



**Cross-cultural Issues in Local Managers' Education  
and Training in Foreign Companies in the People's  
Republic of China: With Specific Reference to the  
Shanghai Economic Zone**

**By Li Zhao, BA, MA.**

**Thesis submitted to the University of Nottingham for  
the degree of Doctor of Philosophy, July 2004**



## **Abstract**

The purpose of the research conducted is to investigate the effects of local managers' education and training on corporate culture in foreign companies in the People's Republic of China. In order to realise the purpose, the project sets up three corresponding aims. First, an examination of corporate values and the corresponding cross-cultural issues in Western companies in a Chinese context is given. Second, a prescription of various adaptation forms of these companies is provided. Finally, the effects of the training on the corporate culture are evaluated and presented.

The study employs a qualitative methodology for the exploration. Foreign companies covering the main fields of business activities in China were selected with an emphasis on the two countries: the United Kingdom and the United States. Thirty participants from those sample companies were interviewed face-to-face with semi-structured questions. The fieldwork was carried out mainly in Shanghai, which is the biggest city and an economic zone in China. At the same time, documentation was used as a complementary method in terms of providing relevant information. Data were also collected from two Asian foreign enterprises in China for benchmark.

Final results in light of the research purpose and aims indicate that a foreign company in China, which is internationally accepted, is likely to apply a corporate culture that accommodates both similarities and differences between the local culture and the original culture of the foreign parent company. Such a corporate culture is not judged by its form, for it is neither a typical culture of a Western organisation nor typical one of a Chinese enterprise. It allows the corporation to keep international standards and simultaneously be capable of cultivating local managers to accept it emotionally. In this sense, local managers' education and training need to be perceived as a cultural process and delivered in a flexible way. The effects of the training upon the corporate culture are identified.

## Acknowledgement

First of all, particular gratitude is given to my supervisor, Professor John Morgan. Without his professional guidance, inspiration and sincere help, the thesis would not have been possible. His understanding, patience and professional manner contributed to the formation of a close working relationship that resulted in the final submission of the thesis.

I also give my heart-felt thanks to other academic staff who had made contribution to the completion of the thesis such as Dr. Mark Dale, Dr. Janet Hannah, Dr. David Jones, Dr. Andrew Marton, and Steven Drodge (who with sadness could not witness the completion of the thesis). Thanks to their support and professional opinions, the thesis was completed in due time.

Furthermore, I am grateful to some academic support staff such as Gill, Christine, Susan, Jane, Joan, Mark and Pam. They helped to facilitate the studying process through their effectiveness in their jobs.

I would like to give my special thanks to my friends, Rifat Efe, Angeli Santos and Anna Young, who generously shared their experiences and provided unconditional support and understanding. My thanks are also due to other friends for their friendship, such as Pinkie, Angela, Adam, Atilla, Sabiha, Clare, John, Dely and Raymond.

I am much indebted to my parents, my brother and sister-in-law for both their financial and emotional support. It is to my parents that this thesis is dedicated.



Abstract.....i

Acknowledgement.....ii

Table of Contents.....iii

List of Figures.....viii

List of Tables.....ix

Glossary of Acronyms & Chinese Terms.....x

Table of Contents

	Page
Chapter One: Introduction.....	1
THE CONTEXT .....	1
THE PURPOSE AND AIMS OF THE STUDY .....	3
THE RESEARCH QUESTIONS .....	5
THE SIGNIFICANCE OF THE STUDY.....	6
THE CONTENT OF THE THESIS .....	7
Chapter Two: Foreign Companies in the People’s Republic of China.....	9
INTRODUCTION.....	9
POPULATION AND GEOGRAPHY .....	9
POLITICAL BACKGROUND.....	10
<i>Government Administration</i> .....	10
<i>Policy Changes</i> .....	12
CHINESE TRANSITIONAL ECONOMY AND THE IMPACT OF THE WORLD TRADE	
ORGANISATION (WTO).....	13
<i>Establishment of the Open-door Policy</i> .....	13
<i>Present Situation and Future Outlook</i> .....	15
<i>Impact of the World Trade Organisation (WTO)</i> .....	19
Impact on Economic Development .....	20
Impact on the Development of Science and Technology .....	21
Impact on the Development of Personnel.....	22
Impact on Culture .....	23
FOREIGN–DIRECT INVESTMENT.....	25
<i>History of Foreign Investment since the Adoption of the ‘Open-door Policy’</i> .....	25
<i>Economic Zones: Special Economic Zones (SEZs) and Opening-up Cities</i> .....	30
ESTABLISHMENT OF FOREIGN COMPANIES IN CHINA.....	34
<i>Why Foreign Companies?</i> .....	34
<i>Development of Foreign Companies in China</i> .....	37



<i>Organisational Structure of Foreign Companies</i> .....	40
<i>The Government's Influence</i> .....	42
<i>Management of the Labour Force in Foreign Companies</i> .....	45
SHANGHAI: THE FOCUS OF THE WORLD IN CHINA.....	46
<i>Shanghai's Economic History</i> .....	46
<i>Favourable Environment for Foreign Investment</i> .....	52
SUMMARY .....	54
<b>Chapter Three: Literature Review of Corporate Culture</b> .....	<b>56</b>
INTRODUCTION.....	56
EXPLORATION OF THE CONCEPT OF 'CULTURE' .....	56
<i>Definitions and Characteristics</i> .....	57
<i>Cultivation of a Culture</i> .....	59
EXPLORATION OF THE CONCEPT OF 'CORPORATE CULTURE' .....	60
<i>Definitions</i> .....	60
<i>Impact of a Corporate Culture</i> .....	63
<i>Development of a Corporate Culture</i> .....	64
<i>Structure of a Corporate Culture</i> .....	64
<i>The Cultivating Process</i> .....	68
<i>Managing a Culture Change</i> .....	69
CORPORATE CULTURE AND NATIONAL CULTURE .....	75
<i>Impact of National Culture on Corporate Culture</i> .....	75
<i>Cross-cultural Differences in an Organisation</i> .....	81
<i>Managing Cross-cultural Differences</i> .....	83
CORPORATE CULTURE AND MANAGERS' EDUCATION AND TRAINING .....	85
<i>Training Theories</i> .....	86
<i>Training for Cultural Adaptation</i> .....	87
<i>Direction to Local Managers' Training</i> .....	90
SUMMARY .....	92
<b>Chapter Four: Review of Previous Studies Regarding Cross-cultural Differences and Corresponding Adaptation of Foreign Companies in China</b> .....	<b>95</b>
INTRODUCTION.....	95
KEY VALUE DIFFERENCES IN MANAGEMENT.....	95
<i>National Cultural Differences</i> .....	96
<i>Managerial Value Differences</i> .....	98
<i>Organisational Ethical Perceptions</i> .....	102
MANAGEMENT BEHAVIOUR DIFFERENCES .....	103
<i>Routine management</i> .....	104
<i>Organisational structure</i> .....	104
<i>Managerial competence</i> .....	105
<i>Personal connections</i> .....	106
<i>Problem-solving process</i> .....	108
<i>Performance assessment</i> .....	109
<i>Risk taking</i> .....	110
<i>Designing development plan</i> .....	110
<i>Interpersonal Communication</i> .....	110



<i>Coping with Management Conflicts</i> .....	112
ADAPTATION .....	113
<i>Adaptation in Management</i> .....	113
<i>Adaptation in Communication</i> .....	116
LOCAL MANAGERS' EDUCATION AND TRAINING .....	118
<i>Training and the Chinese Culture</i> .....	118
<i>Training and the Development of the Company</i> .....	120
SUMMARY .....	123
<b>Chapter Five: Methodology and Methods</b> .....	<b>125</b>
INTRODUCTION .....	125
CONCEPTUAL FRAMEWORK.....	126
<i>Two Kinds of Approaches: the Etic and the Emic</i> .....	127
<i>The Framework for Exploration</i> .....	128
<i>Compatibility Relationships in Research</i> .....	130
RESEARCH DESIGN .....	132
<i>Qualitative Methodology</i> .....	132
<i>Interviews: the Primary Method</i> .....	134
<i>Document Survey</i> .....	136
<i>Summary of the Focus of Inquiries between Research Questions and Related Source of Data</i> .....	137
SAMPLE SELECTION AND DATA COLLECTION.....	139
<i>Theoretical Sampling Principles</i> .....	139
<i>Sample Selection</i> .....	140
<i>Ethical Consideration</i> .....	144
<i>Attention to Reliability and Validity during Data Collection</i> .....	144
DATA CATEGORISING AND ANALYSING .....	146
<i>Data Coding</i> .....	147
<i>Triangulation</i> .....	148
<i>Data Analysis</i> .....	149
SUMMARY .....	150
<b>Chapter Six: Corporate Values and Cross-cultural Issues in Foreign Companies</b>	<b>151</b>
INTRODUCTION .....	151
CORPORATE VALUES IN FOREIGN COMPANIES: A REVIEW OF DOCUMENTATION ....	152
<i>People-based Principles</i> .....	153
Showing Respect to Employees.....	153
Equal Treatment.....	153
Developing the Staff.....	153
<i>Customer-focus</i> .....	154
<i>Ethical Ways of Management</i> .....	155
<i>Technological Innovation</i> .....	156
THE SIGNIFICANCE OF CORPORATE VALUES .....	157
<i>Keeping International Standards and Procedures</i> .....	158
<i>Supporting Systematic Ways of Doing Things</i> .....	159
<i>Enhancing the Image of the Company</i> .....	160
CROSS-CULTURAL ISSUES IN FOREIGN COMPANIES.....	161



<i>Cross-cultural Issues Pertaining to Management</i> .....	162
Lack of Modern Management Traits among Local Managers .....	164
Performance-based Assessment.....	166
Hierarchical Influence among Local Managers.....	168
Ethical Management .....	171
Teamwork .....	172
<i>Cross-cultural Issues Pertaining to Interpersonal Interaction</i> .....	173
Lack of Knowledge of Background Information.....	174
Expatriates' Improper Attitudes towards Local Managers.....	175
Language.....	177
SUMMARY .....	178
<b>Chapter Seven: Cultural Adaptation of Foreign Companies and the Local Managers' Education and Training</b> .....	<b>180</b>
INTRODUCTION .....	180
CULTURAL ADAPTATION RELATING TO MANAGEMENT .....	181
<i>Cultivating Modern Management Traits among Local Managers</i> .....	184
<i>Performance Appraisal</i> .....	187
<i>Assertive Management</i> .....	188
<i>Compromise</i> .....	190
<i>Flexibility</i> .....	193
<i>Localisation</i> .....	197
CULTURAL ADAPTATION RELATING TO INTERNATIONAL INTERACTION .....	200
<i>Knowledge of Each Other's Culture</i> .....	201
<i>Expatriates' Proper Attitudes towards Local Managers</i> .....	204
<i>Language Learning</i> .....	205
FORMAL EDUCATION AND TRAINING .....	206
<i>On-the-job Training</i> .....	209
<i>Developing International Business Experience</i> .....	215
<i>Career Development</i> .....	217
<i>Entrance Orientation</i> .....	220
INFORMAL TRAINING OF LOCAL MANAGERS.....	221
<i>Casual Coaching</i> .....	222
<i>Behaviour Modelling</i> .....	223
<i>Social Activities</i> .....	224
IMPLICATIONS OF THE TRAINING FOR CORPORATE CULTURE.....	225
<i>Impact of the Chinese Culture</i> .....	227
<i>Managing Culture Differences</i> .....	228
<i>Possible Support of Local Managers' Training to the Handling of Cultural Differences</i> .....	231
<i>Training in terms of Value Orientation</i> .....	234
<i>Training in terms of Behaviour Formation</i> .....	239
SUMMARY .....	243
<b>Chapter Eight: Conclusions</b> .....	<b>246</b>
SUMMARY OF THE FINDINGS .....	246
<i>The Company Values in General and the Corresponding Cross-cultural Issues</i> ...	247



*Adaptation of Foreign Companies*..... 249

*The Outcome of Local Managers' Education and Training in terms of the Effects on the Cultivation of Corporate Culture*..... 251

IMPLICATIONS OF THE STUDY FOR PRACTICE OF FOREIGN COMPANIES..... 252

*Implications to the Development of Corporate Culture*..... 253

*Implications to Local Managers' Education and Training*..... 257

CRITICAL REFLECTION OF THE STUDY..... 258

RECOMMENDATION FOR FURTHER RESEARCH..... 261

**Bibliography**.....262

**Appendices**

List of Figures

Figure 2:1 Government structure of the People’s Republic of China ..... 11

Figure 2:2 Provinces, capital cities, and economic zones in the People's Republic of  
China ..... 13

Figure 3:1 Structure of corporate culture suggested by Deal and Kennedy (1982) .....65

Figure 5:1 Structure of corporate culture suggested by Deal and Kennedy (1982).....129

Figure 5:2 Cultural compatibility relationships in a foreign company in a host country131

Figure 6:1 The reasons for keeping corporate values.....157

Figure 7:1 The model for the analysis of the implications of local managers' education  
and training for corporate cuture.....226

## List of Tables

Table 2:1 Actual value of foreign direct investment in China: 1979-1997 (US\$100mil)	28
Table 2:2 Approved foreign investment in China by entry mode (US\$mil)-----	36
Table 2:3 Realised foreign direct investment in China by location (US\$mil)-----	49
Table 3:1 The relationship between the process of a cultural change and the organisational adaptation-----	72
Table 5:1 Characteristics of qualitative methodology -----	133
Table 5:2 The summary of the focus of inquires of the research questions and related sources of data -----	138
Table 6:1 Cross-cultural issues pertaining to management -----	163
Table 6:2 Cross-cultural issues pertaining to interpersonal interaction -----	174
Table 7:1 Cultural adaptation relating to management -----	183
Table 7:2 Cultural adaptation relating to interpersonal interaction -----	201
Table 7:3 Formal education and training forms of local managers -----	208
Table 7:4 Informal training forms of local managers -----	222



## **Glossary of Acronyms & Chinese Terms**

**CJV: Contractual Joint Venture**

**EJV: Equity Joint Venture**

**ETDZ: Economic and Technological Development Zone (in China)**

**NPC: The National People's Congress (in China)**

**SEZ: Special Economic Zone (in China)**

**SOE: State-Owned Enterprise (in China)**

**WTO: The World Trade of Organisation**

***Guanxi* (in Chinese): Personal relationships or network**

***Hukou* (in Chinese): Residency permit in a certain province or city**

***Ji Si Guang Yi* (in Chinese): Solving a problem through gathering suggestions from different perspectives**

***Majiang* (in Chinese): A traditional Chinese card (usually made up of hard material) game involving four people**

***Qun Ce Qun Li* (in Chinese): Making use of the collective wisdom and strength in order to fulfil difficult tasks**

# **Chapter One: Introduction**

In the past twenty-five years there is no aspect of an international company that had more significant impact on its operation than cross-cultural differences. Foreign companies in the People's Republic of China are no exception. Chinese tradition and culture tend to exert influence on the international operation of foreign companies, especially ventures established by Western companies. Managing cultural differences is vital to the long-term development of these foreign companies. The study sets out to explore the effects of local managers' education and learning on corporate culture in foreign companies in China. It commences with the introduction of the background of the whole thesis. An overall description is given in terms of the context of the study, the purpose of the study, the principal research questions, the contents and the significance of the study.

## **The Context**

Remarkable changes have appeared as China gradually moved from a centrally controlled economic state towards a socialist market economy in the previous twenty-five years. Since 1978, a series of reforms has been carried out in almost all aspects of the economic field through the central government's determination and reform strategies. One of the most significant strategies the central government adopted in 1979 was the Open-door Policy, an opening-up to the outside world market with emphasis on absorbing foreign direct investment, and this greatly improved the development of the macro economy in the later years.

China has designated a series of economic zones including Special Economic Zones (SEZs), Economic Technological Development Zone (ETDZs), and opened-up coastal cities. ETDZs are smaller than the SEZs and many of them are established within SEZs and the opened-up cities. For example, Shanghai has established three ETDZs. These economic zones receive special economic and political policies from the central government, adopt special economic development strategies compatible with the local



environment, and enjoy more power in distribution and development of projects. As a result, these economic zones are the most attractive to foreign direct investment through international companies or other arrangements with foreign parties, although the tax concessions and investment incentives vary considerably between the types of zones, as does the definition of the types of companies. These foreign companies locating in the various economic zones take advantage of those privileges to develop themselves. For example, in 1997, 86% of foreign investment went to these regions (Vanhonacker, 1997).

A cornerstone of China's policy of economic reform and modernisation is the attempt to attract foreign investment, technology and managerial skills through foreign companies. As one of the greatest potential markets the world has known, China is in an advanced position to achieve its aims in terms of attracting direct foreign investment, acquiring advanced technology and managerial techniques, and accessing the international market. International companies can operate in a large range of economic sectors within China, such as utilities, transport, manufacturing, commerce, and tourism. It has been more than twenty years since China began its modernisation, and many long-term and successful foreign companies have been established including many of the world's most renowned firms. Take Siemens for example. It is one of the largest electrical and electronics companies in the world. Since the late 1970s, Siemens' presence has grown dramatically in China. By 1996, it had more than thirty subsidiaries, with a total investment of more than US\$300 million (Walker et al., 1998).

Several reasons indicate that future prospects of foreign companies in China are good. Firstly, the incredible transition of China's economy has gained such achievement after twenty years. Secondly, with a favourable trade balance, it is anticipated that the economy will remain stable (Walker et al., 1998). Finally, China's entry into the World Trade Organisation (WTO) broadens the co-operative range and enlarges the co-operative fields due to the more flexible control of and more favourable regulations and laws for the operation of foreign companies. Therefore, it is reasonable to expect that foreign investment continues to be encouraged and restrictions on the operation of foreign companies continue to be increasingly relaxed.



## **The Purpose and Aims of the Study**

Not all the foreign companies have a success story in China. Some of them are more sophisticated and skilful in overcoming obstacles in their operation, while some are struggling but still exploring their own ways compatible with realising their objectives and goals. Among obstacles to successful international operation, those stemming from cross-cultural issues might be considered as the most common rather than other aspects of foreign companies, since corporate values and beliefs and the corresponding managerial behaviour in the particular Chinese environment differ enormously from those of foreign domestic countries, especially Western countries.

A foreign company is a relatively new organisational form appearing in China, with its different organisational structure and managerial ways, different organisational behaviour, and technological differences. In order to keep the international standards, the procedures and the customer service, those differences need maintaining and manipulating in a flexible way in order to suit the competition in both local and international markets. However, the implementation of those Western corporate values is not a straightforward process, for the majority of managers and staff are locals. A mechanical and rigid way tends to lead to failure or ineffectiveness of such implementation. Establishing or keeping a cohesive corporate culture in terms of facilitating the process of management and coping with management conflicts could be a big challenge to both expatriates and local managers.

Local managers undertake an important position in a foreign enterprise in the Chinese physical environment, although expatriates might shape the main values and beliefs of corporate culture due to their dual roles in management. Local managers are the main body carrying the responsibility of manifestation and application of those values and beliefs in management practices, because they not only assist expatriates to make a successful delivery of the international standards and procedures required for a competitive market, but also manage the local staff who may not be familiar with the relatively new operation of a foreign company. In other words, they need to help

expatriates build a proper corporate culture in order to meet the goals of the company, and at same time, to manage local staff with their awareness of local tradition and culture. Therefore, such a challenge requires local managers to adapt themselves culturally to the new operation in the first place through the change effort in the management style and behaviour. Then they can manage local staff and integrate the individual local staff into the corporate culture by employing different but appropriate approaches.

Here appears a problem: how to get local managers qualified with such a demanding job stated above? Delivery of education and training provided to local managers could be one of the important solutions. The training might provide support to the cultivation of corporate culture provided the foreign company has a good cultural sense. The interpretation of corporate culture and management concepts and styles of foreign investing countries by local managers could be different from foreign managers. Thus some problems are likely to exist, and caution is needed during the transfer of knowledge and culture. The evaluation of interrelationship between corporate culture and training could shed some light on the training from an international corporate perspective.

However, as stated in Chapter Four, there are few studies focusing on this timely topic. The interrelationship between corporate culture and workshop training of local managers remains a vital area for exploration and development. Furthermore, the promising future of foreign investment in China, especially after China's entry into the WTO, strengthens the need for a detailed and deep investigation in this field. Therefore, the main and direct purpose of the current study aims at filling this gap through exploring the effects of local managers' education and training on corporate culture in foreign companies in China. Three corresponding aims are formed in light of the research purpose. The first refers to the exploration of the core values and the implementation of these values in foreign companies in China. The second points to the investigation of adaptation of foreign companies. The third, and the most important, is to examine the effects of local managers' education and training in terms of cultivating a corporate culture suitable to the development of the foreign company in the Chinese context.



## **The Research Questions**

Three principal research questions are formulated below in order to reach the research aims:

1. What are the basic values in general and the corresponding cross-cultural issues in foreign companies?
2. What is the adaptation of foreign companies from perspectives of both expatriates and local managers in respect to their attitudes, experience, management styles, and management conflicts?
3. What has been the outcome of local managers' education and training programmes in terms of impact upon the cultivation of corporate culture?

The first question focuses on exploration of the impact of Chinese culture on corporate culture and the corresponding management values and practice. The second one points to the importance of adaptation of members of the management team to the building and maintaining of a proper corporate culture. Potential answers to how corporate culture affects the adaptation of local managers and how such adaptation in turn helps to cultivate the corporate culture are critical to the two questions. The last question is designed to provide a picture of the interrelationship between the corporate culture and local managers' education and training. The implications of local managers' education and training are investigated in terms of establishment and maintenance of corporate culture relevant to the values and the rituals.

The three questions are so designed as to set up a meaningful and internally related connection between the main elements of corporate culture and local managers' education and training. Moreover, the questions reflect the purpose of the study in terms of trying to offer a way of understanding and interpreting the culture phenomenon.



## **The Significance of the Study**

The study tries to uncover the cultural factors that affect the adaptation and development of local managers through the process of education and training and to evaluate whether the cultural adaptation and transfer may develop in such a way as to imply proper combination of international standards and principles with the Chinese practical environment. Therefore, it has deep implications for cultivating a corporate culture and providing corresponding local managers' education and training in a foreign enterprise as well.

Practitioners and managers with ideas and views of the world of corporate culture of international companies articulate the challenges to and demand for cultural adaptation of international companies. These challenges engaged with change of the ways of thinking in a specific environment of a foreign company in China help us understand how local managers' education and training occur, and benefit both the organisation and individuals. The current study is one of the first attempts to map key aspects as well as their interrelationship with the newly emerging field of interest. The study is of great significance at present in terms of the following aspects:

- It provides an investigation in depth of the effects of local managers' education and training on corporate culture in foreign companies in the mainland of China, thus filling some space of the correlation between corporate culture and local managers' education and training through offering the specific insight or knowledge on the topic.
- It contributes to the knowledge of corporate culture in an international environment in general, such as the development of a cohesive corporate cultural through implementation of culture change, cultural adaptation and culture compatibility.

- It adds knowledge to local employees' education and training in terms of making an effective combination of the international standards and principles with the specific local context.
- The result of the study provides reference or guidance to both foreign companies already set up in China and those that want to establish their subsidiaries in China in terms of building a cohesive corporate culture through effective training programmes provided to local managers.
- It is also significant for advancing our knowledge about the development of foreign parent companies of Western countries. The study might provide an answer to how to transfer experience about the education and training practice of local managers across foreign companies in China to enhance the operation in global environment, and thus give reference to international management.
- It might be of equal significance in giving an answer to how to transfer effective practices from China to other areas with a similar social and economic context to China, saving much time and improving efficiency.

## **The Contents of the Thesis**

As a deep and empirical study, it was designed both in theory and practice with systematic procedures. The whole thesis comprises eight chapters. Chapter One focuses on the general introduction of the research in terms of the appearance of the research topic, the setting of the research questions, and the significance of the research. Chapter Two provides a comprehensive introduction to the political, social and economic context in China with emphasis on the development of foreign companies. Chapter Three reviews the concept of corporate culture, which guides the study and aims at giving the theoretical support to the research topic. Chapter Four provides a literature review of the studies and researches conducted in the previous twenty years relevant to the topic and points to the limitation of those studies. Chapter Five sets out the conceptual framework for data

collection and analysis and focuses on the design of the research methodology and methods applied in the fieldwork. It also describes the main factors and procedures of data collection. Chapter Six demonstrates and evaluates the findings derived from the data about basic company values and the corresponding cross-cultural issues. Chapter Seven provides a discussion about the findings, relating to the adaptation types and local managers' education and training. Furthermore, it gives an integrated review about all the results generated from previous data analysis. The final chapter is the conclusion that provides the summary, demonstrates the implications of the study, points out both the strengths and the limitations of the study, and offers suggestions for further research.



# **Chapter Two: Foreign Companies in the People's Republic of China**

## **Introduction**

The past twenty years have seen dramatic changes in China as it moved from a centrally- controlled communist state towards a socialist market economy. In 1978 the Third Plenum of the Eleventh Meeting of the Central Committee of the Communist Party of China brought to an end a long period of internal chaos and relative isolation from the outside world by announcing China's 'opening' --- an opening to the outside world. A cornerstone of China's policy of economic reform and modernisation has been to attract foreign investment, technology and managerial skills through foreign companies or other arrangements with foreign parties. As one of the greatest potential markets the world has known, China is in an excellent position to achieve its aims. The large number of contracts for direct foreign investment has mainly been achieved through a variety of foreign companies. In order to have a better understanding of the background of the current research, a detailed description is given about the introduction of the overall environment and the comprehensive economic situation in China in terms of the establishment and development of foreign companies.

## **Population and Geography**

China is the second largest country in the world in area after Canada, with a territory of 9.6 million square kilometres. It lies within similar latitudes to the United States. Two-thirds of its terrain, especially in the north and west, consists of mountains, hills, plateaux and desert. Less than one-sixth of the total land area is suitable for agriculture, which mainly refers to the east and north.

This large territory with its two biggest rivers, the Yellow and Yangzi Rivers, and its massive geographical barriers of the Himalayas, Qingzang Plateau, Gobi Desert, Huangtu Plateau, Yungui Plateau and the Pacific Ocean, has contributed a great deal in shaping China's civilisation. This natural environment led to a specific perception of the universe in ancient China. As a result, the ancient Chinese called their country the 'Middle Kingdom'. Throughout much of its history China was cut off from the world not only geographically, but also culturally, politically, and economically. A large part of the country has a continental climate with four distinct seasons. But the coastal areas usually have a milder climate that provides a better environment for agriculture and human habitation.

