but the assumption turned out to be false.

If an ethnocentric orientated firm decides to produce its product in the foreign market it can be seen as a dumping ground for surplus domestic production. Also in that enterprise there is a clear communication from headquarters to subsidiaries and also closer links with top people in subsidiaries. An advantage can be that there are no additional costs for systematic marketing research and major modifications of a product in foreign countries. At the same time a disadvantage is that not every product can be adapted to every foreign market and needs to be modified before it is going to be sold.

Further go valuable managerial knowledge and experience in local markets unnoticed when the headquarters decide to operate in the same way as it does in the home country. Ethnocentrism is one of the major internal weaknesses that must be overcome if a company is to transform itself into an effective global competitor. (see Keegan and Green, 2003 pp. 18) The disadvantage of this approach is that a company may not integrate well with the local community and its workers may feel resentment because they never had the opportunity to fill managerial positions.

One solution to this problem is to use parent country employees to train and develop employees of the host nation. Further there is less feedback about foreign operations. Expert & competent foreign personnel leave. There is a difficulty of recruiting such people. Also a loss of flexibility in adapting to local changes can occur. The polycentric orientation gets more involved as

foreign operations become more important. This type of management orientation for example is adopted by Ford Motor Company. Ford is operating in four geographical regions autonomously.

It has created in each region one development centre, each designing cars to be marketed in their respective regions. The advantages are the adaptation of the form they need, each center has much more decision-making power, also conforming to local standards of performance & the headquarters is more flexible in this regard, comparatively less communication between subsidiaries & headquarters or between subsidiaries and creation more of a two-way flow and local people are trained for key positions in units in their own countries/regions.

That gives the company a better knowledge of local markets, therefore better adaptation of products/sales for such markets. Good local personnel who remain with the company, so their experience is not lost. On the other hand a possible disadvantage could be the potential duplication of products. Also the failure to consider global potential of products is high. And finally the home country advantages are not always utilised by subsidiaries.