China is also the most populous country in the world. The population of Greater China, including Hong Kong, Taiwan and Macao, had reached about 1.50 billion in 2001 (Population Census, 2001; Hsu, 2001; Guo, 2002; People's Daily, 2002). China is rich in natural resources, but when its large population is taken into account, China has never been able to take full advantage of these resources (Mao, 1990). Furthermore, the population is distributed quite unevenly throughout the country, from about two persons per square kilometre in Tibet to over 2000 per square kilometre in Shanghai (Walker, Levett and Flanagan, 1998). Since the foundation of the People's Republic of China in 1949, the population has almost doubled. However, since 1976, there has been a remarkable drop in the rate of population growth under the impact of state birth control policies and measures. This is particularly true of municipalities and urban areas.

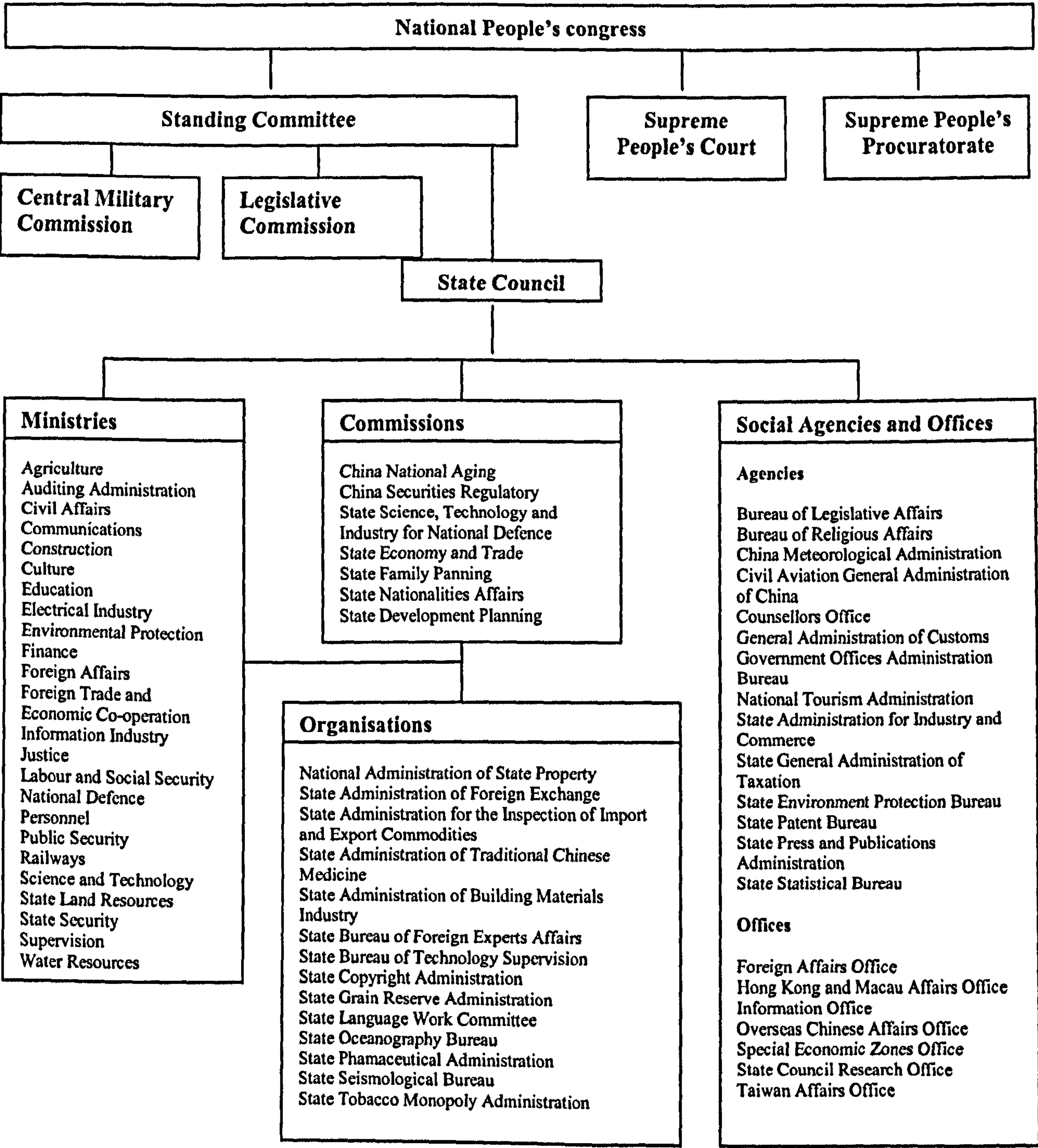
## **Political Background**

### **Government Administration**

The highest administrative organ of state power is the National People's Congress (NPC) with the State Council as the executive organisation, both of which are effectively under the leadership and control of the Communist Party of China. The members of the State Council are selected by the NPC. The State Council administers the whole country through a number of commissions, ministers, special agencies and



administrative units at national level. The Ninth National People’s Congress in March 1998 revised these administrative bodies and Figure 2.1 shows the present government administration structure.



**Figure 2.1: Government Structure of the People’s Republic of China**  
 Reproduced from Walker, et al. (1998).

There are several levels of central government, which consists of four municipalities, twenty-two provinces and five autonomous regions. In the late 1970s and 1980s, a series of the Special Economic Zones (SEZs) and Economic and Technological Development Zones (ETDZs) was established, with the main purpose of attracting foreign investment to China and stimulating local economic development. The geographic position of these administrative units is illustrated in Figure 2.2.

## **Policy Changes**

The most significant characteristic of the development of the Chinese economy is the transformation from sectoral dominance to localisation. The central government used to manage large enterprises in cities directly through ministers, so local government was fragmented. This phenomenon is called 'sectoral dominance' (Yeh and Wu, 1999). It was not until the late 1970s that this situation began to change under a series of decentralisation policies issued by the central government with the purpose of shifting financial burdens to localities (Wu, 1995a). Therefore, the interaction between enterprises and central government has been reduced, and enterprises have begun to play a more active role in economic development.

In order to encourage further development at both local and national economic levels, the Ninth National People's Congress in March 1998 made some changes to those units administered by the State Council. Fifteen ministry –level bodies were abolished, many of which were previous 'industry' ministries. Some of these formal ministries are expected to change into holding companies such as electronics, chemical, machine-building and electric power. This is a further move to 'privatisation' of national property, although it is still under the macro control of the state and their administrative functions have been transferred to the State Development Planning Commission and the State Economic and Trade Commission.

The change of the name of the State Planning Commission, the central planning body of the state, to the State Development Planning Commission is of particular significance.



This name indicates a more far-sighted and open-minded aspiration, which suggests further changes that might be made in implementing the policy of reducing government's direct interference into industry in order to diminish bureaucracy (Walker, et al., 1998).

The central government is paying more attention to the need of separating the functions of government from those of state-owned enterprises. The control of these enterprises has been considerably loosened. This can be proved from Jiang Zeming's speech at the 15<sup>th</sup> Communist Party Congress in September 1997 (Walker, et al., 1998). Reforms in less important state-owned enterprises include reducing the Communist Party Commission's control of business, mergers, privatisation and bankruptcies. The three fundamental reforms of processes manifested in the change of policy of the central government are likely to continue. They are reforms of marketisation, decentralisation and privatisation. They are the driving force behind the Chinese economic transition from the personalised and bureaucratic administration towards a more market-oriented and contractual exchange (Child and Tse, 2001).

## **Chinese Transitional Economy and the Impact of the World Trade Organisation (WTO)**

### **Establishment of the Open-door Policy**

The economic system of China was fundamentally a centrally planned one. This was a major factor hindering economic development after the founding of the People's Republic of China. Before the economic reforms in 1978, China had not gained much success in achieving its goals of modernisation (Industrial Modernisation, Agricultural Modernisation, Technical Modernisation and Defence Modernisation). Although it experimented with a number of strategies, a planned economy did not increase the national production output and did not improve productivity. Collective production and other concepts of a state-controlled, planned economy in both urban enterprises and rural communes failed to motivate workers and peasants. Furthermore, China had a

large population and a big disparity in regional economies. The low national production output resulted in a low level of national savings, which could not afford equal distribution of output and meet the consumption demands of the populace. Mass political campaigns, especially the Cultural Revolution, ten-year's of internal chaos in China from 1966 to 1976, pushed the Chinese people into deeper poverty by attaching little attention to production.

The year 1978 became the turning point for the Chinese economy as the result of the Third Plenary Session of the 11<sup>th</sup> Central Committee of the Communist Party, in which the policies of the development of the economy and opening-up to the outside world were established. The policy of the development of the economy is now reflected in China's constitution, which says 'building a socialist market economy with Chinese characteristics'. Unlike the old developmental strategies, the new strategies deploy market forces to raise production. Different forms and levels of productivity have been encouraged to appear as more flexible means in improving the national's overall production output. The state offers privileges to private owners of both urban and rural working units. The reforms of the previous twenty years, instituted by Deng Xiaoping and continued by Jiang Zemin, gave rise to great changes in the development of the Chinese economy. From 1978 to 2000, the annual GDP generally maintained a stable and fast growth rate, approximately 10%, and international trade tripled to three percent. (Luo, 2000).

Why does China need reform, which is seen as a 'profound revolution'? The main contradiction lies between increasing material and cultural need and low social productivity (China Now, 1980). The whole economic system lacked a vitality or vigour due mainly to such main problems as lack of diversity in the forms of economy, excessive centralisation of the operation of enterprises, neglecting the law of value and the principles of distribution according to performance, and improper administrative division and organisational systems. The reforms were to be carried out as follows:

- Actively develop a variety of economic forms.



- Reform the management system through a proper allocation of the leading role of a planned economy and the supplementary role of a market adjustment.
- Break down the barriers of administrative division during the process of production and distribution and greatly develop mass production and commodity commerce.
- Separate the operation of enterprises from ministerial organs and turn enterprises into relatively independent, vigorous economic and market-adjusting bodies.
- Get rid of the 'Iron Rice Bowl' mentality, the old distribution system, and implement the new one according to work performance (Ren, 1983).

### **Present Situation and Future Outlook**

The reforms were first applied to the agricultural sector by setting higher prices for agricultural products and allowing the setting up of family production responsibilities. Responsibility for production was assigned to the individual farming units or households on a contract basis. Consequently, there was a dramatic growth in primary agricultural production between 1978 and 1984 (Münch, 1987; Minami, 1999). There has been a substantial decrease in GDP generated by agricultural products although it is still much higher compared with the United States. In 1996 it was about 20%, but in the early 1980s it was about 40%. Then the reforms spread to the construction industry. Elements of a market economy have been introduced to grant enterprises and households that have greater room for action. Before 1978, China's chief exports were raw materials and agricultural products. There has been an increasing volume of industrial goods being sold in the world market in addition to raw materials, evidenced, for example, by the fact that in 1984 raw materials and industrial goods together accounted for 54.4% of exports (Münch, 1987).

The most distinctive characteristic of the Chinese transitional economy has been the turning to a private enterprise economy based on market competition. The reforms of the past twenty years have been based on this. The transition greatly promotes the Chinese economy. At present, China's GDP has surpassed \$1 trillion and the net foreign

direct investment rose to \$45 billion in 1998 (CED Research Projects, 2000). However, state planning is not naturally compatible with this incentive-based competition. Their juxtaposition raises some inevitable conflicts and side effects. There appears, for example, to be a tendency for the economy to overheat, although the government does its best to apply a strategy of non-radical reform to maintain a level of sustained and rapid development. Many state-owned enterprises feel great pressure because they are unprofitable or lack money for fundamental restructuring. Reforms in these enterprises have led to high levels of unemployment.

In the past few years, China experienced an extremely rapid development of the economy. Economists call this the 'phenomenal economy' (Walker, et al., 1998). A serious problem it has brought is unacceptable rates of inflation. But the government has controlled inflation and GDP within healthier levels in recent years. By increasing domestic spending, particularly on infrastructure, the government has compensated for the loss in a short time. Exports have been less affected by the Asian financial crisis of 1997/98 due to the efforts and measures of the government, because China adopts the 'soft-landing strategy' and 'appropriately tight policy' aimed at reducing inflation without delivering a big shock to economic growth (Liu, 1998).

The government focused on the following points in the Ninth Five-Year Plan (1996-2000) as the platform to modernise its economy further in the 21<sup>st</sup> century.

- Keep annual GDP growth to 8%
- Hold inflation below the rate of economic growth
- Accelerate the reform of state-owned enterprises
- Emphasise resources on infrastructure projects in agriculture, water conservancy, energy, transportation, and telecommunications
- Reduce the widening gap between the material wealth of the coastal areas and major cities and the relatively undeveloped regions in the central and western parts of the country (Five-Year Plan, 1996-2000)

Some of the aims have been realised, and some continue to be the aims of the Tenth Five-year Plan (2000-2005), which is particularly important, because China is committed to realise its aim of doubling its gross national product between the years



2000 and 2010. It is part of the process to achieve China's final objective of reaching the status of a medium-level advanced nation by 2050.

However, behind the overall favourable economic environment, the problem of regional differences has become much more serious with a concentration on the eastern and south-eastern areas, such as Shanghai, Xiamen and Guangdong province. The economic development of the centre (including the northeastern provinces) and the west (the nine most remote provinces) lag significantly behind. The wealth gap has been widened substantially by the east's receiving four-fifths of the country's foreign investment with only one-third of the country's population. For example, Shanghai's per capita GDP is six times greater than that of the central province of Sichuan and ten times greater than the south-western province of Quizhou (Walker, Levett, and Flanagan, 1998). The establishment of economic zones in recent years in the three deltas and along the Russian border presents the central government's determination and hope to solve the problem in the near future.

According to Walker et al. (1998), China now demonstrates the following features of a mixed economy (Chinese transitional economy):

- A more diversified ownership structure and a partial market system;
- Greater labour mobility and a developing labour market (especially in the non-state sector);
- A formal central bank and the gradual commercialisation of state banks;
- Greater autonomy for enterprises and establishment of shareholding companies;
- A significant reduction in the control of production and the official setting of prices;
- A unified and market-based foreign exchange trading system;
- A unified exchange rate for the Renminbi (Chinese money);
- Developing markets for securities;
- A set of regulations and laws governing the inflow of foreign capital; and
- Gradual decentralisation of the foreign trade system and reduction of trade barriers (Walker, et al. p. 26)

China's policies of reform and opening-up to the outside world have gained more support and enjoy popularity among Chinese people at present. They have become the basic pillars of China's modernisation. As demonstrated above, Chinese leaders declared repeatedly on different occasions that the policies of reform will remain unchanged and the basic measures adopted in economic zones will also remain

unchanged. Furthermore, the efforts to use those zones as a window and base will be brought into full play through further improving the investment climate. China is now on the track of a socialist market economy, and a series of reforms and trial operations in economic planning, finance, foreign exchange, business management, systems for wages, housing and pricing have generally proved successful, especially in economic zones. China hopes the development of economic zones will provide stimulation and important impetus for reform and development in the interior of the mainland.

Although China is now able to absorb foreign investment, foreign investment policies need to be rationalised and adjusted with China's entry into the World Trade Organisation (WTO). Foreign investors would pay more attention to the overall investment environment rather than certain preferential policies. A sound investment climate will involve tremendous market potential, national treatment for foreign enterprises, regulation and rules conforming to common international standards and practice, an improved legal system governing foreign funds, and a more complete market economic structure that ensures implementation of the strategic goals of investment. The central government is extending efforts to create such an investment environment.

China continues its reforms on State-Owned Enterprises (SOEs) in order to eventually set up the core of the nation's modern enterprise system. China has every reason to keep a relatively fast annual GDP growth rate (approximately 7%) in the near future in terms of its high saving rate, large and potential domestic market, and a course of progressive reforms over the last twenty years (Luo, 2000). China's access to the WTO should enhance China's role in the world economy in this century. Generally speaking, Chinese enterprises have adopted the concepts of making profits and market competition. People are given more and more opportunities to generate personal wealth and access individual development. China is also determined to deepen the reforms by increasing foreign trade and investment during its process of integration into the world economic community. Thus it is expected that China's economy will remain stable and the government will encourage further foreign investment.



## **Impact of the World Trade Organisation (WTO)**

China has become a member of the World Trade Organisation (WTO) and achieved the status of Permanent Normal Trade Relations (PNTR). This has especial significance to China's future. It is illustrated by the Committee for Economic Development (CED) in its research relating to trade relations with China. The main points are presented as follows:

As the WTO membership strengthens the rule of law in China... As it strengthens competition, it will weaken state monopolies and spur entrepreneurship. Finally, the WTO membership will increase foreign participation in the Chinese economy, exposing more of the Chinese people to ideas and information from outside. Such changes will encourage private initiatives of various kinds, including the development of independent civil organisations such as private trade unions. The WTO membership will also increase China's interaction with other nations through its participation in international rule making and negotiations, thereby reducing its isolation (CED Research Projects, 2000, p. 2).

Therefore, the Chinese market might be integrated with the world market in the new century. Beside the economic aspect, the WTO will exert a far-reaching influence on other aspects of life in China, such as the social and the personal aspects. In the view of this, entry into the WTO will help the government to accelerate and deepen China's overall reforms.

However, entry into the WTO does not mean that the Chinese market has a complete connection with the international market. Principles and regulations applied by the Chinese market still need much adjustment in depth and width in order to conform to international principles and rules (Liu, 2000). Policies on the limitation to the development of foreign companies in heavy industries (e.g. transportation and energy) hinder the wide implementation of these international principles and rules. Furthermore, Little change in the leadership and political structure leads to political instability, which could undermine the remarkable success in the economy achieved in the previous decades (Fairbank and Goldman, 2001), although there are limited political reforms launched by the central government. State-owned enterprises will experience more reform pressures due to the more competitive market (e.g. the withdrawal of welfare) as

a result of China's entry into WTO (Harris, 1997). These factors indicate that China's entry into WTO can be a challenge to both the nation's political and economic areas. The situation of certain aspects in these areas may become exacerbated due to China's lack of sufficient reforms in political system, social disparity and unbalanced economic development.

Nevertheless, it is anticipated that the WTO membership will lead China to more open markets and bring about much needed social and economic change in China. A brief introduction to the impact of the WTO on China is provided to shed some light on the overall economic situation and the research purpose.

### *Impact on Economic Development*

The impact on the development of the economy is obvious. The WTO possesses a complete set of international regulations and rules for world trade and equal economic competition. Among them the most important ones are GATS (General Agreement on Trade in Service) and TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Rights). Before China's entry into the WTO, China had participated in some international economic activities, but on different conditions. It is a different case now China has entered the WTO. China will adapt itself to be familiar with and apply those principles and rules of the game in accordance with its own specific conditions. Those principles and rules will enlarge China's economic association with other countries, improve China's competitive capacity in the world market, and modernise and internationalise domestic industries. In reference to the mechanism and operation of international markets, China needs to launch a series of reforms in systems of trade, money, pricing, finance, and investment. All these reforms will further develop other economic activities (Mo, 1999; Zhou and Hua, 1999; He, 2000).

Furthermore, China still has insufficient construction funds and advanced technology support, although at present China is experiencing a successful period of economic development. So the WTO will assist China to optimise resources through international



economic division, gradually promote the overall quality of personnel through world-wide competition, further introduce foreign capital and learn from international experience and technology through participating in world economic activities. It is not difficult to see that China's entry into the WTO will bring benefit to and influence on China in terms of expanding both domestic and international markets as well as providing more opportunities and better conditions for foreign investment.

### *Impact on the Development of Science and Technology*

Knowledge-intensive industries are occupying an important place in the present development of the world's economy, such as space exploration, computer programme design, office equipment production and electronics and communication production. International competition pays increasing attention to those high-tech industries. At the third stage of realising the strategic purposes during the process of the Four Modernizations, China has an urgent need to speed up its development in high-tech industries. The need is of special significance in the adjustment of structures of industries and products, improvement in the overall economic quality and competition, and the economy's constant development at a reasonably fast speed.

China is relatively backward in technology especially in high-tech industries. This is for the following five reasons (Liu and Li, 2000). Firstly, China lacks commercialisation and industrialisation of high-tech products resulting in poor international economic competition. Secondly, there is a lack of intellectual property rights, especially for high-tech technology and domestic industries. Thirdly, China is in the urgent need of personnel in high-tech industries. Fourthly, there is insufficient investment in high-tech fields and the investment mechanism does not operate effectively. Finally, the macro environment of government policies needs improving and the technical system needs further reform. It means, at present, government policies do not fit the actual operation and development of high-tech. The disparity of economic development limits the capacity for technical innovation in SOEs in terms of different emphases on regions and industrial areas. Moreover, the support policies, such as tax regulations, finance

regulations, enterprise laws and foreign trade policies, have not been completely and properly established in terms of the development of high-tech. Furthermore, the technical system at present is not compatible with the development of a market economy. The further reform of policies and the technical system may improve the general technical level of China through enhancing the capacity for innovation within SOEs. After China has entered the WTO, there will be less contradiction in the requirements in investment measure for foreign investors and trade costs to enter the Chinese market will be greatly reduced. Thus foreign companies may want to export technology and set up research and development centres in China. Other influences include speeding up mobility of Chinese personnel and the deepening the reform of the Chinese technology system.

### *Impact on the Development of Personnel*

In recent years, education and training has become one of the most important issues for most families and individuals. China's entry into the WTO, without doubt, will affect education and training in a way more compatible with the growth of the new economy. For a long period of time in China, the contradiction between substantial educational needs and the limited educational resources available has been an increasing problem that disturbs and restricts educational development. Since the 1990s, foreign educational agencies have entered the Chinese education market in different ways, such as joint schooling, holding education exhibitions, and the establishment of education and training courses by big foreign companies. China's participation in the WTO will facilitate the entry and operation of foreign educational agencies in China. These foreign educational agencies will compete with domestic educational bodies mainly in such activities as widening the range of education provisions, providing good conditions to absorb excellent teaching staff, creating one's own characteristics and advantages in the educational field, and increasing the long-distance education through the internet (Wu and Wu, 2001).



China's entry into the WTO gives rise to challenges in requirements for business personnel. Because China will participate in international competition more deeply and completely, so China is in urgent need of personnel with understanding of international regulations and rules, being capable of cross-cultural communication, and possessing a global outlook. In other words, personnel need to master new concepts compatible with international competition. Some common abilities of such personnel are described below:

- Foreign language ability: personnel need not only to understand foreign languages, but also use them as appropriate in a practical business context.
- Cross-cultural communication ability: personnel need to have both the intention and the ability to understand people from other cultures for the sake of the effective co-operation.
- Information handling ability: personnel need to have this ability as a basic skill due to the arrival of the information era.
- Creative and innovative ability: personnel need such ability during the process of research and development of new products and up-grading general management.
- Good mental adjustment ability: This ability can help personnel adjust or adapt in a changeable business environment. (Liu, 2002)

### *Impact on Culture*

The principles and regulations of the WTO represent not only the modern co-operation of different countries in world wide trade and economy, but also carry a cultural implication with features from the outside world, which accompany those international standards and rules to exert influence on every member country (Liu & Li, 2000). China is a country proud of its long history, culture and tradition, but China lags behind in the world, relatively speaking, with respect to its culture such that is compatible with the economic development in the contemporary Chinese society. Chinese people, especially in more economically developed areas, have developed an urgent need for some culture

changes since the level of their livelihood has improved greatly in the past two decades. The WTO provides an opportunity to accelerate the changes.

According to Liu & Li (2000), the impact of the WTO on culture changes in China will focus on:

- The change of values: China should absorb those Western cultural concepts that would improve economic development and increase living standards and the quality of life as well. In the meantime, China should adhere to its own traditional cultural essence and apply the essence according to present social and economic conditions.
- The development of a leisure culture: That the provision of the necessities of life has been satisfied has brought time and opportunities for Chinese people to enjoy their spare time, although massive differences remain regionally within China. With the entry into the WTO, the range of leisure opportunities will be enlarged. There appears to be a problem about how to improve the overall quality of one's leisure time. Chinese people should be selective of those styles and concepts of leisure introduced along with the foreign trade and large-scale economic co-operation.
- The cultivation of community culture: community has a close relationship to a person's life. A good cultural community environment would give one a feeling of safety and add pleasure to one's life. Community culture stems from Western Europe and grew remarkably in the United States. A community culture, like an organisational/corporate culture, stems from the need of a certain group to survive. In its long history, China had not established many big and continuous organisations like Western countries, so people adopted a different mode of association, which was a kind of network among an individual's personal connections (Fei, 1947). However in the past twenty years, the case has somewhat changed, especially in urban life, under the influence of the construction of modern industries and the increasing need for the improvement of the quality of life. Concepts of a community culture have been gradually



imported into China along with the adoption of the Open-door Policy. In this sense, after China's entry into the WTO, Chinese people will get more influence and experience about the community culture cultivated from Western Europe and the United States. The structure of community needs adjustment and enlarging of the range of service due to the arrival of more foreigners. Meanwhile, the growth of community culture should be compatible with direction of the mainstream of the Chinese cultural development.

Therefore, the impact of the WTO on the economy in China would spread to other fields. On the other hand, the improvement of other fields would stimulate the further development of the economy, if China could make use of the impact properly and effectively.

## **Foreign-Direct Investment**

### **History of Foreign Investment since the Adoption of the 'Open-door Policy'**

Large-scale foreign direct investment in China began with the adoption of the "Open-door Policy" in 1978. The policy has been strongly and consistently stressed in the succeeding decades in order to show the central government's determination in carrying out such an economic strategy in the long run. In 1979 economic and technical exchanges began with the outside world. Li Qiang, a minister of the central government at that time, in an interview with *Beijing Review* in 1979 about expanding China's foreign trade in order to speed up the Four Modernizations, pointed out that:

Foreign trade consists of conducting economic exchanges between China and other countries. As our main task is to expand such economic exchanges to serve the Four Modernizations, we have to introduce advanced technology and complete sets of equipment and import materials needed in our industrial and agricultural production (Li, 1979, p. 15).

This indicates that the main purpose of China seeking foreign funds for Chinese basic industries is to accelerate the overall construction of the Four Modernizations. He

further mentioned a wide range of activities of co-operation with international companies, such as the power industry, the exploitation of energy resources, communications and transport, processing of raw and other industrial materials, machinery and electronics industries, and iron and steel industries. He attached great importance to introducing technology from abroad and the amendment or enactment of laws and regulations on foreign trade in accordance with the new economic situation in China. He advocated that the central government should be flexible enough to handle trade with other countries and make use of efficient personnel in the management of foreign trade. Li's words brought to the surface the main purpose of the application of foreign investment as well as the main corresponding measures China needed to take in subsequent years.

At that time, there were five ways to utilise foreign funds. These were foreign loans, joint ventures, co-operation with foreign investors in joint offshore oil exploitation, compensation trade, and leasing. Foreign companies were then one of the earliest ways for absorbing foreign-direct investment. An important problem was how to use foreign funds in a proper way to import technology and equipment. The problem, which already appeared in 1981, indicated that not importing things in a rational way would result in the failure of China's objectives and original wishes. Applying foreign funds for production and construction should depend on China's actual exporting abilities and serve the readjustment of the national economy. Liu, a vice-president of the head office of the People's Construction Bank of China in 1980, offered his opinion on this point by saying that top priority should be given to those enterprises in charge of producing goods for export (Liu, 1980). A principle should be applied in using foreign funds: obtaining the biggest economic benefits with the least foreign funds. In other words, every imported technique and piece of equipment should be proved technically advanced and economically profitable through careful consideration and professional appraisals before any formal negotiation is undertaken or important contracts are signed.



A similar and commonly held suggestion was offered in 1981 from experts from twenty-four countries attending a world economy symposium on using foreign funds. Priority for using foreign funds, in the early years of the 1980s, should be given to the construction and development of the energy industry, communications and transport facilities, and a shorter period of medium and small-sized projects, which require a small investment but yield quick economic results and bring technical innovations to existing enterprises.

In 1982, China introduced more procedures to widen opportunities for foreign investment. These procedures included reaching government-on-government agreements on investment insurance, granting foreign joint ventures greater decision-making rights than domestic enterprises, implementation of the Income Tax Law of the People's Republic of China Concerning Joint Ventures with Chinese and Foreign Investment, granting more powers to coastal provinces and cities to absorb foreign funds by establishing international and investment companies. All these measures and procedures showed China's desire and determination to expand foreign trade and maximise opportunities for foreign investment on a large and unprecedented scale. In order to deepen the reforms and further introduce foreign investment, in the 1980s China established five Special Economic Zones (SEZs) and opened fourteen coastal cities to the outside world. These SEZs and fourteen opening-up cities provided a means of linking directly with foreign countries by offering a favourable investment climate. China's partial dependence on Hong Kong for foreign trade ended and China's relations with other countries or areas have been significantly strengthened (Phillips, 1985). Table 2.1 shows the dramatic increase in the value of foreign direct investment in China from 1979 to 1997.

YEAR	TOTAL FOREIGN INVESTMENT	FOREIGN DIRECT INVESTMENT	OTHER FOREIGN INVESTMENT
1979-1983	26.83	18.02	8.81
1984	14.19	12.58	1.61
1985	19.59	16.61	2.98
1986	22.44	18.74	3.70
1987	26.47	23.14	3.33
1988	37.39	31.94	5.45
1989	37.73	33.92	3.81
1990	37.55	34.87	2.68
1991	46.66	43.66	3.00
1992	112.91	110.07	2.84
1993	277.71	275.15	2.56
1994	339.46	337.67	1.79
1995	378.06	375.21	2.85
1996	421.35	417.26	4.09
1997	456.50	452.60	3.90
1979-1997	2254.84	2201.44	53.40

**Table 2.1: Actual value of Foreign Direct Investment in China: 1979-1997 (US\$100 mil)**

Reproduced from Luo (2000)

Pursuing an Open-door Policy is a firm and long-term intention of China and has been stressed repeatedly even after the anti-government rebellion in Beijing in 1989. It was reported during this period that foreign economic and trade activities were considerably influenced. For example, more than 1,000 offices of foreign companies ceased doing business in Beijing and commodities worth US\$27 million could not be delivered in



time (Zhang, 1989). But leaders from the central government reiterated and declared that China would not withdraw from its policies of reform and opening up, because the reform had brought remarkable change to China's economic development and great improvement in people's livelihood. Foreign economic ties and trade have played a crucial role. China wants to expand such ties and trade in future to promote the sustained and steady development of China's economy through continuing to carry out the policies of reform and opening up (Zhang, 1989).

In the 1990s, foreign investment strategies focused on the following aspects:

- Expand foreign economic relations and trade in an all-round way due to the reunification of Germany and the formation of the European Common Market.
- Maximise China's economic advantages for labour-intensive and knowledge-intensive industries capable of competing in the world market.
- Establish a group of powerful enterprises groups, which combine trade with industries in order to enter international market competition.
- Speed up the adjustment of constructing the economic system and further improve the investment climate.
- Widen domestic market opportunities for some products and services. (Mao, 1991)

Between 1996 and 2000, China's determination to continue the policy of opening up to the outside world was further intensified, for China's total import and export volume for the year 2000 would reach US\$400 billion (Statistical Yearbook of China, 1997). In spite of the Asian Economic Crisis in 1999, China remains a stable and bright spot for foreign direct investment, which grew by 8% and 9.3% respectively in 1998 and 1999 (Worm and Frankenstein, 2000).

China has not only been actively and energetically seeking foreign funds to set up foreign companies, but has conducted many agreements on scientific and technological co-operation with countries such as France, Italy, Germany, Britain, Japan, Finland,

Denmark, Belgium, Luxembourg, Greece, Australia and Norway. These co-operative activities cover fields of the basic science, applied science, and industrial and agricultural production techniques. They provide opportunities for Chinese scholars and specialists to participate in many international scientific and technological symposiums and training courses.

### **Economic Zones: Special Economic Zones (SEZs) and Opening-up Cities**

The establishment of the economic zones was the logical result of pursuing the Open-door Policy in China. Economic zones refer to the Special Economic Zones (SEZs) and opening-up cities. They are pioneers in the economic development in China, especially in terms of the application of foreign investment. The definition of the SEZs in China can be drawn from the talk from Xu, the vice-president of the Chinese Academy of Social Sciences and concurrent director of its Institute of Economics in 1981:

SEZs are set up when a country delimits a special area where, through exemption of customs duty, it formulates various preferential conditions and provides public facilities so as to attract foreign investors to set up factories whose finished products are mainly for export...Politically, the SEZs in China are based on assurance of China's state sovereignty and governing authority is entirely in China's hand. Economically, they are essentially based on state capitalism. (Xu, 1981, p. 14)

The above definition demonstrates three main characteristics of the SEZs in China. First, any foreign companies or individual enterprises running operations within the SEZs must obey the Chinese government's laws, decrees and regulations, pay business and income tax, and abide by China's labour laws. Second, the SEZs are only a change in state economic policy. Enterprises run by foreign capital constitute the state capitalist economy controlled by governments of the special zones. Last, the SEZs are entitled to remit their share of profits abroad as a state's policy of redemption to attract foreign funds.

The main functions of the SEZs according to Xu (1981) are described as follows:



- They serve as bridges for introducing foreign capital, advanced technology and equipment and as classrooms for training personnel capable of mastering advanced technology. Both in the process of production and circulation, and in the joint ventures with Chinese and foreign investments in the special zones, we can learn the latest techniques and scientific methods of management.
- To develop the national economy and expedite China's enterprise production and management, it is imperative to promote competition between regions, between trades and within a certain trade. In the development of the economy of the special zones – and during their competition with Hong Kong and Maco - it is possible to win in the competition by learning how to make comparisons regarding the regulation of production according to market demands, improve the quality of goods, develop new products and reduce production costs.
- It is possible to absorb considerable amounts of foreign exchange. It is also possible to transfer part of the foreign capital, technology and equipment through the special zones to other regions concerned and set up new enterprises there.
- The country's special zones can serve as experimental units in economic structural reform and as schools for learning the law of value and the regulation of production according to market demands.
- By developing the economies of the special zones, it is possible to employ many young people waiting for jobs (Xu, 1981, pp. 15-16).

The first function focuses on the education and training of personnel for mastering advanced technology and management know-how through using foreign capital, importing advanced techniques and equipment, and foreign management in the special economic environment of the SEZs, because foreign companies in the SEZs enjoy more rights in management and establishment of a corporate culture compatible with the realisation of objectives of those companies.

The SEZs are usually found in coastal cities or near river estuaries, such as Shenzhen and Xiamen. People in those places generally have strong overseas connections and a tradition of interaction with the outside world. In this sense, preferential terms make those places expand opportunities to absorb foreign investment and introduce advanced techniques and management skills. Five SEZs have been established in China to date. In 1980, China established the first four SEZs, an unprecedented move for a socialist country. Several years later, all of them had achieved great success in economic development. Shenzhen is an example. It is one of the first designated zones. By 1984, It had generated several remarkable results. Firstly, Shenzhen had changed from a fishing town into a burgeoning modern city by developing modern transport,

telecommunications, sewage disposal, electric, gas and water systems. Secondly, many international joint ventures and wholly foreign-owned enterprises had been set up. Thirdly, the rural economy developed. Finally, people's livelihood had greatly increased (Ji, 1984).

In 1990, ten years since the establishment of the SEZs, the area covered by the SEZs had expanded nearly 100 times. The development was impressive in the preceding ten years. Foreign funds up to US\$3.82 billion had been introduced and hundreds of Sino-foreign joint ventures and wholly foreign-owned enterprises were set up. The total export value had increased more than thirty-two times (Huang, 1991). The SEZs have been mainly running export-oriented products. They have adopted international standards and practice through learning and absorbing successful business experience from foreign countries. In the meantime, a series of preferential policies have been formulated by the central government in terms of specific Chinese conditions. During this period of time, the SEZs have gradually formed their own characteristics as follows:

- These zones are not special administrative divisions following the principle of 'one country two systems'. They still implement the socialist system and adhere to the socialist orientation for development. In the economic activities, the market mechanism is brought into full play under the guidance of the state plan for economic development. Regulation through the market is more flexible and wider in scope than in other domestic areas.
- Construction and development in the zones mainly depend on attracting and using foreign funds.
- The zones seek all-round development of an export-oriented economy mainly including industry, agriculture, commerce, finance, tourism, and real estate.
- The zones maintain close economic relations with other parts of the country instead of adopting isolated administrative measures.
- The zones serve as the country's trial centre for reform by actively exploring reform measures (Huang, 1991, p. 18).

The development of the SEZs in China, like other new things, has taken an uneven road. This is not entirely unexpected for they play a key role in China's opening to the outside world and reform efforts. Some problems have appeared during the process of the



development. For example, in 1985, after five years of construction of the SEZs, these SEZs seemed to depend more on the interior (Liu, 1985). For instance, they were supposed to make use of foreign investment, but actually they relied more on local capital for their development. However, these problems were temporary and occurred during the foundation stage. The SEZs have gradually turned into an outward-looking economy from commerce to industry as the main factor, and from labour-intensive to technology and knowledge-intensive enterprises. The SEZs in the 1990s created twelve percent of China's total export volume and their reform and development set a model for China's adaptability to the international community (Wang, 1996).

In 1984, fourteen coastal cities were declared open for investment from foreign sources. They include Dalian, Tianjin, Shanghai and Guangzhou as well as the Yangtze and Zhujiang river deltas and the triangular area in southern Fujian province. Within most of those opening-up cities, Economic and Technological Development Zones (ETDZs) were established, which are smaller than SEZs, but adopting much the same incentives for foreign funds. By the end of 1996, more than four hundred ETDZs had been set up (Walker et al., 1998). The open belt stretches to 1,000 kilometres. The most important feature of those newly opened cities is that they apply clearer and simpler rules and regulations for overseas participation and Chinese managers are more flexible and businesslike. These cities have enhanced powers to approve the construction projects financed by foreign funds through the similar incentives in the SEZs and they are granted considerable autonomy in negotiating the import of equipment. They allow 100 percent foreign-owned joint ventures. Customs duties and value-added taxes on imported products have been reduced or exempted. The import-export regulations and tax concessions are similar to those in the SEZs. These measures are of great importance to the Chinese economy. It shows that China's self-confidence has considerably increased resulting in the improvement of the overall strength of the economy. China regarded itself as being able to handle the influx of foreign funds and to negotiate favourable terms. The fourteen cities not only maximise the absorption of foreign investment, but also apply investment to up-grade the existing older enterprises.

Older parts of these cities have achieved much development after they got more foreign investment due to more flexibility being given to foreign domestic firms to invest.

These SEZs and open coastal cities with their preferential policies are pioneers in implementing the policies of reform and opening up to the outside world. The reform of the economy in those economic zones demonstrates the role of trials and experimentation and offers insight into workings of the transitional economy. In other words, new management techniques and economic policies can be tested before they are applied in other parts of China (Harding, 1987). In order to guarantee the lawful rights and interests of foreign businessmen, those economic zones have formulated many economic regulations and rules according to the state's Open-door Policy. They also adapt to international practice in management and business operation in order to provide a favourable environment to foreign businessmen to gain from the investment in zones.

## **Establishment of Foreign Companies in China**

### **Why Foreign Companies?**

Foreign companies include joint ventures and wholly foreign-owned enterprises. There are two types of joint ventures in China, namely the Equity Joint Venture (EJV) and Contractual Joint Venture (CJV). They are different in the degree of foreign ownership, the distribution of projects, export sales, taxation and length of the contract. In EJVs Chinese and foreigners jointly invest in and operate the corporation by sharing profits, losses and risks. In CJVs, Chinese and foreign partners co-operate in joint projects, sharing profits and losses according to the contract. *The Sino-Foreign JV Law* in 1979 and *the Regulations for the Implementation of the Sino-Foreign JV Law* in 1983 provided joint ventures with official rights. Wholly foreign-owned enterprises operate in China totally depending on the purposes and strategies of the foreign parent companies, except that they are influenced by the state's policies and the macro economy. The primary objectives of the central government of China in establishing foreign companies may include one or several of the following: the acquisition of



foreign investment, the introduction of foreign technology and management expertise, and access to export markets.

Firstly, China is in urgent need of foreign investment in many areas, such as the economic and social infrastructure, basic industries, light industries, and entertainment services. The primary form of foreign investment has been joint ventures and more joint ventures were formed in China than in any other nation in the 1980s (Beamish, 1993). Both the Constitution in 1982 and the amended version of the Constitution in 1988 recognise the right of foreigners ‘to invest in China and to enter into various forms of economic co-operation with Chinese enterprises.’ Both documents also promise that foreign investors’ rights and interests are to be protected. China promulgated a *Company Law* in 1993 relating to the foreign trade and investment. This law, designed primarily to reform the organisation of Chinese state-owned enterprises, also makes new modes of direct foreign investment available. China’s potentially huge domestic market proved to be an irresistible lure for outside investors. Foreign enterprises accounted for approximately 80% of foreign direct investment in China in the 1990s (Wong and Maher, et al. 1999). Table 2.2 shows that foreign firms were the most attractive way for foreign direct investment in 1995 and 1996. The biggest investing countries or areas include Hong Kong, Macao, the United States, Japan, the United Kingdom, Germany, Canada, and Australia.

Entry Mode	1995	1996
Foreign Direct Investment Total	91,282	73,276
Equity Joint Ventures	39,741	31,876
Contract Joint Ventures	17,825	14,297
Wholly Foreign-owned Enterprises	33,658	26,810
Joint Exploration	57	293
Other Foreign Investment Total	635	371
International Lease	42	33
Compensation Trade	404	129
Processing & Assembling	189	209
Foreign Loans Total	11,288	7,962
Government Loans	4,754	4,203
Loans from Intl. Organisations	3,680	1,682
Commercial Loans	2,854	2,077
Total	103,205	81,610

**Table 2.2: Approved Foreign Investment in China by Entry Mode (US\$mil)**

Reproduced from Luo (2000)

Secondly, at the macro level, foreign companies offer China a way to transfer high technology and acquire advanced managerial skills. China enacted its first modern intellectual property law, *the Trademark Law*, in 1982. Then it enacted the patent and copyright laws respectively in 1985 and 1990, which protect computer software in China. An *Unfair Competition Law* came into force in December 1993, forbidding among other things unauthorised use of commercial names and false and misleading claims about a product. The introduction of high technology and high quality products into the market has enormously promoted the development of technology and economy in China. Because of the many years of almost complete closure toward the world business and less attention to the economic development there is a wide gap in



experience and ability of operation in a competitive market between Chinese and foreign parent companies. Managerial and technical skills are in short supply. Given the different teaching methods and traditional Chinese culture, even business graduates from top-ranked universities in China do not have a sound mastery of modern management principles. No doubt, only when China acquires enough personnel with the knowledge of operation of modern international markets can it adjust business practices to accommodate international principles and form a mature competitive environment.

Finally, through foreign companies, China can access export markets that provide foreign exchange. China can build its foreign exchange through export earnings. After a long period of closure to the outside world and the international economy, China is eager to join world business and export its domestic products and import the industrial products it urgently needs. In 1985, China passed *the Foreign Economic Contract Law*, regulating such things as the licensing of imports and exports, commodity inspection, and the content of import-export contracts. In 1994, it enacted a comprehensive *Foreign Trade Law*, which unified all the enactment concerning the organisation and administration of foreign trade into a coherent whole.

### **Development of Foreign Companies in China**

There is no doubt that the establishment of foreign companies has a close relationship with China's laws formulated for foreign companies. In 1979, the first *Equity Joint Venture Law* was passed by the NPC, which is China's national legislature. This law was designed to offer foreign firms and individuals legal support for direct investment projects. Participants in joint ventures are liable for firms' debts and entitled to distribute the profits and capital. They are authorised to operate for up to thirty years or more and are recognised under Chinese law as legal persons. In 1986 the central government authorised the establishment in China of wholly foreign-owned enterprises. Two years later, China promulgated *the Co-operative Joint Venture Law*, authorising the creation of contractual joint venture structures and operations. CJVs, like EJV, are subject to state approval and if approved are recognised as legal persons. Participants

have the right to distribute profits, and there are no minimum contributions on the part of foreigners.

Since the enacting of the first law on joint ventures, hundreds of contracts and negotiations have been made between foreign investors and Chinese partners, including governments at different levels and in different regions, and enterprises of different scales. International companies also favour such an entry vehicle, which can facilitate greatly the implementation of policies of making profits in China. International joint ventures are seen as an instrument to smooth the way to enter a strange market, a realistic presence to get Chinese support, a way to establish networks for ongoing operations, and a useful tool to deal with unusual Chinese culture and business practices. In the 1980s, they covered light and textile industries, food and beverage industries, machine and electrical appliances, tourism services, farming and animal husbandry fields, and the pharmacy industry. A relatively large joint venture at that time was the Swiss-funded China Schindler Elevator Company Ltd. with a total investment of sixteen million US dollars (Ji, 1982). So in the 1980s, foreign investment was conducted mainly in the form of joint ventures. The Fujian-Hitachi Television Corporation, a joint venture of Japan and China and the Wine-Making Corporation, a Chines-French joint venture sold all their products in the international market due to excellent quality. The Shanghai-Foxboro Corporation, a Chinese-US joint venture and the Beijing Jeep Corporation, another Chinese-US joint venture, greatly supported the national market. It was commonly the case that foreign experience and the guidance of international standards improved domestic management, which resulted in better quality of products and service. In this sense, comparative competition had been achieved (Liu & Wu, 1983).

In 1986 China passed *the Law of the People's Republic of China on Enterprise Operated Exclusively with Foreign Capital* (hereinafter referred to as wholly foreign-owned enterprises), a step to widen China's introduction of foreign investment and advance China's economic legislation. The main point of the law is that China will not nationalise and expropriate any enterprises operated only with foreign capital, thus

providing a legal basis for the establishment and operation of wholly-foreign owned enterprises. The law sets out many provisions to protect the rights and interests of wholly foreign-owned enterprises in China. By the end of 1985, there were 2,300 Sino-foreign equity joint ventures, 3,700 Sino-foreign contract joint enterprises, and 120 wholly foreign-owned enterprises (Yuan, 1986). At that time, the wholly foreign-owned enterprises only occupied a small part of the total number of foreign companies. The enacting of the law has encouraged significantly the growth of solely foreign-operated firms in the later ten years. In 1997, for the first time, the number of wholly foreign-owned companies exceeded that of joint ventures (Child and Tse, 2001).

However, in the early 1980s, many possibilities were not realised because of the lack of understanding of each other's position and requirements, as well as China's inadequate application of pertinent rules and regulations. But, even during this early stage of the development of foreign companies, some companies did achieve success and made a contribution to national economic growth. Take the Joint Sino-French Wine Corporation for example. It was established jointly by Tianjin and the French Remy-Martin Corporation. Under joint management, the quality of the wine was brought up to international standards through importing facilities and technical know-how as well as improving the company's production process.

Some foreigners had fears that their investments could be requisitioned or confiscated if China changed its Open-door Policy and China's sometimes stringent limitations might give rise to operational or developmental problems. To reassure foreign investors that their legitimate rights and interests would be protected, China reached government-to-government agreements on investment insurance with many countries, such as the United States, Canada, Sweden, Switzerland, Germany and Japan. Furthermore, China made efforts to restructure its economic management to provide some necessary and important conditions for the operation of foreign companies. For example, foreign-funded companies are granted greater decision-making powers than domestic enterprises. The general manager runs the routine management under the policy-making body of the board of directors.



Most foreign companies were established within the SEZs and the opening-up coastal cities. There was a dramatic increase in the number of foreign companies from the 1980s to the middle of the 1990s. During the 1980s over 30,000 foreign-invested enterprises, involving US\$22 billion of pledged foreign investment, had been established in China (Howell, 1992). In 1995, China had approved about 206,000 foreign investment projects, employing over fourteen million people and accounting for approximately 29% of China's exports (Walker, Levett, and Flanagan, 1998). From 1990 to 1995 a total of 229,800 projects with foreign direct investment was approved with a contractual foreign investment of US\$354.5 billion and an actually paid-in foreign investment of US\$114.7 billion (Statistical Yearbook of China, 1997). This dramatic increase is, partly, due to the fast development of the SEZs and the opening-up coastal cities and the development of foreign companies within those economic zones.

These foreign companies provided a driving force behind many of the subsequent reforms of the indigenous industries as well as fulfilling the central government's main purpose of attracting foreign investment and technology transfer. In order to participate in the national competitive market, SOEs needed to establish the similar standards of the quality of products and customer service as these foreign companies. Furthermore, managers working in these SOEs needed to learn new management skills and styles from developed countries. In this sense, the reforms of SOEs have resulted in the improvement of technical innovation and the development of the workforce.

### **Organisational Structure of Foreign Companies**

In a joint venture or a wholly foreign-owned enterprise, organisational structure and roles differs remarkably from a Chinese State-owned Enterprise (SOE). For example, a joint venture has the autonomy to decide the internal organisation through the Board of Directors. The Board of Directors consists of both foreign members and Chinese members. But the chairmen were usually Chinese before 1990. Since 1990 the amended *Equity Joint Venture Law* permitted foreigners to serve as chairmen. The Board displays the roles in the following fields. First, it decides the overall production plans, budget

and expansion projects. Second, it determines the wage and welfare. Third, it determines the employment system. It can appoint the general and deputy managers, the chief engineer, the chief accountant, treasurer and auditors and has legal authority to hire and fire employees. Fourth, it can decide the overall organisational structure of the enterprise. Last, it is entitled to the distribution of earnings or profits and makes long-term investment and financial plans.

In a wholly foreign-owned enterprise, the foreign side takes the whole responsibility for decision-making and routine management, including all aspects related to the development of the company. The foreign side can set up international standards and make adjustment to the corporate culture of the parent company dependent upon the specific Chinese business conditions. The general manager enjoys great practical power in the company. He or she handles day-to-day operations and management. He or she not only represents the company to outside bodies, but also has the power to appoint and dismiss subordinate personnel.

On the contrary, in a State-Owned Enterprise (SOE), authority is shared between the factory director and the party committee. The latter usually enjoys greater power. At present, China is launching reforms of the organisational structure of SOEs, implementing the factory director responsibility system. The reforms aim to strengthen the power of the director in economic matters. But other senior personnel, such as the managers and chief engineers, are almost all appointed administratively by the party committee and superior bodies responsible for the SOE. In addition, the production plans, budget and expansion or new projects are determined administratively by the respective central or local authorities. The wage bill, the allocation of labour, and the appointment of technical and professional staff are all decided by the local labour bureau in accordance with provincial or national plans. Long-term investment and financial plans require the approval of central or at least local authorities. Furthermore, SOEs enjoy less power to distribute profit, though the introduction of the profit retention system has witnessed an increase in the use of their profits.

The central government encourages the foreign side(s) to take the main responsibility during the establishment and development of a foreign-funded venture. Due to the fact that local management skills and methods are relatively backward and poor, it is necessary for foreigners to manage foreign-funded enterprises at least for a while, implementing international standards and regulations. Foreign companies should be left to the foreign side or left mostly to them to manage (Zhao, 1988). Some Chinese people greatly fear that letting foreigners run enterprises could lead them to giving up sovereignty. In fact, on the contrary, it brings benefits to both sides according to Zhao Ziyang, who used to be the general secretary of the Communist Party through:

- Helping to get rid of the fetters of the old Chinese management system and promoting professional management according to international regulations and standards;
- Showing more concern for the product quality, technological advances and the marketing of export products;
- Solving problems more effectively and exerting more effort in getting the enterprise to make a profits;
- Helping to attract other foreign talent to work in China;
- Assisting in the provision of education and training to local managers with advanced management know-how and international experience; and
- Helping to train local employees to improve the overall quality of the labour force (Zhao, 1988).

### **The Government's Influence**

The influence of government policies cannot possibly be neglected. Because foreign companies operate in a host country, so the host government's policies at least exert influence on the operation and organisation of those foreign companies. Governments can function as policy-makers, buyers, suppliers, and partners, directly and indirectly affecting the organisation and operation of a foreign venture. In developing countries,



governments in particular place restrictions on the ownership of foreign corporations, the capacity, the development of projects, and the pricing decision.

China is a developing country, and at the same time it also remains a socialist country. Therefore, the role of the central government is very complicated. Generally speaking, the restrictions on joint ventures' performance have somewhat diminished as economic reforms have transformed the economy from a centrally planned to a mixed planned/market-oriented one. The term 'Socialist Market Economy' is officially defined as the attempt to blend economic systems while maintaining the political leadership of the Communist Party and building the market economy with socialist characteristics. As a result, within the mixed economy, certain sectors of the economy face more government influence, such as the extent of importance of a particular industry, tax rates, and the competitive environment.

Generally speaking, the more important a particular industry to the central government, the more that the government determines the operation of foreign companies in the industry. In China, the defence, transportation, communication, energy, and other heavy industries are considered critically important to the maintenance of the nation's sovereignty and unity. They are directly controlled by central government ministries with production scales and levels included in the National Five-Year Plans. In addition, telecommunications and publishing are important for the central government as the means by which they control communication and channel propaganda to the masses. Consequently, the central government discourages foreign direct investment in these two industries. To the contrary, 'light industry' (consumer products) is much less regulated by the central government. Foreign partners may become majority owners in these fields (Osland and Cavusgil, 1996).

Low tax rates, resulting from the SEZs and those opening-up coastal cities or particular negotiated agreements, lead to higher profitability for foreign enterprises. Since 1989 it appears that the relative bargaining power of the central government has diminished. The government has made a series of concessions to foreign investors in an attempt to

keep foreign capital flowing into China, to prevent existing firms from leaving the country, and to maintain access to international markets. The central government adopts special tax policies for the SEZs, opening-up coastal cities, and foreign companies. Take a personal care products joint venture for example. In 1989 it paid a tax of thirty percent in Guangzhou. After a year of negotiations between the joint venture and government agencies, the rate was lowered to twenty-two percent. Later the joint venture moved production to an economic development zone outside Guangzhou and received a tax holiday for its first three profitable years (Osland and Cavusgil, 1996).

Foreign managers are more satisfied when operating in market structures that are protected from outside competition by the central government (Beamish, 1993). International companies usually experience less competition in China than their developed-country markets, enjoying above-average profits. This favourable condition in the Chinese market enables foreign companies to maintain profitability, although costs of production are higher than they expected in China. The main reason is that at present in the Chinese economy, the current market condition of demand of consumption is likely to exceed supply.

Government's policy also influences the employment of Chinese employees from other regions of China. A firm must get permission to hire the Chinese employees it needs. A person must obtain a residency permit (*hukou*) from the local government before he or she can live officially in a city other than his or her hometown. Otherwise his or her stay in the city is illegal. At the moment, some big cities have formulated regulations to allow a new graduate to get a residency permit if he or she is recruited by an authorised working unit. This measure provides more opportunities for foreign companies to acquire qualified personnel. As a result, the local government's willingness to accept employees from outside the region affects an international company's ability to recruit talented and key employees. The government's attitude toward foreign travel can influence the education and training of local managers. Sending them for overseas training requires the permission of various government offices.

## **Management of the Labour Force in Foreign Companies**

Compared with the SOEs, foreign ventures in China enjoy considerable direct authority in the management of the labour force. According to the JV law of 1979, joint ventures not only 'hire and fire' employees according to their 'production needs' but also determine the pay scale, the wage form and bonus. The regulations of employment, circulation and exchange of labour are applied in accordance with market principles rather than administrative fiat as in SOEs, hence indicating a greater managerial control over the work-force through stricter supervision of employees and payment relating to their work performance. There are concrete regulations for work discipline related to the principle of dismissal. Efficiency during the working time is one of the most important factors to evaluating an employee's performance.

To recruit and keep good employees and encourage the improvement of performance, virtually almost all the foreign companies in China provide a competitive salary. Some for example, adopt the policy of being in the top 25 percent in terms of salary levels, (Björkman and Lu, 1999). Another encouragement strategy that some joint ventures usually favour is the use of housing schemes. The company invests in apartments for key employees. An apartment will, typically, after a certain period of years, belong to the employee if he or she stays with the company. Many foreign companies now emphasise internal recruitment rather than external promotion in their career planning to retain good employees. Well-educated young Chinese employees expect to be promoted quickly. Given the serious shortage of local qualified managers, successful employees get promotion considerably faster than those do in SOEs. Therefore, in an international company good Chinese employees have much more opportunity to develop their skills.

Within a foreign-funded company itself, it is important to focus on reward systems. Combining incentives with the adoption of any management initiative is a useful way to facilitate the implementation of the company's policies and strategies. Beyond that, the company also provides incentives to personal initiative and risk taking. Again the work discipline and dismissal criteria are stricter than that of many SOEs, in which more



personal relationships are involved in the working environment and affect work performance. In SOEs, employees sometimes just spend their time talking to each other or reading newspapers, idling away the working hours. They also often lack punctuality and have days off without receiving any punishment. The bonus is distributed equally for the same administrative or skill level regardless of differences in individual performance.

Of course, it is not totally to be unexpected that there may exist some issues in general management due to the mixed working cultural environment in foreign companies. Applying international standards and regulations in a working environment with different national and business cultures seems quite difficult. Thus developing suitable personnel and employment practices is regarded as a big challenge for many international companies conducting business in China (Warner, 1993; Björkman and Schaap, 1994; Easterby-Smith et al., 1995; Verbarg, 1996).

## **Shanghai: the Focus of the World in China**

Shanghai is located on the eastern coast of China. It covers over 6,000 square kilometres and has a population of twelve million. Shanghai used to be a leader of the nation's industrial production since the founding of the People's Republic of China. Shanghai had a relatively mature industrial foundation at a fairly high technical level in China before the adoption of the Open-door Policy. No other city in China exerted an influence so widely known and strongly felt in the national economy as Shanghai. Even people living in remote and mountainous areas shared a common awareness of and favour to Shanghai's commodities. Furthermore, Shanghai's economic management was comparatively better.

## **Shanghai's Economic History**

Shanghai began its modern industrial history about 140 years ago. After China was defeated in the Opium Wars by European powers, the imperialist countries began to

penetrate the economy of China. They established trading offices and opened banks and factories in Shanghai, a move that substantially destroyed traditional artisan industry. However, it introduced new equipment and technology that stimulated the initial development of commerce, textiles and light industry. Shanghai's light and textile industries reached a much higher level than other areas in China. Shanghai's heavy industry was relatively backward from the time of the Opium War in 1840 to the establishment of the PRC in 1949. During the socialist transformation (1950 – 1956) individual enterprises and capital were confiscated when setting up the industrial foundation of Shanghai. During the following ten years of socialist construction (1957 – 1966), Shanghai, through readjustment, reorganisation and construction, established about 145 industrial branches. Shanghai, during this period, demonstrated its dynamism by assisting the whole nation's economic development with equipment, funds and technology. For example, Shanghai strengthened the economy of relatively backward interior areas through moving hundreds of factories there and providing about one million technicians and workers (Xia and Jian, 1982). However, during the Cultural Revolution (1967-1977), the productivity of Shanghai, like other places in China, was seriously damaged due to the political activities or movements taking place throughout the whole nation.

Shanghai was approved for and claimed full openness to the outside world in 1990. But before 1990, it had been among one of the earliest cities to import advanced technological equipment. At the beginning of the economic reforms, Shanghai was granted great importance and responsibility for setting an example in achieving the Four Modernizations, resuming its key position in the whole nation's economy. It conducted two crucial tasks in this effort: developing and modernising itself and helping economically backward areas especially in the interior to improve their economic strength. In the 1980s, Shanghai devoted particular efforts to readjusting economic structure, increasing the production of consuming goods, improving the local people's livelihood, readjusting the orientation of investment, speeding up urban construction, reforming the management system, and expanding export trade. After applying those necessary and effective measures, Shanghai became one of China's largest economic

cities by building up a fairly comprehensive industrial base that integrated enterprises with a variety of sizes and levels. It provided production of almost all types. The good quality of its products was commonly praised over almost the whole country.

In 1984, fourteen coastal cities were designated by the central government to open up to foreign capital with special privileges, and Shanghai was one of these cities. Shanghai as well as Tianjin was granted enhanced rights to approve individual projects costing up to US\$30 million. After this Shanghai began to seek foreign funds on a large scale and applied a general principle that equal treatment be provided both to Chinese and to foreign-funded enterprises. To assure foreign companies that they are able to enjoy the full autonomy of overseas enterprises in order to follow common world practices, Shanghai has introduced the general manager responsibility system under the policy-making board of directors. International standards and practices have been adopted in drafting production and recruiting employees at a preliminary stage. Foreign companies can independently formulate their production plans according to market demands without interference from the government. On the other hand, the government in Shanghai helped these enterprises to solve some problems arising from local conditions, such as transportation and the supply of raw materials. Shanghai has set up three ETDZs to facilitate the process of absorption of foreign funds. Shanghai also established the first foreign exchange regulation centre in China, trying to achieve balance of foreign exchange, because some foreign enterprises had a surplus, while others were short of foreign exchanges. In 1987, the centre had dealt with cases involving more than US\$10 million (Ren, 1987). With these measures, many international companies entered Shanghai. By the end of 1996, it was estimated that the number of foreign invested enterprises had reached around 16,000, an increase of about 6,000 percent from the number in 1990 (Goodall and Warner, 1998). As a result, Shanghai has become one of the biggest areas in absorbing foreign investment, as Table 2.3 shows.



Rank	Region	1994	1995	1996
1	Guandong Province	9,463	10,260	11,754
2	Jiansu Province	3,763	5,191	5,210
3	Fujian Province	3,713	4,044	4,085
4	Shanghai Municipality	2,473	2,893	3,941
5	Shandong Province	2,552	2,689	2,634
6	Tianjin Municipality	1,015	1,521	2,153
7	Liaoning Province	1,440	1,425	1,738
8	Beijing, the Capital	1,372	1,080	1,553
9	Zhejiang Province	1,150	1,258	1,521
10	Hebei Province	523	547	830
11	Hainan Province	918	1,062	789
12	Hunan Province	331	508	745
13	Hubei Province	602	625	681
14	Guangxi Province	838	673	663
15	Heilongjiang Province	348	517	567
16	Henan Province	387	479	524
17	Anhui Province	370	483	507
18	Jilin Province	242	408	452
19	Sichuan Province	922	542	441
20	Shanxi Province	239	324	326
21	Jiangxi Province	262	289	301
22	Shanxi Province	32	64	138
23	Gansu Province	88	64	90
24	Inner Mongolia Autonomous Region	40	58	72
25	Yunnan Province	65	98	65
26	Xinjiang Autonomous Region	48	55	64
27	Guizhou Province	64	57	31
28	Ningxia Hui Autonomous Region	7	4	6
29	Qinghai Province	2	2	1
30	Tibet Autonomous Region	0	0	0
Total		33,269	37,220	41,882

**Table 2.3: Realised Foreign Direct Investment in China by Locations (US\$mil)**  
 Reproduced from Luo (2000)

The central government attaches great importance to Shanghai’s development. Shanghai’s important position in China can be seen from an official report written by the State Council on Shanghai’s urban construction:

Shanghai is one of the nation's most important industrial bases, the largest port and a major economic, scientific and technological, trading, financial, information and cultural centre...It benefits Shanghai to grow into one of the largest economic and trading centres on the Western Pacific Coast (Dai, 1987, p. 17).

The report indicates Shanghai's tremendous potential for future development as well as the central government's confidence and ambition in such a development. Therefore the central government made efforts to help Shanghai while the city was attempting to modernise itself. In 1985, the central government decided to relieve Shanghai's financial burden by increasing its proportion of retained revenue from 15 to 23.54 percent. The extra money in the following years has been mainly applied to build and renovate urban facilities. In 1986, the State Council approved an overall development program for the city. As a result, in the same year, Shanghai increased investment in public facilities and infrastructures, including traffic, household gas and pollution treatment projects. In 1988, an endorsement was granted by the State Council to Shanghai to raise funds abroad for urban construction and enterprise up-grading. The income earned through technical advances and improvements can be used to repay loans and be tax-free until the loans are paid off. In the 1990s, Shanghai's development plan was designed to accelerate the construction of infrastructure on a larger scale and develop its tertiary industry (Wu, 1991; Li, 1991; Liao, 1993; Richeux, 1993).

Due to these measures, in the succeeding years, Shanghai built a new railway station, which became the largest and most up-to-date railway station in China, set up the downtown waste water treatment plant, constructed the subway covering a total distance of 176 kilometres by 1995, and built the Huangpu River Bridge that takes a daily traffic flow of 40,000 to 50,000 cars and trucks, renovated the Hongqiao Airport by constructing a waiting hall and a new runway, and installed a 300,000-channel program controlled telephone device. Furthermore, Shanghai undertook efforts in new housing construction and commercialised housing. Environmental protection has been enhanced through promulgating the environmental protection law. Investment in municipal and public facilities has increased at an annual rate of 63.5 percent (Wu, 1991).

In 1990, Shanghai's Pudong project began to develop. This fascinating project hit the headlines in the press both at home and abroad. The words from a staff reporter from *Beijing Review* at that time conveys the public's emotion about such an exciting project:

A dream, which has enchanted generations of people, is being materialised. Shanghai will be turned into a cosmopolitan metropolis that, sitting astride a river, cultivates prosperity on both sides of the river (Dai, 1990, p. 16).

Pudong is a triangular area adjoining the present city proper. It is situated on the east of the Huangpu River and stretches to the Southwest of the Yangtze River. It covers a 350-square kilometre area within fifteen kilometres of the heart of the city. It has a population of 1.1 million.

In the early days of the last century, the Puxi area of Shanghai had gradually developed into a modern and popular metropolis in China, while Pudong remained poor farmland separated from Puxi's prosperity. From 1949, the establishment of the PRC, to 1990, Pudong had grown into an area with a sizeable industrial and agricultural foundation. The major industries included petrochemicals, shipbuilding, iron and steel and building materials, so it possessed a foundation of becoming another modern part of Shanghai. There were numerous foreign countries involved into the ambitious project. These countries included Japan, the United States, Hong Kong, France, the United Kingdom, the Netherlands, Italy, Singapore, Canada, Germany, Switzerland, Spain, South Korea, Sweden, Finland, Denmark, Norway, Austria, Australia, and so on. (Dai, 1990; Dai, 1991).

After the ensuing ten years of construction, Pudong has changed dramatically. Pudong is now joined to the downtown area circled by the Inner Ring Road. In addition, the Nanpu and Ningpu bridges have been built and another ferry line was constructed for motor vehicles. Pudong Airport, Shanghai's second international airport, was completed and brought into service. Lujiazui Financial and Trade District, Pudong's boom zone, was built in which most of the tertiary industries are concentrated, such as finance, trade, information, service, science and technology, education and culture. Jinqiao Export Processing District, a base for industrial projects in contrast to Lujiazui, was



established to accommodate dozens of factories as well as luxury residences, apartments, office buildings, hotels and recreational centres and so on. Waigaoqiao Free Trade District was set up to handle both domestic and overseas investment.

### **Favourable Environment for Foreign Investment**

Shanghai attaches importance to employees' education and training, for it realises that promoting the job competence of employees is related closely to the capability to cope with the rapid economic development during the transitional period. A recent study of human capital development in Shanghai (Xiao and Lo, 2003) investigated and identified alternative strategies in an emerging market and changing economy. The research finds that Shanghai employers provide training for employees particularly to prepare for specific jobs about which employees may have no opportunity to learn from formal education or vocational/technical schools. At the same time, employees are willing to participate in further education, such as higher education, for the sake of self-improvement or upward mobility. Usually the higher an employee's academic qualification is, the more trainable and capable of further training he or she is found to be. Furthermore, some management schools are set up for the purpose of teaching modern management concepts and techniques for managers from both SOEs and foreign companies. The China Europe International Business School is a model in this regard (Warner and Ying, 1998). The researchers conclude that such an adoption of alternative education and training is significant both to firms and individuals to accommodate the changing society and to gain benefits for their own survival and development.

Shanghai's economic history, as demonstrated previously, makes Shanghai a good model for other parts of the nation. Early in 1981, the State Council called on the nation to 'Learn from Shanghai'. Numerous people came to visit Shanghai to study different aspects. Some of them tried to seek technical assistance, some looking for co-operation opportunities. In 1982, Chen, the State Councillor and concurrently minister of Foreign Economic Relations and Trade, demonstrated making full use of the advantages of the

coastal cities, like Shanghai and Tianjin, to process imported materials and export local products. The central government advocated making use of advanced technology and management in Shanghai by providing other provinces and regions with scientific and technological achievements, managerial experience and technical equipment. With both a strong traditional and a strong modern industrial base as well as having a favourable location, Shanghai owns a solid industrial foundation, a high level of technology, good communications and transport facilities, and extensive experience in international exchange.

Shanghai attaches great importance to the technical renovation of existing plants. For example, Shanghai Yaohua Glass Factory and Pilkington Glass Co. Ltd. of Britain reached an agreement to produce float glass, which involved new technology. A similar agreement was signed by the Shanghai Bell Telephone Equipment Manufacturing Company Ltd. and a foreign company to introduce advanced equipment for the production of digital telephone switchboards (Zhang, 1985). As a result, these two local companies up-graded their production levels through importing up-to-date equipment and technology.

Shanghai has a wide cultural and economic exchange with other countries. As the biggest port city in the past hundred years in China, Shanghai possesses wide economic and cultural ties both at home and abroad. It established sister relationships with several foreign cities, developing both cultural and technical exchanges with these cities. For example, in 1982 Rotterdam sent advanced underground engineers to Shanghai to exchange and share their experience and knowledge. On the other hand, Shanghai's engineers flew to the Rotterdam to visit and study the city's tunnels, getting direct help for the construction of the new tunnel under the Huangpu River, which already made another connection between Puxi and Pudong.

Rapid development in urban construction has greatly increased the image of Shanghai in the world. Shanghai, since the 1960s, had been used to carrying out many production tasks and construction projects, which usually took up all the energy of the Shanghai

people, whose standard of living had been overlooked. In the 1980s many economic experts advocated developing Shanghai's economy and improving people's living standards in the light of its new and specific situation. Up-grading existing enterprises placed emphasis on introducing more new equipment, new technology and new technical processes. Transforming the old city meant there was a timely and pressing need to solve the problems of housing and pollution. After a period of more than ten years of urban construction Shanghai has turned into a modern and charming municipality.

Furthermore, Shanghai has more than fifty colleges and universities and around 1,000 research institutes. It has a well-developed and relatively high-civilised air and surface transport network. Its harbour can handle more than 100 million tons of goods a year. It has developed a full range of industries, notably in metallurgy, machine building, automobile manufacturing, shipbuilding, textiles, chemicals, petro-chemicals and non-ferrous production. In this sense, Shanghai's investment climate presents a promising picture for more foreign investment.

## **Summary**

This chapter provides an overview of the economic and political context in China as background to the research. As a vast developing country implementing the important policy of opening-up to the outside world, China is on the track of the constant change and development in its economy. In order to achieve its modernisation goals, China has enacted a series of laws and regulations for establishing foreign companies, built economic zones (including the SEZs and opening-up cities) with preferential regulations and rules for foreign direct investment and launched a series of reforms of urban construction to optimise the overall investment climate. Looking ahead, China's attractiveness to foreign visitors remains bright, although the development of the transitional economy does not take an even road. Three reasons are summarised for such a promising prospect. Firstly, China's annual GDP in the past twenty years and more proves that China is one of the fastest growing economies in the world. The trend



is expected to continue as long as the central government's policies for the economic development remain stable. Secondly, foreign business in the SEZs and the ETDZs enjoys a reduced tax rate in China. Finally, since China's entry into the WTO, the central government will tend to liberate greatly the foreign direct investment policies and international companies will be allowed to enter into more fields occupied by the SOEs.

The research focused on the fieldwork base of Shanghai, which is the huge coastal city and open economic zone in China. Shanghai has experienced a long road of industrial development and turned itself into a remarkable metropolis in China by modernising itself since the adoption of the Open-door Policy. Shanghai is one of the earliest cities for establishment of foreign companies. Foreign-direct investment is one of the most important driving forces for Shanghai's development. On the other hand, Shanghai provides a favourable climate open to the operation of foreign companies. Some foreign companies have operated for a comparatively long period of time and reached a mature stage and some have just entered the market. The main reasons for choosing Shanghai for the fieldwork are described in detail in Chapter Five, which sets out the methodology and methods applied in the research.

This chapter also indicates that during such an economic transition, foreign companies, if they grasp the opportunity properly and in timely fashion, will fully play their roles and achieve their objectives in the Chinese market. International companies tend to choose a long-term commitment to the Chinese market, although many of them may take very cautious steps when entering the market. The establishment of an appropriate corporate culture is anticipated to assist to the realisation of the goals of foreign companies. The next chapter, the literature review, investigates the concept of corporate culture and the management of cultural differences in international companies.

# **Chapter Three: Literature Review of Corporate Culture**

## **Introduction**

As stated in the previous chapter, foreign companies in China form a special business environment. This enables a study to focus on influences on the working environment of both corporate culture and national culture. In fact, each organisation and country possesses its own unique culture. As the economy of a country becomes more global, cross-cultural issues increasingly become a challenge to the management of an international enterprise. A growing number of empirical studies indicate that profound cultural differences give rise to different organisational behaviour and management practices, limiting the applicability of many imported management theories and practices from Western countries to developing countries (Jaeger, 1986; Tricker, 1988; Martinsons, 1991; Hofstede, 1991; Ein-Dor, et al., 1993; Westwood, 1995; Brewster and Harris, 1999). Before analysing the research questions based on the data, there is a need to offer a literature review of the concepts and theories relating to corporate culture as well as corresponding training of managers in international companies. This chapter provides a conceptual framework for the later analysis.

## **Exploration of the Concept of ‘Culture’**

Some exploration of the concept of ‘culture’ can provide a better understanding of the concept of ‘corporate culture’, for the two concepts are closely linked to each other. Both of them are defined by and limited to the particular social, economic, and political environment. ‘Culture’ exerts vital influence on the formation and development of a ‘corporate culture’. This section covers some investigation into the main aspects of ‘culture’ such as its definitions and cultivation.

## **Definitions and Characteristics**

The concept of culture has been given increasing attention in recent years for the sake of its vital role in human life and the development of the economy and society. It has several definitions with an emphasis on different aspects.

The Oxford English Dictionary (2<sup>nd</sup>) defines 'culture' as '...the cultivating or development (of the mind, faculties, manners, etc.); improvement or refinement by education and training; the training, development, and refinement of mind, tastes, and manners; the condition of being thus trained and refined; the intellectual side of civilisation...' Webster's Ninth New Collegiate Dictionary offers the definitions of 'culture' in a similar way, such as '...the integrated pattern of human knowledge, belief, and behaviour that depends upon man's capacity for learning and transmitting knowledge to succeeding generations; the act of developing the intellectual and moral faculties esp. by education; expert care and training; and enlightenment and excellence of taste acquired by intellectual and aesthetic training...' In these definitions, the functions of training and learning during the cultivation of main elements of 'culture' are emphasised. It is compatible with Girard's view, which indicates the importance of making a national culture an integral part of both adult education and children's school life (Girard, 1972).

As well as the definition given by these popular dictionaries, researchers also define it by focusing on its different functions. Based on the inheritance function of culture, the definition provided by Geertz (1973) has a universal influence (Shweder and Levine, 1984). Geertz formulates culture as 'a historically transmitted pattern of meanings embodied in symbols, a system of inherited conceptions expressed in symbolic form by means of which men communicate, perpetuate and develop their knowledge about attitudes towards life' (1973, p. 89). Levine (1984) focuses on general functions of culture by defining it as 'a shared organisation of ideas that includes the intellectual, moral, and aesthetic standards prevalent in a community and the meanings of communicative actions' (p. 67). Hofstede (1991) and Johnson (1991) define 'culture' according to its distinction and uniqueness. Hofstede describes 'culture' as possessing



collective characteristics, which are used to distinguish the members of one group or community from another and lead to the similar mentalities of the members of the certain group or community. All these mentalities are the essence of a particular culture, rooted in the group or community's ethic. 'Culture' is also defined in a similar way by Johnson (1991) as a term that can be used to 'describe a generalised set of attributes of people belonging to a particular group in society, in one society or others' (p.13). Kotter and Heskett argue that culture is relatively stable by pointing out that 'culture represents an interdependent set of values and ways of behaving that are common in a community and that tend to perpetuate themselves, sometimes over long periods of time' (Kotter and Heskett, 1992).

Levine (1984) identifies the characteristics of culture, such as its collective nature, the organised nature, and its variability across human population. Such characteristics are also supported by Geertz (1984) and Rosaldo (1984). Geertz (1973) suggests that there is a 'dialectical tacking' between the local way and global structure, which comes from a person's ability to construe one's modes of expression and therefore, making the person work towards self-development. Rosaldo (1984) argues that human beings' feelings and thought are always 'culturally patterned', and therefore, in this sense, culture should not be seen as an 'arbitrary' source of contents processed by our minds. Culture demonstrates itself in the practice of a person who takes for granted who he or she is and how he or she understands his or her fellows' motivations and actions. There are two main features about culture according to Spiro (1984). The first means that cultural propositions are developed traditionally based on historical experiences of social groups. This social experience is inherited by following generations through the process of social transmission. The second reflects that cultural propositions are encoded in collective representations through a collective interpretation.

As illustrated above, culture is seen as the result of the combined effort of a community or society. As Martinsons and Westwood (1997) point out, individual traits should not be applied to a large group of people; otherwise the result can be misleading and dangerous in practice. They further suggest, consequently, that 'cultural generalisations need to be

empirically-grounded and commonly accepted as being true by those being stereotyped' (Martinsons and Westwood, 1997, p. 216). Similarly, Dilthey (1990) demonstrates that the need for common understanding among members leads to shared ideas beyond individual experiences, and those shared ideas, eventually, lead to the structuring of cultural systems.

### **Cultivation of a Culture**

Because culture is formed through the collective experience and ideology of all the members of a group/community/country, so culture is naturally associated closely with many important aspects of society and human life. Culture can be demonstrated in terms of the domination of those aspects, such as technology development levels, economic state, social structure, ideology, and personality (Kaplan, 1972). Likewise, Parson and Shils (1990) emphasise that each social action inevitably has some cultural reference.

A culture usually shapes the feelings, emotions, and behaviour of a member of a group/community/country in a relatively long and complicated process during one's life span. Spiro (1984) suggests a cultural operation frame that illustrates a hierarchy of cognitive processes consisting of the five levels as follows:

1. The member, during the normal process, learns about some cultural elements to such an extent that he or she becomes familiar or acquainted with those elements.
2. During the further phase, the member gets knowledge about the traditional meaning of those elements as they are used and interpreted during practical life.
3. Upon the process of mastering the traditional meaning, the member usually naturally internalises those elements. It is only in this phase that cultural elements shape his or her personal beliefs, which are regarded as commonly correct or right. Culturally constituted beliefs greatly influence the manners or ways in which the member behaves in his or her life.

4. Thus enters the fourth level. Cultural elements perform by informing the 'behavioural environment' of the member. In this sense, they take the role of the source of guidance to his or her conduct.
5. Culturally constituted beliefs also serve to initiate action as well as to guide action. The cognitive knowledge has developed into one part of the moral or emotion of the member, performing, therefore, a moral and emotional role during the member's life (Spiro, 1984).

## **Exploration of the Concept of 'Corporate Culture'**

Corporate culture is the principal aspect of the conceptual framework in the research project. It provides a basic understanding of how corporate culture influences the operation of an organisation, including training and coaching. The basic understanding, furthermore, is applied to comparison and evaluation of different views of general cross-cultural issues in foreign companies in China and the corresponding adaptation as well. This part demonstrates knowledge of the main elements of corporate culture, such as its definitions, the development, and the management of a culture change.

### **Definitions**

Each organisation has its own culture that is rooted in almost every aspect within the organisation/corporation. Before we have a look at corporate culture, we need to be aware of what an organisation/corporation means. Hoon-Halbauer (1999) defines an organisation in terms of the four main aspects:

- 1) a system of communication;
- 2) a means of facilitating decision-making;
- 3) a social system involving interpersonal relationships; and
- 4) a managerial function of organising which involves grouping activities, establishing authority and responsibility relationships, co-ordination of different functional activities in attempts to achieve overall organisational objectives and goals, and delegating authority (p. 358).



The definition suggests that communication, decision-making, interpersonal relationships, responsibility and co-operation between different functional departments are critical to the management of an organisation for the sake of realising the overall objectives or goals.

An earlier definition of a corporate culture is given as ‘every member of the organisation...shares some responsibility for the organisation’s products and services, and the unique patterns with which they carry out their responsibilities distinguish their ‘family’ from those of their competitors’ (Hickman and Silva, 1985, p. 58). This definition implies the important effect of the organisation that a corporate culture fosters. Culture exerts influence not only on the ways in which things get done, but also on the ways members organise things based on a common purpose. They further argue that culture shapes the uniqueness of a corporation in such aspects as the degree of the commitment to a common purpose, the distinctive competence, and the ways of passing on the traits to new members. In this sense, an excellent culture results in assisting managers to implement proper strategies for realising the goals of the corporation.

In the later years of the development of economics, other definitions appeared. They focus on reaching the developmental goals and standards through achieving excellent performance. Several definitions about ‘corporate culture’ are listed below according to their emphasis on different aspects of the importance of culture.

**Focusing on the roles of culture of the top management team:**

By culture I mean the shared beliefs top managers in a company have about how they should manage themselves and other employees, and how they should conduct their business. These beliefs are often invisible to the top managers but have a major impact on their thoughts and action (Lorsch, 1986, p. 95).

**Focusing on the roles of culture in terms of the guidance of individual behaviour:**

Corporate culture is the implicit, invisible, intrinsic and informal consciousness of the organisation, which guides the behaviour of the individuals and which shapes itself out of their behaviour (Scholz, 1987, p. 80).

**Focusing on the function of culture in the management system as a whole:**

**Culture refers to the underlying values, beliefs, and principles that serve as a foundation for an organisation's management system as well as the set of management practices and behaviour that both exemplify and reinforce those basic principles (Denison, 1990, p. 2).**

**Focusing on the role of culture in terms of the guidance of the general organisational behaviour:**

**Culture is how things are done around here. It is typical of the organisation, the habits, the prevailing attitudes, and the grown-up pattern of accepted and expected behaviour (Drennan, 1992, p. 3).**

**Focusing on the function of culture in terms of the co-operation among staff and the stability of the organisation:**

**In the cultural cognition perspective, culture is regarded as something which paves the way for mutual understanding (as regards knowledge rather than sympathy and common values), as a basis for communication and as a condition for the handling of information. It means that people can act and co-operate with each other in a relatively unambiguous and predictable manner. A culture also has a stabilising effect and counteracts the excessive questioning of people's view of the world (Alvesson and Berg, 1992, p.102).**

**Andrew Brown offers a more comprehensive definition based on the generalisation of these definitions below:**

**Organisational culture refers to the pattern of beliefs, values and learning ways of coping with experience that have developed during the course of an organisation's history, and which tend to be manifested in its material arrangements and in the behaviours of its members (Brown, 1995, p. 8).**

**This definition not only suggests why individuals of an organisation behave in a certain way, but also indicates the structure of a corporate culture, which consists of a deep level and a surface level of culture and their interaction as well. The deep level generally reflects basic assumptions, beliefs, values, and attitudes, and the surface level refers to rite, rituals, symbols and so on. The basic assumptions explain why individuals in an organisation behave in a certain way, and help us to interpret organisational activities. We conclude from the definition the importance of an organisational culture used as a medium for organisation to make sense of employees' working lives and to accumulate organisational experience. However, as Brown reminds us, the culture phenomenon is**

complex, for there are many subcultures, which are overlapping and interacting with each other. These subcultures, especially in an international enterprise, typically come from the parent company and the host company (Deal and Kennedy, 1999).

### **Impact of a Corporate Culture**

The important role of a corporate culture in an organisation/corporation has been proved by many empirical studies (Hickman and Silver, 1986; Vertinsky, 1990; Tricker, 1990; Denison, 1990; Kotter and Heskett, 1992). The direct impact of a corporate culture on the effectiveness of an organisation is argued by Denison (1990) based on case studies. He indicates that not only the implementation of strategies and structures is embedded in the basic assumptions and values regarding limits and possibilities of success, but also that the effectiveness of an organisation is closely associated with cultural consistence and culture change adaptation. The relationship between a corporate culture and long-term economic performance of a company is particularly studied by Kotter and Heskett (1992) through an investigation of approximately two hundred firms. They point out that a corporate culture is so vital to long-term economic performance that certain kinds can be very supportive, while others operate as undermining forces, although a strong culture alone does not necessarily create excellent performance of an organisation.

Every company pursues a sustained superior financial performance. A strong and cohesive culture can attribute to such an objective. Applying culture to increase extraordinary performance means individuals need to know what they are doing right and when they can do better. Of course, excellent performance is not an automatic by-product of building and developing a cohesive and revitalised culture. It needs other kinds of management strategies and measures. However, the main object of management is people. Creating an appropriate culture for the prevailing environment focuses on the object at the centre of the management stage. An empirical study conducted by Hoon-halbauer (1999) indicates that a corporate culture not only affects the way in which an organisation is structured, but also exerts influence on management processes such as



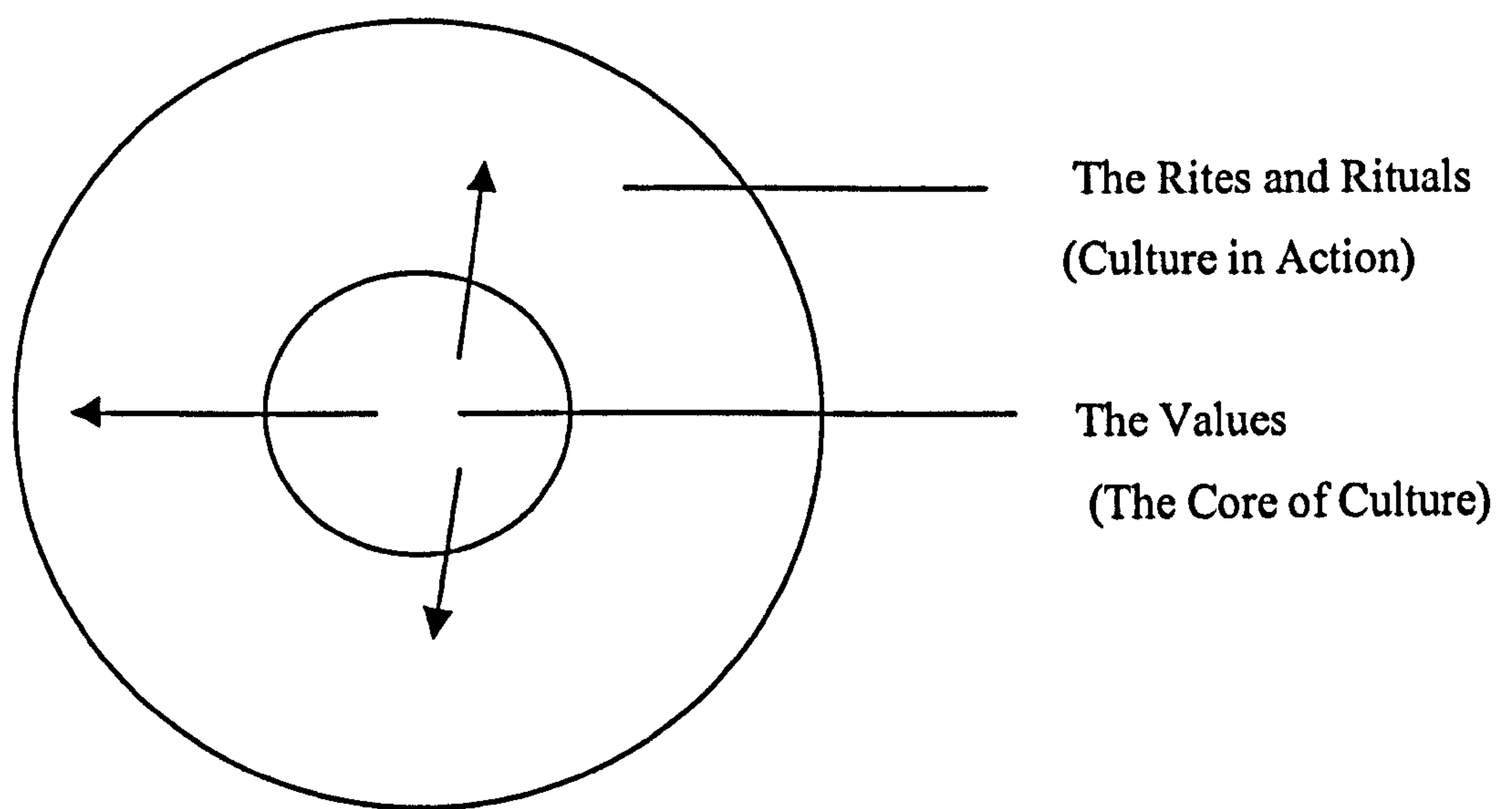
decision-making, the degree of formalisation, the ways of communication, and the planning and control systems.

### **Development of a Corporate Culture**

According to Hickman and Silva (1985), a lack of cultural awareness was not uncommon in the 1980s, especially within international companies. Following their empirical studies, Hickman and Silva argue that the company should provide conditions for a manager to mesh with the culture of the company rather than spending more energy in finding a 'hero'. In other words, the top management team needs to grow more sensitive to the cultivation, adaptation, and change of the corporate culture. Increasing attention has been paid to the importance of a corporation culture in the 1990s and the new century (Alvesson and Berg, 1992; Pheysey, 1993; Morosini, 2000). All these researchers seem to agree that establishing or keeping an appropriate corporate culture is of great significance, for people who share the common culture tend to result in similar practices as they take similar attitudes towards things.

### ***Structure of a Corporate Culture***

Deal and Kennedy (1982) mentioned the structure of corporate culture with two levels: the level of 'values' and the level of 'rites and rituals'. The level of values is called 'the core' of corporate culture, while the level of rituals 'the culture in action'. 'The core' provides the common guidelines for the organisational behaviour (the rituals). 'The culture in action' reflects the values and creates a corporate identity. Figure 3.2 is created to show the two levels as well as their interactions as follows.



**Figure 3.1: Structure of Corporate Culture Suggested by Deal and Kennedy (1982)**

The level of 'Values' refers to those shared values, beliefs, morals and ideologies central to corporate survival and development. These factors reflect employees' emotions or reasons, driving desires or wants about what is right or wrong, what works or does not work, providing justification for staff's behaviour, and creating a clear sense of direction to given tasks. They have evolved over a certain time of disseminated, institutionalised and furthered implementation of corporate policies and strategies (Alvesson and Berg, 1992). Furthermore, in a modern corporation, especially an international company, there are highly autonomous subcultures, so there is a need to provide core values and beliefs in order to hold those separate subcultures together in terms of realising the corporate objectives or aims. Staff need to use those values, beliefs, ideologies to gain meaning in their lives at work, guide their work behaviour, and justify or rationalise their time and effort spent on given tasks. These factors are manifested in articulated sets of beliefs, norms and operational rules of behaviour. They are comparatively more stable than the factors of the rites and rituals (the level of behaviour), although they undertake transformation during the development of the company.

The level of 'Rites and Rituals' points to the corporate behaviour that focuses on rites, rituals, and behaviour norms. It presents a higher level of a corporate culture. The factors evolve from the deep level and help to sustain those basic core values of the corporate culture. Without the rites and rituals, the core values would not have any impact on the organisational life and sometimes the rituals need to be changed in line with company values. That is why the level is called 'Culture in Action' (Deal and Kennedy, 1982). On this level, the behaviour of managers and key staff set examples for non-managerial staff. This level modifies the main action and activities of the staff during their working environment. On this level regulations and rules are implemented through leadership, organisational structure, and management systems. This level also reflects how the organisation establishes, sustains, and develops a corporate culture through the organisational management mechanism. It is seen as a bridge built between staff and material environment during business activities through designing and providing staff with corresponding regulations and rules, and distributing responsibilities with association to specific job tasks. However, the researchers remind us that it would be dangerous to perceive the real values and beliefs only from these factors, for this level may not reflect the truth of the level of core values.

On this level managers are engaged in rituals during daily management and are especially cautious about their behaviour in terms of creating a strong cultural image. Any weak cultural ties in management could give rise to distrust among employees. Failure in matching up words with deeds could result in a longer time to build the trust required by a strong and cohesive culture for the values, beliefs, and main business concepts of the deeper level are 'enculturated or transferred' to staff through managers' efforts. Employees have their individual interpretation of basic values and beliefs that the corporation articulates, and they decide how to behave during the course of work. Thence it is the duty or responsibility of managers to see those cultural factors into employees' preferred behaviour (Deal and Kennedy, 1999).

The structure of corporate culture consisting of three levels was later suggested by Schein (1985, 1992), namely 'Artifacts', 'Espoused Values', and 'Basic Underlying



Assumptions'. Ott (1992) divided the level of 'Artifacts' into two levels termed 'Artifacts' and 'Patterns of Behaviour'. The level of 'Basic Assumptions' and the level of 'Espoused Values' are, in fact, the more detailed divisions of the level of 'Values' suggested by Deal and Kennedy (1982). 'Basic Assumptions' refer to the most stable and deepest beliefs among the 'Values'. In a similar way, the level of 'Artifacts' and the level of 'Patterns of Behaviour' are generated from the level of the 'Rites and Rituals' (Deal and Kennedy, 1982). The level of 'Artifacts' focuses on the symbolic objects of an organisation.

The 'Basic Assumption Level' is concerned about these basic assumptions and main business concepts of a corporation, which have been formed during a relatively long period of time of business conduction in relation to limits of certain social, cultural and ideological conditions. Basic assumptions are usually taken for granted and thus sometimes beyond conscious comprehension, unlike values and beliefs, which are consciously comprehended and can be identified. In a strong and cohesive culture, basic assumptions are possessed by the majority of staff, and the behaviour based on any other premise is inconceivable. Therefore, basic assumptions are rarely questioned, confronted, or debated, and hence form the most consolidated part of the corporate culture. Basic assumptions are the birthplaces of values and beliefs that provide explicit guidance and rationale for patterns of the corporate behaviour. The spread of assumptions in the corporation is mainly manifested in different ways of training and socialisation activities, such as telling myths and stories, and explaining those assumptions in the particular context of the organisation.

The 'Artifacts Level' refers to both material and nonmaterial objects and patterns of a corporation, including the physical environment, language, technology and products, myths and stories, and so on. These factors serve symbolic purposes that may or may not be connected with communicating information about the corporate assumptions, values and beliefs. This level displays an image or signs to outsiders, which is of great significance in a competitive market economy. The level shows the result of the implementation of factors of the deeper levels of a corporate culture, and thus it is

inevitably helpful for exploring a corporate culture. However, both of the researchers argue that it would be risky if one tried to infer the assumptions, value and beliefs alone from this level, for one's own feelings and bias may lead to misinterpretation of and misunderstanding the relationship between factors of the level and those of other levels.

The structure suggested by Deal and Kennedy (1982) was adopted as the framework in the current research for data collection and analysis. The theoretical model was selected because it was appropriate to realise the research aims through exploration. The model contains key elements as well as their relationships to corporate culture. The exploration of cross-cultural differences and corresponding adaptation is closely related to the relationships of these elements. For example, leaders are influenced by the factors of the deeper level and in turn determine what sort of management strategies and measures to apply during routine management. Thus this framework provided a cultural environment for the investigation about interrelationship between corporate culture and local managers' education and training in foreign companies in China. In this sense, the possible effects of training were checked by relating training to these cultural elements as well as to their relationships. How the framework functioned will be further addressed in Chapter Five, which is about the design of methodology and methods.

### *The Cultivating Process*

Developing an appropriate organisational culture is inevitably necessary and important in the effectiveness and performance of an organisation, because any organisation pays prime importance to the way that an employee learns the behaviour preferred by the organisation (Smith, 1982). Managers inherit a certain type of management culture from their previous working experience. Just like the personality of a person, a corporate culture takes a relatively long time to form, develop, and change. The elements such as beliefs, attitudes and values are relatively stable (Williams, Dobson and Walters, 1993).

The cultivating process involves three important phases, as Hickman and Silva (1985) argue, namely instilling commitment, rewarding competence, and maintaining

consistency. The whole process involves adapting the methods of recruitment and selecting, motivating, rewarding, retaining and unifying good employees. It is a process of sharpening the 'soft' skills of employees, especially managers in general. The following is a detailed description of the above three important phrases suggested by Hickman and Silva:

- Commitment: Instil commitment to a common philosophy and purpose, recognising that employee commitment to a corporate philosophy must coincide with both individual and collective interests.
- Competence: Develop and reward competence in key areas, keeping in mind that you will foster greater competence by focusing on one or two key skills at a time rather than by addressing a host of skills all at once.
- Consistency: Consistently perpetuates commitment and competence by attracting, developing, and keeping the right people. (Hickman and Silva, 1985, p. 70)

In these steps to build a corporate culture, one hinted element almost through the whole process is the function of development and training, which are needed among staff to build up the commitment, to cultivate the competent skills, and to develop the further competent knowledge for the development of the company.

### **Managing a Culture Change**

There is no better word than 'change' to describe the main feature of the contemporary society. Technical innovations, tele-communications, and global competition contribute to the main feature by making change take place in a dramatically shorter span of time than any previous periods of time in the world's history. A corporate culture is no exception. The adjustment ability to change has become increasingly necessary and important to managers.

An ability to deal with a culture change includes two aspects (Kanter, 1984; Hickman and Silva, 1985). One is seeing the change as something welcome and something happening inevitably and reasonably, because you can not cope with or master the change unless you learn not to fear it. The other aspect indicates that you may take a look at the new situation with a fresh perspective rather than see it with previous habitual or successful



responses. Therefore, you could be aware or even familiar with that change, and then you can control that change and create a corresponding change at any level or field. Hickman and Silva (1985) conclude:

Sticking to what you know best may be a sound advice to a firm operating in a relatively stable environment, but in a world of accelerated change, survival may depend on learning to do something other than what you know best (p182).

On most occasions, the company achieves better results by using the existing culture, which has been proved effective in the period of practice, rather than building a brand new one. However, there is always the need for some changes to certain elements of the culture according to changes of both internal and external business environments (Denison, 1990; Kotter and Heskett, 1992). Like every ideology and concept in human society, 'Culture itself is subject to transformation' (Pheysey, 1993, pp. 3). Culture change should be based on the recognition of the collective intelligence that the culture needs to and is ready to change in light of the survival or further development of an organisation (Hickman and Silva, 1985).

Culture change can happen when there is a crisis causing serious problems (Dyer, 1985), or when mergers, acquisitions, or joint ventures appear (Schein, 1985). The change can happen at different levels and different scales. The extents of change can vary. Some organisations may undertake radical change, while others only incremental change (Gagliardi, 1986). Sometimes, the individuals initiate changes, while the whole organisation may remain stable, and vice versa (Pheysey, 1993). Dyer (1985) demonstrates that culture change can be evolved by establishing a new set of assumptions through the process of solving a crisis. This point of view emphasises the importance of the new leadership and suggests a radical culture change. Such a change process may be messy and painful, for cultural methods and practices that people used to attach to are broken and many people experience a deep sense of loss. However, Schein (1985) indicates that culture change in a corporation is necessary and inevitable, but not all elements of culture can and have to change. Basic and essential elements of culture, which have brought the glory of the past or success in other markets, must be identified and preserved. Schein's view, less radical than that of Dyer, suits an organisation in

transformation, involving both new internal and external conditions. Schein's point of view is further strengthened by Deal and Kennedy (1999), who point out that core values and beliefs are of great importance to an organisation for they are displayed by senior managers and brought the success of the past. Thus these core values and beliefs should be maintained while managing changes in peripheral practices. In this vein, a strong culture identity remains constant while adapting to changing conditions.

Gagliardi (1986) suggests an incremental process of culture change. The author argues that when a problem concerning the organisation's survival is recognised it does not mean there is necessarily a need to change the old values of the culture. It might imply the expansion of the range of options. In other words, new value (s) may be introduced and integrated into the organisational culture. This kind of view of a culture change does not see the new way of doing things as radically different from the past practice or the practice in other branches (Dyer's view), and neither does use of the new value(s) replace old one(s) (Schein's view), but rather adds to the organisation's existing value systems. However, these theories share two common factors. One refers to the crucial strength to deal with organisational culture changes lying in the effectiveness of the leadership. The other reflects that the ways of perceiving success and fostering changes are of great importance to the re-educating process.

The procedure of a culture change focuses on the association between culture change processes and the organisational adaptation (Roberts and Brown, 1992). The whole change process is divided into three phases: unfreezing, change, and refreezing. The relationship between them is shown in the following table 3.1:

Contextual	Social	Cognitive
Unfreezing mechanisms	Rites of questioning and destruction Rites of rationalisation and legitimisation	Anticipation
Experimentation (Change)	Rites of degradation and conflict Rites of passage and enhancement	Confirmation Culmination
Refreezing mechanisms	Rites of integration and conflict reduction	Aftermath

**Table 3.1: The Relationship between the process of a Culture change and the Organisational Adaptation**

Source: reproduced from Roberts & Brown (1992)

During the first phase, some members of the management team (usually top) develop a need for change, as there is evidence that individuals or existing systems are failing to perform adequately and properly. Rites of questioning and destruction are supposed to inform and persuade the change of some of the elements of the system themselves, aiming at stimulating change-oriented debate and questioning the essential assumptions or ordinary values and beliefs of the organisation. Rites of rationalisation and legitimisation involve the recognition of the need to change the whole management team. It is a process that the top management team approves and supports, and which establishes the new values or the new organisational structure. During this process, individual employees generally experience some tension in mind, which is described as the period of 'anticipation'. Training and education programmes are of equal importance to the support from the top management team. Training and education programmes not only help individuals to gain an awareness of the new policies and procedures, but assist individuals to alter their ways of doing things and set up new responsibilities.

Experimentation is the phase involving culture change. In this phase, change would occur more easily if the first phase has been successfully negotiated and promoted. Rites of degradation and conflict take the form of presentation of the challenge to the existing



cultural state. For example, staff who are unable or unwilling to accept the change are replaced by new staff who are more compatible with the new values or new cultural structure. Employees will perceive what is going on in a different way as the result of the implementation of new policies or procedures. Training and education programmes are also vital to the phase. It is through education and training that employees may reach a stage in which they are willing to accept the new values or systems. Such a cognitive period is called 'confirmation'. When employees come to a greater learning and awareness of the cultural implications of the changes, the new culture begins to take shape in the organisation. In this respect, the period is perceived as the stage of 'culmination'.

The last phase is called 'refreezing', which refers to a process where new cultural assumptions or values have been deeply embedded. Individuals attempt with willingness to finish the stage of uncertainty and unsuitability by learning how to apply these new policies and procedures in their work and relationships with others. In this final interpretation stage, individuals can make sense for both themselves and the organisation by putting the changes into their perspectives without conscious effort or difficulty. Thus the cognitive process is called 'aftermath'.

This point of view of the three phases of a culture change is significant in the following two aspects. One is that elements of the culture change mechanisms are rationally associated with cognitive and behavioural change elements, and such a connection operates in a complex series of processes. The other aspect implicates the significance of training and education programmes during the whole process of the culture change. These training programmes provide a sound background and preparation for the change provided they are applied properly and sufficiently by the top management team.

Brown (1995) summarises three kinds of organisational culture changes. Firstly, changes can occur in the values and beliefs, the cognition level, but there is no corresponding change in the behaviours of individuals. This means individuals have reached an agreement based on their intelligence. The reasons why individuals find it difficult to put

the new ideas into practice may come from the ingrained traditional habits or the lack of the proper knowledge and skills, or equipment. Secondly, there can be change at the behavioural level with the complementary change at the individual level. The reason may be that the individual is forced or feels obliged to be in compliance with new organisational rules, regulations, and procedures by the threat of demotion, firing, and other punishments, rather than the individuals' enthusiasm and willingness at the cognitive level. Finally, changes happen at both the behavioural and cognitive level, because individuals intelligently agree and genuinely believe the new practical working ways make sense of their new working lives. In this case, the changes tend to become mature and permanently self-sustaining. Brown's view of the corporate culture change focuses more on the relationship between the organisation and individuals. It implies that individuals' attitudes towards the change greatly influence the actual coping methods or the implementation of these coping methods from the management team.

Sometimes a culture change means dealing with confronting core parts in a corporate culture, which involves a more complex and flexible way rather than just overcoming problems. Nord (1985) advocates that countercultures within complex organisations are a normal phenomenon. Those conflicting values, perceptions and interests are in a constantly changing state. Some parts attract some parts and repel others, forming a pattern among themselves. Managing a corporate culture is seen as a magnetic tool to encourage examination of the dynamic and attractive tension among these conflicting parts and allows for changes in the parts, thence a larger entity can be built when these parts operate on their similarity. This point of view indicates that treating conflicts within a corporate culture is a more pragmatic and flexible course rather than a static way. Likewise, Walter (1985) explores what happens to a corporate culture when one culture is put in a superior state as the result of a merger or acquisition. He argues more attention should be paid to the overall cultural effect on different levels rather than just the financial level. Taking both capitalistic and human dimensions into account could attribute much to effectiveness and give rise to less pain to the synthetic course.

Therefore, a culture change is unlikely to be avoided; managing a culture change is becoming increasingly important for the effectiveness and long-term performance of a corporation as illustrated above. Managing changes usually involves cultural adaptation and initiating incremental changes in strategies and practices. In other words, it is not imaginable that changing culture does not involve changing structure and strategy in some way and vice versa (Kotter and Heskett, 1992; Bate, 1994). Individual employees should engage in the changing practice and need guidance and instruction from the management team, which formulate the process of change. Roles of education and training need to be integrated into such a change process initiated by the management team.

## **Corporate Culture and National Culture**

This part examines the reciprocal relationships between the national culture and corporate culture, thus providing fundamental knowledge of the sources and possible solutions of those cross-cultural issues emerging in foreign companies in China. Such knowledge is helpful in interpreting and evaluating different individual perspectives derived from the data collected in the research. Particular attention is given to the impact of national culture on corporate culture, and the management of cultural differences in an international company.

### **Impact of National Culture on Corporate Culture**

National culture is acquired during the life span of a person. All the means of cultivation are enhanced during the lifetime. As a result, it is likely to be resistant to change. Furthermore, national culture is often tied up with the specific institutions of a country and the prevailing political ideologies, which strengthen the national culture in an alien environment. In this respect, in a country, the national culture is greatly influenced by the social system (Child and Faulkner, 1998).



Researchers illuminate the nature of linkages between organisations and the wider culture. Quinn and McGrath (1985) observed that fundamental tensions and paradoxes often appear in an organisation due to different human perceptual values, which have been formed by the environment. They found that those 'competing values' exist in an organisational leadership that decides the organisational form and they argued that those tensions and confrontations are likely to be reduced when those 'competing values' tend to be congruent with the organisational cultural surroundings. Beck and Moore (1985) explore the connection between important dimensions of national and business units. They point out that the degree to which a corporation defines the key values is similar to that of the national culture.

It is argued that national culture can affect an organisational culture by shaping its structure and behaviour at the local level (Hofstede, 1980, 1991; Laurent, 1985). Organisations in different countries tend to own different designs and managerial behaviours. Furthermore, these differences seem more striking in the subsidiary companies of the international firm. In other words, besides the organisation culture, the organisation is also a mirror of the national culture of the country in which the organisation was founded. A kind of subsidiary culture may occur in foreign subsidiaries of international corporations as the result of negotiation between the international organisational culture and the national culture. Based on a series of scholarly and empirical studies with a large range of samples, Hofstede (1991) draws attention to the impact of the national culture on the organisational working environment. He employs five cultural measures, namely individualism/collectivism, power distance, masculinity/femininity, uncertainty avoidance, and Confucian dynamism. The fifth is applied to check the impact of national culture on the working environment in East-Asian countries.

Individualism-collectivism refers to the extent to which individuals tie themselves to each other through a lifetime. A group-oriented or individual-oriented work pattern is an important variable of culture, which provides a key understanding of the norms and values that govern social relationships and social exchange (Kluckhohn & Strodtbeck,

1961; Triandis, 1988). As Triandis (1988) illustrates, in a collectivist society social relationships and group welfare are more likely to dominate individual needs and desires. As a result, individual behaviour is influenced more by social norms and social obligations, and co-operation and social harmony are emphasised. In contrast, in an individual-oriented society, people value more self-decision, assertiveness, competition, and self-achievement. Personal satisfaction and growth are important. When this culture dimension is applied specifically to aspects of managerial practice, the main literature revolves around 'motivation' (Johnson, 1991). It means that in an individualist society it is the internal need for a person to climb the organisational ladder and self-realisation is established on such a need. On the contrary, in a collectivist society where motivation is largely connected with the interests and obligation of the society, self-realisation does not have much space to develop.

In an individual culture unit, individuals combine their self-interests or needs with jobs, acting as 'economic men'. They are likely to get self-satisfaction and gain self-improvement from their jobs. Material incentives are more associated with an individual's work performance. Management techniques and skills focus on the management of the individuals, not groups. In contrast, in a collective unit, the corporation sees an employee as one member of the group rather than as an individual. The employee's self-interests or needs may not be integrated into the specific job he or she is doing. Individual performance may not coincide with the material incentives he/she gets, and poor performance may not lead to his or her criticism or dismissal if the mutual obligation and loyalty have to be protected. Managers in such a situation tend to select people from the same or similar ethnic groups in order to integrate people emotionally and guarantee the loyalty and obligation to the group.

The power distance dimension reflects the extent to which people with less power within a culture expect and accept that power is distributed unequally. In large power distance countries subordinates prefer dependence on their bosses rather than consulting them. They are not likely to contradict their bosses by approaching them directly and openly. In small power distance countries, however, subordinates prefer the role of consultation of



their bosses rather than dependence. They tend to approach their bosses directly if they want to give different or opposite points of view. There is a relatively smaller emotional distance in those countries. The dimension works in a similar way when applied to an organisation. In the large power distance work situation, both superiors and subordinates assume the hierarchical system should be established and acceptable. There are several layers in the structure of the management and people are supposed to report to all those superiors of different levels to reach a final solution. Subordinates are expected to do what they are told without or seldom raising challenging questions or requests about decisions made by their superiors. Ideal superiors are seen as a benevolent leader or good father in a family. On the contrary, in a company with small power distance, both superiors and subordinates consider they are in an equal existence and their relationship is work co-operative, not dominate. The differences between superiors and subordinates are the difference of jobs, not positions or personalities. Subordinates are likely to raise issues or challenging questions for the sake of completing tasks. Thus the organisation is fairly decentralised with less levels of supervisory personnel to report to in order to reach a solution. An ideal boss is considered as resourceful and helpful when a problem is difficult to solve by subordinates alone.

Uncertainty avoidance is defined as the extent to which members sharing one culture feel unease or are threatened by uncertain or unknown situations. In countries with strong uncertainty avoidance people tend to be active in both work and life. They appear to be busy, emotional, and aggressive. On the other hand, in countries with weak uncertainty avoidance people are likely to be indolent in their work and life. They appear to be quiet, controlled, and easy-going. When applied to an organisation, the dimension affects the organisational life in a similar way. In a strong uncertainty avoidance work environment, there is an emotional need for regulations and rules, and employees' behaviours are generally rule-oriented. People tend to work hard by an inner urge, busy during the whole working time. Precision and punctuality are naturally required during the work time. Innovation and creative ideas are suppressed and deviant ideas and behaviours are prevented. Security and esteem are important motivations for an employee's job. However in a weak uncertainty avoidance work environment, employees put emphasis on



reality rather than formal rules. Employees would like to work hard if there is a need for it. Precision and punctuality need to be taught to new employees. Initiative and ideas are encouraged and deviant ideas and behaviours are tolerated. Self-achievement and self-esteem are motivations for an individual's work.

Masculinity-femininity pertains to the culture in which social gender roles are distributed and function. In a masculine society there is a distinction of roles between men and women. Men are supposed to be 'assertive', 'tough', thus persisting in pursuing material success, while women are supposed to be 'tender', 'moderate', and tend to focus on the quality of life. However, in a feminine culture there is not much distinction between the roles between men and women. Both men and women tend to appear as tender, moderate, and show concern about the quality of life. This culture dimension exerts a similar influence on an organisational life. In a masculine organisation, people place emphasis on results, rather than the process. People tend to gain self-achievement and self-assertiveness through their jobs. Material rewards should be connected to an individual's performance and equity. Managers are supposed to be assertive, decisive, and somewhat aggressive. Decisions are made dependent more upon an individual's perspective based on facts he or she investigates rather than group discussions. However, in a feminine culture corporation, employees are likely to get rewards on the basis of equality, solidarity, and the quality of work. Managers tend to be less assertive and aggressive, but resourceful and tending to seek consensus. Decision-making and problem-solving are likely to be sorted out during meetings through negotiation and compromise.

Confucian dynamism points to a set of pragmatic rules for daily life stemming from Chinese societies, such as keeping the stability of the society through unequal power distribution, applying the family structure through all social organisations, achieving one's rank through education. In a corporation dominated by Confucian dynamism, employees tend to display persistence in their jobs. They show obedience to relationships ordered by positions and respect for tradition and older employees. Each employee or group is supposed to possess its appropriate face and other people or groups are supposed

to protect or save it. Personal relationships are developed or maintained through reciprocation of greetings, favours, and gifts.

Based on Hofstede's theory the national culture's influence is generalised by Martinsons and Westwood (1997). These researchers argue that the national culture affects an organisational culture in the following ways. National culture influences an economic organisation in terms of its formality (whether the organisation owns a set of rational and objective business goals or not), systematic ability (whether the organisation owns formalised rules and regulations or not). It affects the relationship to the environment in terms of uncertainty avoidance (whether nature can be controlled through a systematic study or not, and whether the future can be forecast and planned or not). To routine management, it influences the approaches of the decision-making (whether the logical and rational connection between causes and effects is more important than personal relationships, and whether quantitative analysis can be used to model complex relationships).

It also exerts influence on the basic ways of communication (what kind of communication context to use: low context or high context?). Osland (1990) points out differences in the ways of communication between a high context culture and a low context culture. In a high context culture, the background, trustful associations, and values are most important. People possess well-developed networks with others through close relationships. When they conduct general interactions, they do not have to know much about background information and they exchange information in a continuous, even unconscious way. On the other hand, well-known networks and trusted individuals are not perceived as necessary or important in a low context culture. People tend to rely on formal ways of interaction, such as providing detailed background information, and task-oriented information. Information exchange is carried out in a more explicit way than in a high context culture. The generalisation is supportive to the current research project in light of the impact of the national culture on the overall operation of the management in a corporation.

All these studies provide an important documentary reference for the conduct of the current research in terms of the impact of the national culture on the workplace. They help to explore the elements consisting of the corporate culture and how these elements attract or repel each other during their integration process to form a culture compatible with the development of the corporation. They also help to investigate how expatriates and local managers display different roles and take different duties during such an integrating process.

### **Cross-cultural Differences in an Organisation**

National cultural differences in general management in an international economic environment seem a universal problem. Some literature based on the empirical studies is concerned about the impact of remarkable cultural differences between Western enterprises and Eastern ones (Yum, 1988; Bamber, et al, 1992; Jang and Barnett, 1994; Björkman and Schaap, 1994). Some studies concentrate on differences derived from similar cultural origins (Abdullah, 1995; Taylor, 2001).

National culture plays an important role in an international company (Yum, 1988; Jang and Barnett, 1994). The different working styles, different values, attitudes and beliefs are deeply ingrained in the national cultures and corporate cultures of the firms involved. Albert (1994) gives a clear picture of the cultural interactions in an international enterprise. Different kinds of intercultural interactions, from majority-minority (a common form) to minority-minority interactions, take place. Thus one may have interactions between a 'mainstream person' (the corporate culture) and a 'cultural – minority person' (the subculture in the corporation); between two 'cultural minority' persons; between an expatriate manager and a group of local persons; or between headquarters in one country and subsidiaries in another country. In this sense, culture differences (including subculture differences) tend to give rise to cultural conflicts and clashes given the existence of miscommunications and misunderstanding.



The performance of the management team is also influenced by national cultural distance. There are continuous clashes between local cultures and the emerging global cultural development and this phenomenon is not inevitable (Martinsons and Westwood, 1991). As a result of the globalisation process, some norms and principles in organisational design and management are recognised as more universal. However, others are found resistant to change and difficult to be taken into convergence (Kerr, 1983, Vertinsky, et al., 1990). Local managers tend to rely on traditional approaches or ways in the business environment, for those approaches and ways still remain particularly effective in a particular range of the local market.

Cultural diversity tends to cause mistrust, while trust is a useful tool for setting and meeting expectations of each side. Holy (1997) points out that mistrust gives rise to the creation of an unpleasant or strained atmosphere to the working relationship between groups of managers, and therefore, reduces the effectiveness of management. Mistrust often occurring at the board and operational staff level is also derived from cultural differences (Hoon-Halbauer, 1999). Besides the problem of mistrust, Deal and Kennedy (1999) argue that cultural differences also cause another two barriers: language and ritualistic behaviour. The language barrier gives rise to difficulties in organisational communication, which may frustrate colleagues from another country. Every kind of ritualistic behaviours has its own specific context. Their appearance in an improper situation creates a barrier to building stronger cultural bonds.

Cross-cultural differences play a vital role in managing relationships with partners in international joint ventures. Lane and Beamish (1990) look at the co-operative behaviour among partners in their analysis of many problems arising from the partner selection, the design of the organisation and the management of the on-going relationship based on data collected from seventy-five joint ventures. They found that many of the problems can be traced to cultural and behavioural factors due to the lack of an adequate understanding of cross-cultural co-operative behaviour. They argue that because success cannot be considered as a one-sided condition, cross-cultural co-operation should be managed with effort and insight. It is a process involving change in attitudes, specific training, and

practice. This point of view is consistent with the argument of Hu and Chen (1996) and Teboul, et al. (1994). Based on the analysis of some key factors that account for performance in joint ventures, these researchers indicate that in an international joint venture with remarkable cultural differences, effective performance depends more on partner-relationship than the environmental-relationship.

Killing (1983) suggests that in a successful international company, there usually appears to be an effective and cohesive team. In addition, he indicates that a small cultural gap between the partners tends to create effectiveness and cohesion. Managers from similar cultural origins are more likely to share values, beliefs, and knowledge relating to the work environment, and therefore, they are less likely to cause misunderstandings in general management communication that may give rise to tension and conflicts.

### **Managing Cross-cultural Differences**

The more international economic activities become, the more attention needs to be paid to cross-cultural issues in management. How to manage cultural differences has become increasingly of concern and vitally important to an international corporation. The local staff are selectively assimilating the technology and managerial skills from the investing country into some or many parts of its own business operations (Martinsons and Westwood, 1991). Technological innovation and economic development in a global market in a country exert an undeniable influence on social behaviour and management practices. Many local partners or managers do make adaptations to the managerial ideas and skills of investing countries, but the adaptation is still shaped in the local context or environment. This point is confirmed by Herbig and Miller's (1992) conclusion that a society during the process of modernisation may incorporate and assimilate the new technology and innovations in order to retain or enhance traditional cultures.

Since the appearance of international enterprises, much literature has focused on the selection and development of expatriate managers, such as recruitment measures, training programmes, and their ability to adapt and to function effectively in another culture

(Tung, 1981; Adler, 1986; Lane and Distefano, 1988). However, it is argued that the efforts of expatriates alone are not enough, and that something should be added in terms of inter-cultural effectiveness in general. The inter-cultural communication and adaptation should be closely in line with the business context as well as the corresponding cross-cultural effectiveness training (Geriger and Frayne, 1990).

In recent years, there has been an emerging debate about the cultural compatibility within an organisation. This phenomenon usually occurs in mergers, acquisitions, and joint ventures. Adler (1980) advocates a strategy for cultural compatibility, which he refers to as 'cultural synergy'. It means mixing the best elements of different cultures within an organisation. Similarly, Child (1994) raises the argument for a negotiated culture through putting an emphasis on the cultural strength of each partner. The researcher points out that each partner has some distinctive and valuable factors in their corporate culture. These factors might be applied to promote efficiency of the international firm through cultural compatibility. Two kinds of fundamental tensions in the management of cultural diversity are raised by the researcher. One points to the domination of one partner's culture on the operation versus seeking for a balance of contributions from each side's culture. The other refers to the integration of partners' cultures versus a preference for segregating their application within the company.

Child and Faulkner (1998) support this view by pointing out that cultural clash can prevent effective management, but at the same time, it can be potentially complementary through the positive factors of different ways of thinking and behaving. In other words, it can bring unexpected benefits. Cultural compatibility is one of the most important factors for the stability and endurance of an international joint venture, for it includes both different corporate cultures and different national cultures (Li, 2000). Musyimi (2000) indicates that in a foreign company, despite the existence of multinational cultures, a negotiated culture might appear, given the proper conditions. For example, a joint venture does not necessarily generate a new corporate culture. Each side may take in certain aspects of the corporate culture from the other. Such a 'negotiated culture' can attribute to the success of the joint venture in terms of increasing the performance of employees.



Some researchers take a perspective of contingency, exploring the fit between the universal norms and the firm-specific environment, because the importance of modifying universal management practices to the specific business environment or context has already become evident within an international enterprise (Osland and Cavusgil, 1996; Yang, 1998). Based on Yang's (1998) study of exploring the key elements for success in international companies, well prepared pre-departure training is critical. The researcher found that many foreign ventures provide an appropriate knowledge of the host country's language, history, economy, and culture to expatriates, especially the typical ways of doing business. Furthermore, the researcher concluded that on-the-job training for local managers is an important method for the company to enforce set rules and procedures from investing countries.

Thus understanding foreign cultures, especially their business practice implications, is necessary for managers working in a cross-cultural environment. Failure in learning the essence of a foreign culture and practice tends to cause poor communication, inadequate co-operation, and alienation. A conscious understanding of international differences diminishes the pain and discomfort caused by uncertainty and a lack of predictability. However, this step alone is not enough according to Weaver (1993), because the purpose of a conscious understanding is not to help one to avoid the reality, but to develop oneself a sense of self-control and seek various alternative ways to deal with the stress. Facing reality and taking active and effective measures is an appropriate way to cope with a new culture.

## **Corporate Culture and Managers' Education and Training**

This section of the chapter reviews the literature that covers the interrelationships between the corporate culture and managers' education and training with an emphasis on the cultural adaptation and direction to local managers' training. It provides theoretical guidance to key problems or issues about the delivery of education and training to local managers in foreign companies in China. Furthermore, it offers a theoretical

understanding of the implications of local managers' education and training in terms of the development of corporate culture in foreign companies in China.

## **Training Theories**

What is the purpose of managers' training? Johnson (1991) points out that managers' education and training in an organisation aim at promoting the efficiency and effectiveness of managers in terms of management in general. The continuing development of a global market has made the management of personnel more important. The increasing competitive economy has required the relative advantage not only of technology, but also of personnel. It seems easier to transfer 'hard' technical skills than their 'soft' counterpart, which refers to managerial skills. Managing an international company effectively is less easy, especially in a national culture entirely different from the company's culture of origin (Verburg, 1996).

Management training in developed nations depends on more experiential and hands-on approaches rather than teacher-centred ones. Trainers tend to perceive their roles as facilitators. By using open-ended theories and open-ended strategies, the students are trained to develop skills and abilities to reach better problem solutions rather than finding correct ones. These teaching beliefs and methods are derived from the learning theories and concepts, which are prevailing in adult education and employee training in Western enterprises. Vocational training and adult learning in enterprises of Western countries have a long history, becoming one part of the refined Human Resource Management (HRM) strategies. They have reached a considerably mature stage characterised by many popular theories, such as co-operative learning, experiential learning, self-directed learning, and transformative learning (Johnson and Johnson, 1989; Mezirow, 1991; Brookfield, 1995). These theories are briefly described as follows.

Co-operative learning suits adult learners who work together and become critically engaged in their learning, which is structured and systematic, usually with a common goal. The concept of experiential learning explains that learning is a continuous process

in which a learner gains knowledge through direct contact with concrete experience. The experience of a learner is perceived as a valuable source for teaching in adult education. The notion of self-directed learning suggests the process during which learners take initiatives and take the whole responsibility for their own learning: such as diagnosing learning goals, setting up learning goals, identifying learning resources, selecting and carrying out appropriated learning strategies, and assessing and evaluating learning results. The roles of educators during the learning process focus on facilitating the learning process. The concept of transformative learning focuses on beliefs and assumptions a learner holds while constructing his or her knowledge. Thus the learner would examine the sources and consequences of those beliefs and assumptions and form new assumptions and beliefs.

### **Training for Cultural Adaptation**

As well as these concepts of training and education, in an international enterprise, training and education also involve cultural adaptation concepts, because the key role of managers is significantly different between those in domestic companies and those in international enterprises (Adler, 1981; Borg, 1988; Su, 1999; Black and Gregersen, 2000). International managers not only take the parent company's expectations into account as a priority and try to transform the goals and expectations of the parent company into a strategy to apply into the routine management and business practice, but also possess the ability to build and keep a good and close working relationship among staff. This requirement involves trust and proper communication skills. The fulfilment of all these tasks requires expert knowledge and also a sense of culture awareness.

Shweder and Bourne (1984) suggest three main interpretation approaches during the process of one group of people's understanding of another group from a different culture. There are universalism, evolutionism and relativism. A person with a universal mind realises that others' intellectual knowledge and exotic ideas are quite like one's own, although, they appear alien initially. The main and basic things of different cultures are relatively the same under their apparent diversity. Evolutionists are supposed to commit



to the view that the alien ideas of another group/community/country are really different from their own, either in a general way or in a special way. However, they suggest that other's idea systems need to develop into the adequate stages of their own understanding. Relativists demonstrate that the exotic ideas systems are basically different from their own. However, an internal coherency appears between the different idea systems, which provides some understanding, but leaving some parts still alien to each side.

According to the concepts illustrated above, it seems that fundamental characteristics of a corporate culture and operation can be transcended through national boundaries. This is the material reason for members of an international organisation to adapt themselves to the universal norms and practices. In this sense, in an international company, educational and training activities are placed both in the social context and a personal construct of the individual. Failure in providing adequate cultural adjustment training gives rise to many problems in cross-cultural management (Black et al., 1991; Albert, 1994). There is a severe lack of cultural awareness training. It is not uncommon for a person, especially from the mainstream culture to work and interact with others from different cultures with little knowledge or experience of 'the target culture'. However, cross-cultural differences can be effectively dealt with given the proper understanding and appropriate measures. Johnson (1991) suggests that cross-cultural diversity, on one hand, influences the process during which the students assimilate, challenge or discard the present management theory/knowledge. On the other hand, cross-cultural differences can be handled when a true understanding appears of the comprehensive meaning of proper application of the universal knowledge in the local environment during the learning process. In an international corporation, the culture of one side should not be regarded as superior to the other. Thus things are taught to be done in the 'right' way or even better way, but not in the only way.

Cultural differences result in both 'objective' and 'subjective' affection on individuals according to Bhagat and Prien (1996). Objective culture differences refer to the loss of specific cues for reaction and norms for behaviour in an unfamiliar environment and tend to lead people to experiencing stress, helplessness, and depression. Subjective culture

differences mean people differ in internal elements such as beliefs, attitudes, values, ideologies, stereotype formations, and so on.

Then how do managers develop a cultural awareness? Weaver (1993) argues that one can learn to develop ability for adjustment, although personalities are an important influential element to cultural adjustment. One should first gain the knowledge of one's own culture. Such knowledge can be used as guidance for analysing and interpreting behaviour and customs of others, and at the same time, give confidence in one's ability to explain the thinking, behaviour and manners of others in a cross-cultural situation. A vigorous corporate culture needs efforts of both expatriates and local managers to adapt themselves to the new working environment and to interact effectively with each other. Mendenhall and Oddou (1985 and 1986) suggest four dimension components for a successful individual adjustment to an alien cultural work environment. They are illustrated below:

### *1. Self-oriented Dimension*

This dimension means that an individual can maintain or improve self-esteem, self-confidence and feelings of well-being through adopting a series of concrete coping steps, such as attending social activities, learning foreign languages, possessing the necessary technical expertise, and so on.

### *2. Other-oriented Dimension*

The dimension refers to the building of constructive outside relationships. A person should deliberately and willingly try to cultivate a close personal relationship with others rather than just work related. By doing it in this way, the person could gain a better comprehension of intricacies of the new culture and could be less likely to make the common cross-cultural mistakes

### *3. Perceptual Dimension*

A person should not make explanations or draw behavioural conclusions about others from different cultural backgrounds based on his or her previous experiences alone. It is

risky trying to fit new experience data into one's previous conclusions, and this may cause misinterpretation. The person should be open-minded and ready to fill in the space of his or her tentative picture with the new experience and information. This point is also supported by Stringer and Lusardo (2001) who conducted an empirical research on cultural mediation. They demonstrated that individuals from different cultures should possess a non-judgemental manner during interpersonal interaction in order to gain a better understanding.

#### *4. Cultural Compatibility*

This dimension means the cultural adjustment process should take individual elements into account, such as personality and background experience.

#### **Direction of Local Managers' Training**

The learning in an international organisation, according to Kolb (1996), should be integrated into the strategy plan of the company. There are two reasons attributable to such a point of view. First, learning should be considered as important as profit and productivity. Managers should never stop learning from both formal and informal knowledge. Second, different perspectives during the learning process should be tolerated, thus generating the most effective learning result.

Building a strong corporate culture is closely linked with a stimulating learning environment (Deal and Kennedy, 1999). It is people who design and undertake a variety of business activities in a company, thus forming a corresponding work environment. Encouraging employees to learn and share knowledge helps to create an initiative work environment, which particularly suits the development of the company in a more competitive, information-based era. In such an environment, people at work feel they are learning something new every day and making some progress every day, and at the same time, they are likely to express themselves and contribute ideas for the advancement of the prospects of the company. Therefore, an effective learning environment supports and strengthens the corporate culture in terms of its future business success. Deal and



Kennedy (1999) further point out that employees' interests in increasing welfare and self-development are important self-motivations in learning. In that vein, a corporation should consider learning as a basic value and make use of overlapping needs and interests by creating a working environment allowing mutual interests to develop.

An international company provides a chance for both expatriates and local managers to absorb and internalise the new knowledge and skills of the other. In this sense, learning is perceived as a means of knowledge transfer. If both sides have something particular to offer, then learning is a way of gaining collaborative knowledge and collective experience (Hamel, 1991; Liu, 1999). In an international company in developing countries, learning usually involves three types as argued by Child (1994).

The first type refers to the learning of technical skills, such as the acquisition and installation of new machines, and the operation of those machines. This type of learning usually happens among non-managerial staff. The second type of learning involves the introduction of new systems and procedures such as the production of control and budgeting systems. This learning can happen among middle ranking managers. The last type is concerned with strategic plans. The learning is aimed at the senior managers and makes them acknowledge the essential elements for the survival of a business unit, such as the criteria of business success, and the significant factors for achieving the success. Furthermore, the researcher points out these three types of learning should be associated with gaining the ability of cultural adjustment. Similarly, this point is also emphasised by Domke-Damonte (2001) who suggests training on cross-cultural awareness is very significant for managers working in an international business environment, for an organisation could improve a cultural synergy through developing cross-cultural teams. Both diversity awareness programmes and language training initiatives enable those managers to be capable of understanding each others' roles and working together to accomplish a given task.

An international company requires local managers to master international management techniques and skills, which are mainly transferred from foreign investing countries

according to Johnson (1991). He summarises some common things a trainer should be aware of when transferring Western management know-how to local managers in developing countries. These common things are classified below:

- A thorough training needs analysis to ensure that the training programme is relevant to the students' needs;
- The lecturer/trainer should have a declared awareness of the cross-cultural differences both in what is being taught and how it is being taught;
- The students should be encouraged to share and openly express that awareness;
- Lectures should be prepared and organised with the needs of the overseas students in mind;
- Any exercises, case studies, material chosen should not be culture bound;
- Discussion should be encouraged so that students can introduce, explore and refine ideas that are relevant to them;
- The lecturer/trainer should move along the continuum, at a pace appropriate to the students, from teacher-centred learning through discussion to more experiential learning where the students' own values are not only expressed but become the basis for the learning that takes place. Experiential learning can assist in making the learning truly relevant to the student and make the transfer of the learning to his or her work back home more effective;
- A classroom climate prevails where one set of values is not automatically given precedence over another (Johnson, 1991, p.16).

The training, as described above, in fact includes the elements of the culture awareness. During the learning process, students make comparison and contrast between these universal doctrines and those of particular concepts and experiences related to their own situation. In this case, students could learn those new concepts and accept them more naturally rather than just being told to do things in a certain way.

## Summary

In this chapter, a comprehensive conceptual framework is given in terms of theoretical support for the analysis of the fieldwork conducted in Shanghai in the People's Republic of China. It consists of three main parts: corporate culture, intercultural differences, and managers' training. The three parts are illustrated, described, checked, and interrelated in

light of the research purpose. A framework is thus built for the purpose of exploring the truth in a cohesive way from the data in the following chapters.

A corporate culture is comparatively stable, providing guidance to employees' behaviour and justifying employees' effort and time spent in their workshops. How to establish or sustain an appropriate corporate culture proves a great challenge to the management team. The cultivation process involves an extraordinary effort from the management team. However, a culture change is unavoidable under influences of both internal and external change environments. Measures, including education and training, are recommended to apply during the culture change process in company with some change of the organisational structure and strategies. Therefore, the stability is relative, and the change is absolute. A compatible corporate culture involves a constantly reasonable and timely adjustment to the change, but, at the same time, always carefully maintains some core values and beliefs, which have been proved repeatedly valid and necessary in the past history or success in other countries.

A corporate culture becomes more complicated when the corporation becomes increasingly diverse. Both the main culture and subcultures are subject to changes in an international company. How to cope with those conflicting or contradictory values and beliefs involve the use of different measures by the management team. A corporate culture can be built on the dynamic relationship among those conflicting elements as well as the pattern formed from such a relationship, if the relationship is dealt with appropriately, not only eliminating the opposite elements or overcoming problems arising from those management differences or conflicts.

Therefore, there are demanding requirements for managers working in international companies in terms of establishing or keeping a corporate culture compatible with organisational goals or objectives. Elements constituting a corporate culture, such as the core values mainly from the parent companies and host country factors, should be integrated into one unity not only through the organisational structure and strategies, but also through the cultural adaptation, which can be gained through the combination of



international management skills and a cultural awareness sense. Cultivating management techniques and skills and developing a cultural awareness inevitably involve adequate education and training to a certain degree.

The three parts of the conceptual framework as well as their interrelated associations provide guidance or direction for the data collection and data analysis in respect of the design of the methodology and methods and evaluation of the result as well. Furthermore, the three parts and their interrelationships justify and correlate those cross-cultural issues occurring in the practical operation of an international company conducting business in a host country, namely China, as demonstrated in Chapter Four, which focuses on the literature review relating to the research topic in the specific Chinese context.

Cultural differences and conflicts should be considered as natural phenomena, and the culture change as a natural result of adaptation of an international enterprise. Thus cultural adaptation becomes both possible and instrumental in practice. Such a justification and correlation is of great significance in terms of developing a corporate culture consistent with the specific working environment of an international enterprise in China. In this sense, the Mainland Chinese managers, given their dual roles as both local managers and international managers, are in a critical position to fulfil the tasks of establishment or maintenance of corporate culture.

# **Chapter Four: Review of Previous Studies Regarding Cross-cultural Differences and Corresponding Adaptation in Foreign Companies in China**

## **Introduction**

With the establishment and development of foreign companies in the People's Republic of China for more than twenty years, business practitioners and academic researchers are developing an increasing interest in and attaching more importance to cross-cultural issues appearing in these foreign companies. Most studies in the field focus on the impact of key value differences between the Chinese and Western cultures on the organisational structure, managerial concepts, and managerial behaviour as well as suggestions on managing these differences in the Chinese physical environment. It is important to acknowledge what kinds of information and evaluation researchers have gained in terms of the research problems, what problems were addressed, and any corresponding education and training that might help to cope with these problems. This chapter provides a review of factors and recommendations about these issues for comparison with or contrast to the data collected in the current study.

## **Key Value Differences in Management**

A strong corporate culture usually demonstrates the internalisation of shared values and beliefs, which provide guidelines to attitudes and behaviour of the members of an organisation (McDonald and Pak, 1996). Top and senior managers' values and beliefs shape the main values and beliefs of the corporate culture. Chinese management values and beliefs are generated from Chinese cultures and may not correspond with the general Western managerial values and beliefs. Thus the problems emerging in this aspect affect the building and maintaining of an appropriate corporate culture.

## **National Cultural Differences**

Hofstede's (1991) version of culture can be applied to the analysis of Chinese national cultures. There are five cultural dimensions for measuring key values of a country. They are itemised as individualism/collectivism, power distance, uncertainty avoidance, masculinity/femininity, and long-term orientation (Confucian dynamism). When applied to the Chinese context, they have particular meaning related to the Chinese physical environment. A detailed definition and implication of these dimensions has been given in Chapter Three, which is the conceptual framework of the research. Here is the orientation of the implications of those measurements in relation to the particular Chinese environment researched by Hofstede and other researchers through comparison or contrast with the corresponding Western universal culture.

When applied to cross-cultural studies in foreign companies in China, it is assumed that Chinese cultural dimensions such as Confucian dynamism, Buddhism and Communism crucially contribute to the main cross-cultural issues of business. The findings reveal that Chinese societies (including the Mainland of China, Hong Kong, Singapore, and Taiwan) score significantly higher in power distances and lower in individualism than those of the Anglo-American societies (including the United Kingdom, the United States, Australia, and Canada). Moreover, Chinese societies get considerably higher scores in terms of long-term orientation than Anglo-American societies. Subsequent research suggested that the business-related values and beliefs in the People's Republic of China closely resemble Hofstede's findings (Yan, 1988; Vertinsky et al., 1990). Foreign companies in China inevitably reflect those cross-cultural differences related to business behaviour. In this sense, foreign companies are regarded not only as investment and technology transmitters but also as cultural carriers in the transitional social and economic environment.

China is a relatively higher collectivism-oriented society than Western countries. In such a society, interests and survival of the collective are emphasised. In nature, Chinese culture is hierarchical with social states and power highly differentiated. Such a culture is



likely to resist change, for change is viewed as a threat to tradition and social stability. Importance and attention are placed heavily on group-oriented communication and activities. On the contrary, Western societies are more individualistic and loosely organised (Schwartz, 1994; Leung, 1997; Bennett, 1999). Chinese culture is classified as a larger power distance culture compared with Western countries. The Chinese are likely to show respect to their superiors and seek guidance for decision-making from authorities. They tend to expect their superiors to take into account both their personal affairs and professional development. In contrast, Westerners usually possess a lower power distance culture. Employees in Western companies are encouraged to get involved in decision-making and take personal responsibility for results and performance (Mohrman et al., 1989). The Chinese are perceived as relatively strong on uncertainty avoidance (Smith, et al., 1996; Krone and Chen, 1997; Lindholm, et al., 1999). Westerners tend to rely on more information orientation and personal experience to make decisions, while Chinese employees prefer specific job descriptions and clear objectives. Chinese managers are seldom encouraged to take risks because of the bureaucratic hierarchy of the traditional state-owned enterprises (SOEs) or government offices. Chinese societies are classified as in the middle of the masculine culture due to their economic development in recent years (Nyaw and Ng, 1994). In respect of long-term orientation, The Chinese tend to show their preference for personal steadiness, stability, and respect for tradition. Thrift and perseverance are valued in performing work in such a culture. The Chinese require more patience in the process and tend to be patient about receiving the result. On the contrary, Westerners focus more on an immediate result and quick feedback (Hofstede, 1991).

In addition to the analysis of Chinese national cultures using Hofstede's dimensions, Martinsons and Westwood (1997) explain cross-cultural differences between Easterners and Westerners according to the prevailing philosophies of Western and Chinese societies. They point out that Western societies generally stress epistemology, which implies that the environment is perceived to be acknowledged by human beings, subject to explanation, prediction, and even control. Such a philosophy sets up and elaborates a logical relationship between a human being and the outside world. This in turn has

evolved into the specific Western forms of democracy, capitalism and technological development characterised by a focus on the processes of rationalism and formal bureaucracy. In contrast, the Chinese counterpart pays attention to metaphysics, which is ethically driven rather than being based on rational consideration. The principle content of such a philosophy is to establish a spiritual basis in the Chinese civilisation with the main intention to train Chinese citizens to accept instructions. They are supposed to conduct proper behaviour suitable to the harmony of the society. In this sense, the main task of Chinese education is to cultivate ethics in students rather than logic and rational problem-solving methods, although this emphasis has been comparatively reduced due to the market development in recent years.

Cross-cultural differences stem from groups with different cultural backgrounds engaged in relation to each other. In an international working unit, they stem from different corporate cultures and national cultures as manifested by individual employees and organisational and cultural policies and expectations. The cultural clash is usually caused by the basic assumptions of a culture, which is socially embedded in the individual ideology (Child and Faulkner, 1998). Both Chinese organisations and employees are subject to these Chinese cultures. In an organisation, Chinese managers are found to place more emphasis on either corporate culture or national culture elements when making a decision, rather than showing strong individual voiced opinions as Western managers do (Si and Cullen, 1998). In this vein, a foreign enterprise in China inevitably receives a strong Chinese cultural influence because most staff and managers are Chinese. Establishing and maintaining a strong corporate culture might meet challenges from compromise of and adjustment to those different cultural factors.

### **Managerial Value Differences**

A foreign company differs from a state-owned enterprise in China in many aspects. To the majority of Chinese staff there are three main differences based on the study conducted by Hoon-Halbauer (1999). First, the organisational structure and management styles are different. The changes involve reward systems and performance appraisal.

Second, the behaviour of the organisation is different. It indicates a change in the way of sharing information and knowledge, skills, interactions, and attitudes. Last, technological difference is perceived in the change of machinery, co-ordination and integration among jobs. Therefore, for the management team, it is a great challenge to the process of establishing and maintaining a strong and cohesive corporate culture.

A foreign company in China must generally tap local material and personnel sources for production or services with international standards (Liu and Pak, 1999), and the corporate culture should be built or maintained for this purpose. In this vein, understanding how the corporation works is a demanding task for both expatriates and local managers. Both sides need to learn to work in new systems. The impact of national cultures on managerial concepts and values in foreign companies in China may hinder the effective co-operation between the two management teams. For example, the Chinese values of 'keeping face' and 'personal connections' cause much confusion to expatriates. At the same time, Western concepts of sharing information systems, achievement motivation, self-assertiveness, self-actualisation, decisiveness, and self-responsibility are alien to many local managers (Björkman and Schaap, 1994; Okechuku, 1994; Neelankavil and Mathur, 2000). Therefore, acquiring a basic understanding of these different values and beliefs in management is critical for a manager working in an international company. Only when he or she begins to understand them and their expression in practice, can he or she interpret them in a proper way, adjust business practice to accommodate the differences, and communicate in a mutually understandable manner.

Acquiring an understanding of the main Chinese values in management would help Western managers to diagnose the source of the differences and adopt the corresponding methods. Tan (2002), and Lee and Wah (1994) suggest four dimensions about Chinese values in management, namely: Integration, Confucian work dynamism, Human-heartedness, and Self-control. Integration indicates a person's inclination for social stability. It includes such elements as tolerance of others, harmony with others, solidarity with others, noncompetitiveness, trustworthiness, contentedness, conservativeness. Confucian work dynamism refers to the teaching of values rooted deeply in



Confucianism, still exerting strong influence on Chinese people’s working attitudes, such as thrift, persistence, having a sense of shame, reciprocation, personal steadiness, protecting ‘face’, respect for tradition. Human-heartedness measures a person’s compassion, such as kindness, patience, courtesy, sense of righteousness, and patriotism. Self-control reflects a person’s moral dynamism that includes moderation, keeping oneself disinterested and pure, having few desires, adaptability, prudence. Their findings show that the Chinese managers across the world possess more or less these values.

Knowing key values of other cultures can assist local managers to make proper value adjustment when co-operating with Western managers. For example, Pan (1994) conducted an empirical study on cultural features of European companies in China. The findings indicate that French and Italian companies are more averse to risk than British and German firms. Furthermore, French and Italian companies are more unequal power distance cultures than those of Britain and Germany. Britain culturally is the most individualism-oriented cultural country among the four European countries. Italy places more emphasis on a company’s success and profitability due to its stronger masculinity culture than the other three countries.

Xing (1995) explored value differences in management derived from both Western and Chinese traditional cultures. The study was carried out in American firms in China and generates some fundamental cultural traits attributable to cultural differences in managerial behaviour.

<i>Chinese values</i>	<i>American values</i>
Intuitive	Rational
Aesthetic	Scientific
Introverted	Extraverted
Self-restrained	Aggressive
Dependent	Independent
Procrastinators	Proactive
Implicit	Explicit
Synthetic	Analytical
Patient	Impatient
Group reference criteria	Individualistic
Desire for eternity	Eager to change

These value differences indicate that in a foreign company in China, Western managers tend to stress such elements in management procedure as identifying problems, analysing problems, implementation and control, and assessment and evaluation of results. Westerners, especially Americans, value excellence in rationality, reasoning and scientific inquiry. On the other hand, the Chinese mindset is characterised by the more subjective, intuitive, and implicit approach. Thus a Chinese manager is not likely to conduct innovation and take initiatives.

It is not difficult to anticipate that these Western cultural traits, when applied in the Chinese context, might become problematic, for the Chinese context includes many segmental parts and worldly managerial issues. In such a social cultural context, Chinese managers are more likely to order and maintain relationships by position and social status (Holt, 1997). This tenacity stems from the expectation for social conformity, which discourages self-achievement, risk-taking, and self-direction. Holt further argues that Chinese managers also demonstrate a stronger tendency of keeping tradition in management rather than provoking initiatives. For example, factors for Chinese managers, such as group harmony, stability of relationships, and self-preservation are more valued and emphasised. The basic assumption for these values is the collectivism-oriented culture, which is still prevailing in China and contributing to the compliance to and acceptance of authority in managerial behaviour. Social obligations are stressed, while independence, self-assertiveness and innovation and creation are not greatly encouraged very much. This conclusion is compatible with many studies (Xu and Wang, 1991, Ralston, et al., 1994, Trigo, 1995, Chow, et, al., 1997, Weldon and Vanhonacker, 1999; Worm and Frankenstein, 2000; Luo, 2001; Stone, 2001).

In summary, in such a relatively new organisation, an adequate knowledge of the key values of cultures of each side would facilitate co-operation. Each side can take an appropriate way to discuss common concerns, new ideas, and emerging issues in business, and tend to make compromising agreements (Lin and Germain, 1998). In this respect, it is possible to set up a corporate culture in a foreign enterprise compatible and acceptable to staff of both sides as well as serving the common goals of the company.

## **Organisational Ethical Perceptions**

Organisational ethics are significantly different between Chinese and Western managers (Ralston, et al., 1994). Chinese ethics are manifested in Confucian work dynamism, which puts an emphasis on the inner social hierarchy or structure. Confucian work dynamism in a company implies persistence, ordering relationships by status, thrift, and having a sense of shame (Hofstede and Bond, 1988; Hofstede, 1991). Chinese ethical behaviour in practice appears very pragmatic and is used as guidance or direction to organisational behaviour, while Westerners tend to view ethics as something absolutely ideal of good behaviour (Velasquez, 1992). In this study, Western managers tend to view an employee's excellent performance and rationality in one's work, and a manager's positive image for the company as more ethical factors, while Chinese managers are more likely to personalise and legitimate the use of illegal tactics for company interests as long as these techniques can maintain harmony within the company.

An important problem of 'honesty' or 'loyalty' is also related to ethics in management and is explored by Hu and Graen (1997) and Worm and Frankenstein (2000). 'Honesty' can be problematic to many Western managers working in the Chinese physical environment. In order to keep harmony and save face Chinese managers sometimes say one thing and do something else. This is a phenomenon that confuses Western counterparts. Chinese are honest or loyal to people they have personal or trust-based relations with, not people in general.

These studies imply that cautions of corporate ethical values would contribute to organisational commitment and job satisfaction, because ethical values are one important part of the shared values and beliefs of the organisation, so they are also used to guide decisions and attitudes of members of the organisation. In this sense, ethical perceptions should be designed carefully in an international enterprise in China when establishing a proper corporate culture.



## **Management Behaviour Differences**

Managerial behaviour is conducted under the guidance of certain managerial values and beliefs. Different values and beliefs tend to lead to different behaviours, which may not be compatible with the corporate culture, thus preventing the foreign company from reaching its goals. Some Chinese managerial behaviour may not suit the operation of the international market, while some foreign management behaviour may not fit the operation of the particular Chinese market.

Based on in-depth interviews with both Chinese and Japanese managers in Japanese companies in China, Taylor (2001) finds it is not that easy to transfer management practices from Japan to plants in China despite the cultural similarity between China and Japan. The refined and sophisticated Japanese management practice needs integrating with the local diversity. Although both the Chinese culture and Japanese culture stem from the same root (e.g. Buddhism), values and beliefs on the surface are somewhat changed through each country's history. Many cultural issues exist in Japanese firms conducting business in China. The study implies that there appear to be cross-cultural differences in the overall management even if in an international company with similar cultural origins.

Many foreign companies in China are set up by Western countries, so Western managerial theories and practices have been extended or applied in those companies. However, China's context differs from Western countries enormously in many important factors: such as cultures, social systems, economic systems and ideology. China provides a culturally diverse environment for the study of values and beliefs in enterprises, for the blend of socialism and Confucianism makes China a strong contrast to developed Western nations (Tung, 1990; Anon, 1993). Therefore, China faces serious challenges for the applicability or transportability of Western management paradigms and models (Shenkar and Von-Glinow, 1994; Hu and Chen, 1996; Lin and Germaines, 1998; Li et al., 2001). Chinese managers significantly differ from Western managers in some key managerial aspects, such as self-confidence, leadership ability, educational achievements,

communication skills, and working experience of international business operation (Neelankavil et al., 2000). Furthermore, Chinese managers are not satisfied with somewhat mechanical and rigid ways to implement these Western managerial forms (Walsh, et al., 1999).

Based on research or studies in the past twenty years, many problems and difficulties emerging in management behaviour in international companies in China focus on the following aspects: routine management, day-to-day communication, and management conflict coping styles.

### **Routine management**

#### *Organisational structure*

In a foreign company in China, the organisational structure usually comprises the board of directors and the general manager responsibility system. In an international joint venture, the position of the vice-general manager is generally taken by someone from the Chinese partner. Under the leadership of the general manager, managers from different functional departments exert their duties or responsibilities within their authorities. However, there appears to be tension in designating directors of the board or senior managers between two partners (Howell, 1992). Many directors of the board or senior managers from the Chinese parent company are without international management techniques and experience. They are appointed only because of their past service and loyalty to their previous administrative bodies. The lack of a proper knowledge of the operation of the modern market prevents them from making appropriate decisions. Furthermore, Chinese managers sometimes make decisions based on political reasons due to their dual responsibilities, which may hinder them from taking an active role in the operation of the company (Wong, 1999). Because the form of a joint venture is considered as an economic development mechanism rather than a co-operative business entity by many Chinese partners, so the main goals focus on absorbing foreign capital,

transferring technology, and implementing training programmes rather than pursuing pure profits (Zhu et al., 1998).

However, in a wholly foreign-owned enterprise, the decision-making process becomes somewhat easier, because most of the senior management positions are occupied by expatriates or local managers recruited by the foreign parent company. According to Yang (1998), in wholly foreign-owned enterprises, it is relatively easier to establish a corporate culture shared by the majority of staff in the company than it is in international joint ventures, because the process of decision-making tends to be simpler and quicker without spending a long time negotiating over controversial issues with Chinese counterparts. Corporate objectives are defined more clearly. While in joint ventures, Chinese and foreign partners tend to deviate from each other in corporate strategic goals, the result is constant tension and conflicts in management. Human resource management in a wholly foreign-owned enterprise tends to have a smoother process in hiring and performance appraisal of the staff. Therefore, in a sense, a smooth management process is of great significance to the establishment of a strong and cohesive corporate culture.

### *Managerial competence*

Cui, et al. (2002) conducted a study of the managerial competence of both Western and Chinese managers working in British subsidiaries in China. There are similarities between them in terms of such competence dimensions as being cautious in action and consistency in planning and implementing work plans. These competence abilities are important for coping with complex problems and creating effective communication. On the other hand, there are significant differences between British and Chinese managers. Western managers are perceived as much more positive in these competence abilities such as accepting new ideas, having careful preparation before a decision, having clarity of purpose, creating a climate characterised by trust, and being honest in communication. In contrast, Chinese counterparts are considered as somewhat negative in these items. The study suggests that Chinese managers are less capable of international management than their Western counterparts due to cultural and traditional reasons in management.



However, there is still common ground for Chinese and Western managers to work together in an international corporation through an open and honest understanding of each other's strengths and weakness as well as the improvement in Chinese managers' techniques and skills in international management.

### *Personal connections*

Based on the empirical study of convergence /divergence of management values, a researcher (Anon, 1993) compared and contrasted management values in corporations from the United States, Hong Kong, and the mainland of China. The findings indicate there are significant differences in key values of managers between the United States and the mainland of China. For example, managers in the mainland of China scored higher in putting emphasis on personal connections and trustworthiness, relying on informal channels of influence or guidance, and holding predecessors' values or ideas as important as in the direction of the job. In contrast, American managers responded high in placing emphasis on legal contracts, depending on detailed background information in making decisions, relying on formal authority as the means of influence or guidance, and valuing or tolerating innovation.

The point is further strengthened by Worm and Frankenstein (2000) who explore managerial co-operation in Western companies. The findings indicate that problems in communication lying in conflicts and confrontations between Western universalistic values and Chinese particularistic values create difficulties in building trust and effective co-operation between Chinese and Western managers. Interpersonal relations are stressed in establishing a proper co-operation, for in the Chinese culture, human relations are particularistic. Generally speaking, China is a collectivism-based society, so harmony is encouraged and conflicts are covered up. Personal linkages are more important than skills and rules in many parts of China, and business conducted is mainly based on relationships rather than transactions. Compared with Westerners, a stronger sense of responsibility and obligation exists among people possessing a close personal relationship (Wong and Kung, 1999).

Farh, et al. (1998) conducted studies to investigate the implication of '*Guanxi*' (personal connections) in the Chinese context in terms of trust in the supervisor when deterring subordinates' responses. The finding indicates that '*Guanxi*' is an important element in the choice of a relationship. For example, Chinese executives select key business associates by relying on '*Guanxi*', because '*Guanxi*' makes executives feel that these associates may provide valuable or useful help. Such '*Guanxi*' is more complicated than a pure friendship or role obligation based on the particularistic ties between the two individuals. The study is consistent with Buttery and Leung (1998) who assume that personal connections in China still perform practical roles in order to maintain the harmony in the way of doing things.

Emphasis on personal connections is also manifested in external relationships, such as between producers and clients, of foreign companies in China. Nowak and Dong (1997) explore personal connections in business conducted in Western companies in China. Westerners usually pay substantial attention to the quality of their products and carry out market research and analysis based on concrete statistics and facts when breaking into a new market or sales promotion. However, Chinese managers or partners are likely to establish personal connections with customers or clients before seriously beginning negotiation or doing business. Chinese managers and partners tend to use formal dinners or lunches to entertain their customers or clients in order to expand and develop their business. In contrast, although Western counterparts generally try to chat about something personal before the formal process or during the process of conducting business, they have no true intent of making friends in their professional dealing that is supposed to rely on statistics and facts. Michael (1997) also holds a similar view by pointing out that Chinese managers are more willing to depend on both internal and external personal relationships than their American counterparts. There are continuous exchanges of favours between individuals that facilitate the way of conducting business and maintain or save face for each other.

Personal relations are closely linked with other main values in managerial behaviour such as personalised relationships according to Worm and Frankenstein (2000). Based on

interviews carried out in Western companies in China, they found that Western managers consider that Chinese managers tend to personalise work-related relations. While Chinese counterparts feel Westerners simply treat the Chinese staff as a labour force. Chinese managers are likely to use '*Guanxi*' (personal relationships) to protect themselves and their friends and tend to share information exclusively within their '*Guanxi*' networks. Chinese managers are perceived as more reluctant to mention their problems in their field during a meeting in case the problems could cause them to lose face. Mavondo and Rodrigo (2001) support the view by pointing out personal relationships had a direct effect on organisational commitment in close relation with the 'trust' and 'face work'.

### *Problem-solving process*

Beamer (1998) carried out research to explore different working ways between European managers and Chinese managers in Western subsidiaries in China. First, the way of problem solving is different. Western managers tend to seek the relations between cause and effect by tracing the reasons contributing to the existence of a certain problem, then searching for ways to eliminate the cause. During the process of taking action, they place emphasis on creative solutions or experimentation, and doubt a solution exclusively based on past experience or higher authority. Chinese managers tend to treat a problem as something in a non-linear network full of interrelated items. They are likely to solve the problem with reference to one's previously identified problems or guidance from higher authority. At the same time, they are careful not to destroy the harmony of relationships involved in the solution of the problem when taking action. Second, Westerners tend to rely heavily on regulations and rules as well as detailed background information to reach a result. They tend to exert personal efforts and take on individual responsibilities and duties concerning results. On the other hand, Chinese counterparts are more likely to go around regulations and rules to reach work goals, tend to stress personal connections rather than results, and exert more collective responsibility for results. Walsh, et al. (1999), whose work is based on interviews, also support this view. The findings show that Chinese managers in foreign companies, especially those who have gone through the



Cultural Revolution (the period of political chaos in Chinese history from 1967-1977), tend to avoid loading decisions and responsibilities onto individuals.

### *Performance assessment*

In Western culture the performance of employees is more closely linked with rewards than in Chinese culture (Brunner, et al., 1992; Osland and Cavusgil, 1996; Nowark and Dong, 1997; Beamer, 1998). Western managers make the performance assessment based on the performance reality of an employee and rate employees differently. On the contrary, Chinese managers try not to go to extremes when measuring an employee's performance, because they tend to take into account the key factors of the employee's situation, such as the loss of face, the influence on the employee's professional development, and effect on the family of the employee.

Personal control is an important dimension of staff performance in Western countries (Karasek, 1979). Karasek's study assumes that high job demands and low control tend to lead to high anxiety and depression, while high job demands and high control is likely to give high job satisfaction. This assumption is more applicable to individuals who perceive themselves as having the ability for the job than those who consider a lack of such ability. Chinese traditional culture does not encourage an individual to control his or her personal performance completely. Chinese managers pay more importance to subservience and obedience of subordinates. Supervisors and superiors tend to exert strong influence on their subordinates and subordinates tend to show their dependence on their supervisors and superiors (Xie, 1996). Furthermore, Xie and Johns (2000) conducted a study on the impact of national culture on absence in China. The findings show that Chinese managers generally favour good attendance, which is one of the important elements for performance appraisal, while Western counterparts focus more on the results from an employee's job.

### *Risk taking*

Most Chinese managers lack initiative in their jobs and are likely to avoid risk-taking, which is one of the important elements in decision-making (Beamer, 1998; Weber and Hsee, 1998). Based on studies of differences in risk preference between Chinese managers and Western managers, the findings show that Chinese managers tend to be close to risk neutrality in the survey while Westerners tend to reflect stronger direction and more variance. The result suggests Chinese managers are much less likely to take risks in business than their Western counterparts, especially managers from the United States and Germany.

### *Designing development plan*

An international corporation usually has a strategic plan with a mission statement or guidance principles. Managers of different departments are generally required to expand or develop the strategic plan to adapt to the development of his or her own department. This ability needs self-assertiveness and taking responsibilities for results. However, many Chinese managers are incapable of developing their plans. They do not have their own ideas about the business of their functional departments, for they were used to being told what to do when in their previous state-owned enterprises or school education sessions (Nowak and Dong, 1997).

## **Interpersonal Communication**

There are many problems existing in interpersonal interaction in foreign companies given different communication cultures and methods between Chinese and Western societies.

Osland (1990) suggests that China basically belongs to a high context culture (reference back to Chapter Three). In doing business with foreigners, Chinese people are often more concerned about trustworthiness than legal contracts, formal procedures, and task-oriented information. In this respect, foreign businessmen should give Chinese partners

or managers opportunities to gain an understanding of foreigners' values, positions, and trustworthiness. On the other hand, in companies set up by Developed East-Asian countries with relatively low context cultures, the communication can be more easily conducted to achieve problem-solving and the control of human resource (Lin and Germains, 1998; Li et al., 2001).

Nowak and Dong (1997) explore different behaviours in communication from different cultures in Western companies operating in China. They found that cultural factors have an influence on communication behaviours. Take verbal communication for example. Westerners tend to have rich facial expressions when talking and are likely to reveal whether they are happy or frustrated with things they are doing. On the other hand, Chinese managers prefer to be agreeable even if they are unhappy with a particular decision or suggestion. This can be problematic if the foreign counterpart assumes that the Chinese colleague has agreed or is happy with the decision simply because he or she has not disagreed.

Problems in communication may deduce the transferability of the sophisticated Western management system in Western companies in China due to different communication cultures and behaviours (Hoon-Halbauer, 1999; Worm and Frankenstein, 2000). These problems such as mistrust, or differences in preconceptions, may create tension and an unpleasant working environment among managers and result in strained and cumbersome working relationships, thus enormously diminishing the effectiveness of the general management. Some of the Western mature systems prove very incompatible with some particular Chinese circumstances. If Western managers attempt to transfer them successfully into the Chinese physical environment, they need to modify and make some changes to the systems and procedures. It may result in a longer time for implementation, and Chinese managers tend to become confused and frustrated before they can master and apply these systems and procedures.

According to these studies, communication is critical for establishing or maintaining a corporate culture. Effective communication facilitates the process of building a strong



corporate culture, while poor communication may hinder the process. Therefore, communication deserves great attention and efforts by managers working in foreign companies in China.

### **Coping with Management Conflicts**

The management styles of managers differ from Western countries and China in coping with workplace conflicts (Chiu and Kosinski, 1994). Based on an empirical study of joint ventures in China between the U. S. and China, Morris et al. (1998) point out that Chinese managers cope by avoiding conflicts due to their preference for preserving the social structure and organisational relationship, while American managers rely more on a competing style. The difference may give rise to difficulties when a Western manager tries to get critical feedback from a Chinese colleague. The Chinese colleague may not give direct expression of the conflict, so the Western manager may make a misjudgement simply based on the lack of the expressed disagreement from the local manager. The researchers argue that in international joint ventures, The Chinese place relatively higher values on social conformity and tradition which account for Chinese managers' inclination of applying an avoiding style in coping with management conflicts. Western managers tend to rely on a competing style due to their self-enhancement and self-achievement. Wang (1998) raised a similar argument according to his empirical study of the team conflict management in Western companies in China. The findings show that overseas managers sometimes get annoyed, even offended when their Chinese colleagues are unwilling to discuss problems directly with them.

The findings are further supported and strengthened by Fu and Yukl (2000) and Tinsley and Brett (2001) who conducted studies on the same subject in American firms in the Mainland of China and Hong Kong. Rational persuasion, coalition, and upward appeals are consistent with cultural values and traditions of the two countries. The study suggests there are significant differences between American managers and Chinese managers in respect to managing workplace conflicts. American managers tend to resolve conflicting issues through more direct tactics, such as discussing each side's interests, synthesising

multiple issues, and reaching integrative outcomes. However, Chinese managers are more likely to use indirect forms and tend to reach distributed outcomes through involving superiors or higher management authorities in conflict resolution. They are likely to avoid direct negotiation, but apply more compromise, or higher authority's interference. Chinese dominating values of collective-oriented interests and concern for authority account for this method of coping with conflict.

## **Adaptations**

Those differences and problems emerging in managerial values and behaviour in a foreign company in China seem unavoidable as mentioned above. However, these problems are not unconquerable if adaptation measurements are taken by both Western and Chinese managers (Williams and Bent, 1996). The solution depends on the extent to which both sides understand each other's main culture factors, how to perceive those differences in managerial values and behaviour, and the coping styles. The adaptation no doubt leads to a smoother way to cultivate a corporate culture.

### **Adaptation in Management**

National cultures should not always be considered as insurmountable barriers. It is possible for individuals to make adaptation to the demands of new management practice through placing voluntary restrictions upon themselves. Awasthi (1998) made an empirical study of this aspect. In a high individualism culture, namely the United States, people sometimes place more emphasis on team-based performance and make some self-sacrifice for the realisation of the purpose of their team. The study indicates that individualism/collectivism does have an effect on the implementation of team-based work patterns, but the national culture factor might work in a different way in a different culture. In a more individual-oriented society, people sometimes see both individuals and teammates in a more team-based performance arrangement with emphasis on harmony and long-term co-operation and collaboration. On the other hand, according to Chapel (1998), Chinese staff in American companies in China do not feel hostile to the

independence required for their jobs, which is an important aspect in the new ‘co-culture’ of the organisation. Values and beliefs can be redefined and changed to a certain extent according to the task orientation and specific environment of a corporation.

The quality and standards of products and services in an international company should be kept up to international expectations, but the management should be flexible and sensitive in terms of intercultural differences without going to extremes according to Lu (1999). The researcher argues that every culture has its value systems, keeping its own characteristics. With the lapse of time, some values have been taken as absolute. However, the system should be open to an extent in order to accommodate different or opposite values and beliefs from other cultures. In this sense, the foreign corporate environment needs to provide chances for different cultures to draw strength from other cultures for the sake of mutual interests, and further enrich and develop those values and beliefs. The doctrine of ‘when in Rome, do as the Romans do’ should not be applied simply, but adopted in a way to absorb those values and beliefs, which do not exist in the present Chinese value systems and contribute to the corporate development in China in the present market. The study further suggests that in foreign companies managers should pay attention to standardised management techniques and value individual contributions to the companies, at the same time without ignoring individual values relevant to the team and the team spirit. They should apply education and training as the primary way to implement the rules and regulations for staff. Different values are not definitely problematic to each other, if manipulated appropriately. The above study provides some guidance for appropriate adaptation between local ways and international regulations and rules in business conducted in China. It seems that a foreign company needs to seek solutions in terms of best performance of the company, not just keeping balance between the local ways and international standards.

In Chinese culture, people attach great importance to and make use of personal relationships. Therefore, cultivating ‘*Guanxi*’ (personal connections) could be helpful for the development of a foreign company. For example, sponsoring Chinese partners for trips in the investing country in a joint venture proves an effective way to build



friendships that would assist and benefit the work of the company. The trips can be organised in different ways, such as formal meetings at the headquarters, informal tours to the investing country, and even visits to homes of the foreign managers (Osland and Cavusgil, 1996). Western European companies, according to Tung and Worm (2001), make the effort to cultivate '*Guanxi*' with the Chinese party or local governments. Executives from the Chinese side are invited to visit the parent country at the expense of the foreign investing company. Members of relevant institutions are entertained with lavish banquets. These measurements are perceived as useful to set up '*Guanxi*' in the Chinese context.

As far as the organisational ethical perceptions are concerned, the meanings of some perceptions of Western origins are overlapping with Eastern ethics according to McDonald and Pak (1996). The researchers defined main conceptions exerting the moral influence on the decision-making process such as self-interest, utilitarianism, duty, and justice. Self-interest reflects the interests or self-promotion of the individual decision-maker during the decision process. An organisational decision should be made by the same principle in order to guarantee the best interest of the corporate entity. Utilitarianism at the organisational level refers to the interest or good ensured for the larger number of people concerned during the process of decision-making. Thus the consequences of one's decision need assessment when making the decision. Duty means whether an organisational decision would keep or violate any prescribed obligations. The process of decision-making should involve the consideration of the action of interests on the rules of duty. Justice is concerned about 'fairness' of an organisational decision. There should be a just distribution of benefits and burdens among people engaged in the decision process despite their personal conditions. The researchers demonstrate that the meaning of the concepts of 'duty' and 'justice' are also related to Eastern philosophies, notably Confucianism, which suggests that a full human is a person who should have proper consideration of other people and take corresponding action on behalf of them.

Rewards in terms of the Chinese management values seldom correspond with staff performance due to the higher collectivism-oriented culture. Chinese staff are less likely

to take responsibility for the result or take initiatives in their jobs. In contrast, in Western culture, rewards such as salary increases and opportunities for professional improvement are more closely linked to the performance of employees. However, it is found in Western companies that such rewards are also important ways for motivating Chinese staff. As a result, Chinese staff attitudes toward individual responsibilities have been gradually changing, and Chinese managers, especially younger ones, become more open to initiatives, innovation, and risk-taking. They exert more personal control over their workshops and strengthen the tendency and intention to promote their self-interests in their jobs (Xie, 1996; Beamer, 1998). Consequently, the Western performance appraisal system gradually helps Chinese employees place emphasis on individual merit and achievement, a transition from a bureaucratic assessment (Zhu and Dowling, 1998).

Showing respect to tradition and to older people is another value stemming from Chinese cultures. During daily management the Chinese tend to show greater respect to older directors or managers who are considered to have more experience. In this sense, the foreign parent company may designate older personnel to work in the subsidiaries in China, since Chinese staff would be willing to follow their decisions and learn from their experience (Osland and Cavusgil, 1996; Nowak and Dong, 1997).

Decision-making processes in Western companies in China can be adjusted in terms of employees' involvement. The process should be more consultative, open, responsive to feedback and suggestions among all levels of staff. Thus local staff, especially local middle and low managers, can be engaged in decision-making processes and good interpersonal relationships between local managers and expatriates could be established (Leung et al., 1996).

### **Adaptation in Communication**

Although cultural differences in communication styles may cause large problems, Beamer (1998) suggests it is less realistic to attempt to change each side's traditional thinking, but it is essential and critical to try to reach a mutual understanding in order to

work out problems. On the other hand, Worm and Frankenstein (2000) suggest that the best way to reduce conflicts in communication in Western companies in China seems to be an appropriate combination between 'particularistic' values in human relations with 'universalistic' way of running business.

Mu (1995) suggests five kinds of skills for effective intercultural exchange based on case studies in Western companies in China.

- **Exchanging respect:** The skill refers to showing respect to people from other cultures through both verbal and non-verbal languages and attitudes. However, one should know proper ways of communicating respect to people before demonstrating such a respect.
- **Being non-judgemental:** This ability means a person should not make a rash generalisation or evaluation about people from other cultures. Holding judgement and remaining objective are essential to gathering an adequate amount of information for a proper understanding.
- **Realising that perceptions are personal:** The skill suggests a person should possess the ability to interpret the behaviour of people from other cultures in an appropriate way. One's own perceptions about the world are always limited, bounded within one's own cultural background, which may not apply to the rest of the world. Using a tentative way in making a conclusion is the core of the skill.
- **Showing empathy:** This ability makes a person acquire a better understanding of the situation of people from other cultures by 'putting oneself in someone else's shoes'.
- **Tolerating ambiguity:** The skill helps those who are working in an alien culture full of uncertain or unpredictable elements. They need to cope with the stress, frustration, and even hostility resulting from their discomfort. The skill refers to people who can manage their feelings and conduct effective interpersonal relations.



## **Local Managers' Education and Training**

In an international company, as demonstrated earlier, quality of products and services must be kept to an international standard. However, the majority of employees are local people. Therefore, Chinese managers are in a critical position in the whole management of the company. It is a challenge to local managers to help expatriates to build and keep a strong corporate culture in terms of maintaining the good performance of the company, and, at the same time, manage the local staff in an effective way. Foreign companies usually provide some necessary education and training to their local managers. Both Chinese and Western cultures inevitably affect the training process. However, only a few studies have focused on this aspect in the past twenty years. A comprehensive summary of these studies is given below.

### **Training and the Chinese Culture**

It is perceived that transferring foreign management systems in China is not a simple process (Warner, 1998; Hoon-Halbauer, 1999). It seems easier for a foreign company to transfer the 'hard' technology than its 'soft' counterparts, such as managerial values, performance appraisal, and motivation. When a company is set up, Western managers usually establish Western organisational structure and operation systems. Then they provide local managers with the training for application of these systems. They tend to assume and expect that these systems would be principally implemented in the Chinese context without many questions from the Chinese local managers, but they find the Chinese environment hinders the effective operation of these systems. The tradition and culture is one of the most important reasons. Thus these companies' expectations cannot be met, at least in the short term. Take the cultural dimension of individualism/collectivism for example. Earley (1994) conducted a study to examine the impact of individual versus group focused training on self-efficacy through samples of managers from China and the United States. The findings indicate that individuals from a collectivism-oriented culture (namely China) perform better when exposed to training focused at a group level. On the other hand, individuals from an individualism-oriented

culture (namely the United State) perform better when exposed to training designed for an individual level. In this vein, organisational training in a foreign company, according to the study, should be culturally defined and shaped for the typical Chinese environment.

Developing an effective workshop is vital to operating a foreign enterprise in China. One of the concerns is providing adequate and sufficient training and learning experience for local managers. Although there are different ways of delivering the training programs, a common problem emerging is how well Western concepts and practice transfer to the Chinese context. These concepts, such as developing creative, innovative, and self-managing managers, should be studied carefully in China where self-achievement is mainly social-oriented (Yu, 1996). Chow et al. (2000) support this view by pointing out that in Western organisations, knowledge sharing is more explicit and open than that in the Chinese context given the reason that the Chinese society is mainly collectivism-dominated. Likewise, Liu and Vince (1999) also argue that learning in an international company is a kind of intercultural activity, more complex than that in a single culture context. The transfer of management techniques and skills to a new culture needs to involve a two-way process, with the donor's sensitivity to differences of key values and the recipient's change resulting from the application of the new techniques and skills. Creating an environment of dialogue in the learning process is of great importance to working through anxieties, uncertainties, and misunderstandings or misconceptions. During such a learning process, the attitudes of expatriates towards cultural dilemma are critical. Expatriates should be trained to deal with cultural differences in China with the focused coping strategy according to Selmer (1999). The strategy focuses on taking efforts and constructive actions to alter the situation causing depression and stress. In the Chinese context, the strategy indicates showing tolerance and patience, taking efforts to solve problems and attending social activities with local managers and staff.

Cultural factors also exert influences on the extent of the change of attitudes of learners. Bennett (1999) demonstrates that in Western countries, learning is conducted more flexibly than that in the Chinese context. In Western countries, deep-rooted values and beliefs exert less influence on the change of attitudes of employees, while different

development activities, such as proper training, mentoring, socialisation, and technological improvement activities are more attributable for the change. On the other hand, Chinese employees tend to build their attitudes based on deep-seated values of the culture, so fewer opportunities in their experience as well as the new corporate culture of organisations are provided for their further shaping or modification. Stability and permanence are considered as virtues in Chinese cultures. In Chinese organisations, employees are less likely to work against the culturally accepted standards. The corporate culture controlled by the national culture and governments is less likely to provide training, socialisation, and innovation activities in terms of attitudes shaping. Consequently, the operation of Western companies inevitably causes more changes in perspectives, especially in working attitudes of Chinese employees working in these companies than that in SOEs.

Personal involvement of managers is strongly suggested during the process of training in foreign companies in China (Anon., 1993). The aim of training programmes is getting staff do their job in a way they are not used to. It is a person's culture that affects the way of doing things rather than intelligence. Therefore, the top management team shaping the corporate culture needs to make efforts in the implementing of the training strategy through personal involvement.

### **Training and the Development of the Company**

Research on the functions of Human Resource Management (HRM) in foreign companies in China (Verburg, 1996) demonstrates that HRM has four main functions: selection, rewards, performance appraisal and training. The findings show that training for local managers is more challenging and complicated than that for non-managerial local staff due to the cultural reasons as well as the lack of modern management techniques and international experience. Communication skills, team management and foreign language need to be oriented in training. However, there is tension due to the effort spent on improving the quality of production and developing future managers in some foreign



companies, although these companies realise the necessity of training programmes for the development of the corporation in the long run.

Training programmes in an international enterprise need to be identified for both the short-term and long-term aims of the development of the company. McEllister (1998) demonstrates the point based on the investigation of training programmes in recruitment and retention of Chinese managerial staff in Western companies. He argues that training programmes design not only strengthens the existing skill, but also develops the potential of the skill to meet the future requirement of the company. It is necessary to incorporate current talents through the training process for carrying out future tasks.

Goodall and Warner (1998) demonstrate insufficient training for the development of a company through investigating HRM dilemmas in Western companies in Shanghai, China. Based on face-to-face interviews, the results show foreign companies rely heavily on local training resources in terms of local managers' training and development programmes, with only limited dependence on overseas resources. However, local training resources, according to the majority of companies targeted, are considered as inadequate to satisfy the full range of the needs of these foreign companies, although both the availability and quality of those resources have improved in relation to the response to the increase of the number of foreign companies in Shanghai. Furthermore, some managers show their reluctance to provide staff the in-house training beyond essential skill levels, in case the trained staff would become more 'marketable' and might then leave the company.

Some foreign companies provide training to local senior managers as one measure to retain outstanding local personnel, even sending them to foreign universities (Kamis, 1996). However, many trained managers do not return to their previous foreign companies according to the study conducted by Osland and Cavusgid (1996). These trained local managers have found better working units for applying their newly learned knowledge. The findings suggest that foreign companies should create an environment where local managers can apply their learning. Furthermore, according to Matthews, et

al. (1996) local managers should be encouraged to do their jobs in a way compatible with local cultural characteristics after their training in technical and management skills.

Providing training programmes to local managers is identified for several important purposes in terms of the development of the company. Firstly, according to Valentine and Godkin (2001), Western companies should apply strategy of providing training for local managers in their expatriation programmes in order to minimise managerial difficulties, because Chinese managers are generally perceived as having a lack of proper managerial techniques and skills in a more customer-centred and information-oriented environment. However, some expatriates are reluctant to share their sophisticated technology with Chinese partners or managers. This phenomenon may impede the effectiveness of training for local managers in terms of the long-term development of the company (Yang, 1998).

Secondly, many foreign companies apply the strategy of localisation for the development of their companies. Training is seen as necessary and important during the process of localisation in accordance to Wong and Law (1999) who provide a framework for the process of localisation. The framework consists of three stages: planning, localising, and consolidating. Training and developing local managers are manifested in each stage, especially at the second stage, namely localisation. At this stage, key local managers are selected and sent to headquarters or other overseas operations to acquire knowledge of managerial techniques and skills and the original corporate culture of the foreign parent company as well.

Thirdly, training is also used to diminish cultural conflicts in modern management systems in the long run. For example, Western management tends to apply performance appraisal, but Chinese managers are reluctant to give their subordinates poor ratings, which may cause the loss of face of subordinates and thus damage normal relationships. Therefore, some companies place more emphasis on the development of staff through both formal training and daily informal coaching rather than on pure evaluation of performance (Björkman and lu, 1999).

Finally, training is helpful to establish a corporate culture in a foreign company in China. Meier et al. (1995) argues training in a foreign firm in China is of great importance for realising a cultural synergy in the company. Jackson and Back (1998) suggest that training programmes in Western companies are vital to the establishment of corporate identity. Local managers and supervisors need to be trained as role models in promoting a corporate culture. A lack of loyalty and subsequent turnover may result in insufficient training and out-of-work social activities.

## Summary

This chapter reviews most empirical studies related to the research topic over the previous twenty years. The literature reveals the complex phenomena around the impact of national culture on the management values and behaviour of managers working in foreign companies in China. The corresponding adaptation of members of the management team are considered as both possible and necessary for the development of foreign companies in the long run. At the same time, a few studies in terms of local managers' education and training are reviewed with emphasis on the impact of national culture on the training.

A foreign company is a relatively new institution that has emerged in China in the past twenty-five years. It is not difficult to expect local cultures as well as cultures of foreign domestic countries to exert enormous influence on the operation of these companies in terms of managerial values and behaviours. Those differences stemming from national culture and national organisations account for these cross-cultural issues, conflicts and confrontations emerging in the managerial values and behaviours in an international enterprise. Thus adaptations are viewed as necessary measures for coping with those differences or reducing conflicts for the sake of gaining excellent performance of the company. Managers within a cohesive corporate culture need to possess such an ability of cultural adaptation for a smoother co-operation and more effective communication in the corporation.



However, training programmes for local managers have not gained adequate attention in terms of their specific positions and roles in the development of a foreign company. A corporate culture mainly depends on both the co-operation among managers from different cultures and local managers' effort and ability to manage local staff, although expatriates contribute to the shaping of the basic values of corporate culture. It is a process that needs more effort and attention by foreign companies due to the particular Chinese cultures. How corporate culture affects the change of perspectives and behaviour of local managers in their workshops, as well as the possible support of the training in respect of building a corporate culture, needs to be investigated and identified with a clear picture. However, only a few studies as mentioned above have focused on this topic.

# **Chapter Five: Methodology and Methods**

## **Introduction**

This research is primarily exploratory. It aims at investigating the truth through interpretation of information focusing the inquiries on the basic research questions. The design of methodology and methods include the conceptual framework (the assumptions of approaches), overall design of data collection (methodology and methods of data collection), and principles and action for data categorising and analysing.

The study attempts to comprehend and explain the interrelationships between corporate culture and local managers' education and training in foreign companies in the mainland of China. The nature of the study is about exploring the phenomenon of culture. The study explored how the culture is manifested in the process of education and training, and at the same time how the training affects the culture. According to the purpose of the research, three principal questions guiding this study are defined as follows:

- (1). What are the basic values in general and the corresponding cross-cultural issues in foreign companies?
- (2). What is the adaptation of foreign companies from perspectives of both expatriates and local managers with respect to their attitudes, experience and management conflicts?
- (3). What has been the outcome of local managers' education and training in terms of the impact upon the cultivation of corporate culture?

Dimensions of cultural variability decide dimensions of conflicting management values and behaviour that might be adjusted or compromised through education and training provided to local managers. In this sense, the study explored the effects of the training

by linking dimensions of corporate culture in which cross-cultural issues tend to appear in foreign companies to specific cultural transfer or cultural adaptation behaviour during local managers' training.

## **Conceptual Framework**

Most previous studies have been concerned with cultural differences in management concepts and values and the corresponding management behaviour between foreign countries and China as discussed in detail in Chapter Four. These studies demonstrate the patterns of value orientations and their impact on business and management behaviours at the organisational level. However, the results were mainly generated from data based on perspectives of expatriates. Thus little has been known about value expectations of individual local managers working in foreign companies in China, and how these different value expectations are compromised and adapted through local managers' education and training programmes. Consequently, little has been known about how the main values and behaviour of local managers change when exposed to different company values. In fact, there is very little research on local managers' education and training aimed at handling differences arising from different cultures and values in terms of building and keeping a corporate culture compatible to the long-term development of the corporation.

Therefore, this study attempts to fill the gap by utilising a cultural method of exploration, which is manifested in the words of Schein (1985). 'We simply cannot understand organisational phenomena without considering culture both as a cause and as a way of explaining such phenomena' (Schein, 1985, p.311). In this light, it seems possible to assess the effects of local managers' education and training on corporate culture by exploring attitudes, beliefs, and expectations of individuals towards relatively new values and beliefs in a transitional economy as well as the adaptation experience of individuals, thus gaining insight into the cultural significance of training programmes at the organisational level. Because it is different individuals who are managing and working in the organisation, so an individual's own culture and beliefs can affect the



organisational culture to a certain extent when assimilating or integrating into the mainstream culture. This study involves an investigation of cultural differences and corresponding adaptation of participants from different organisational culture and national culture backgrounds.

### **Two Kinds of Approaches: the Etic and the Emic**

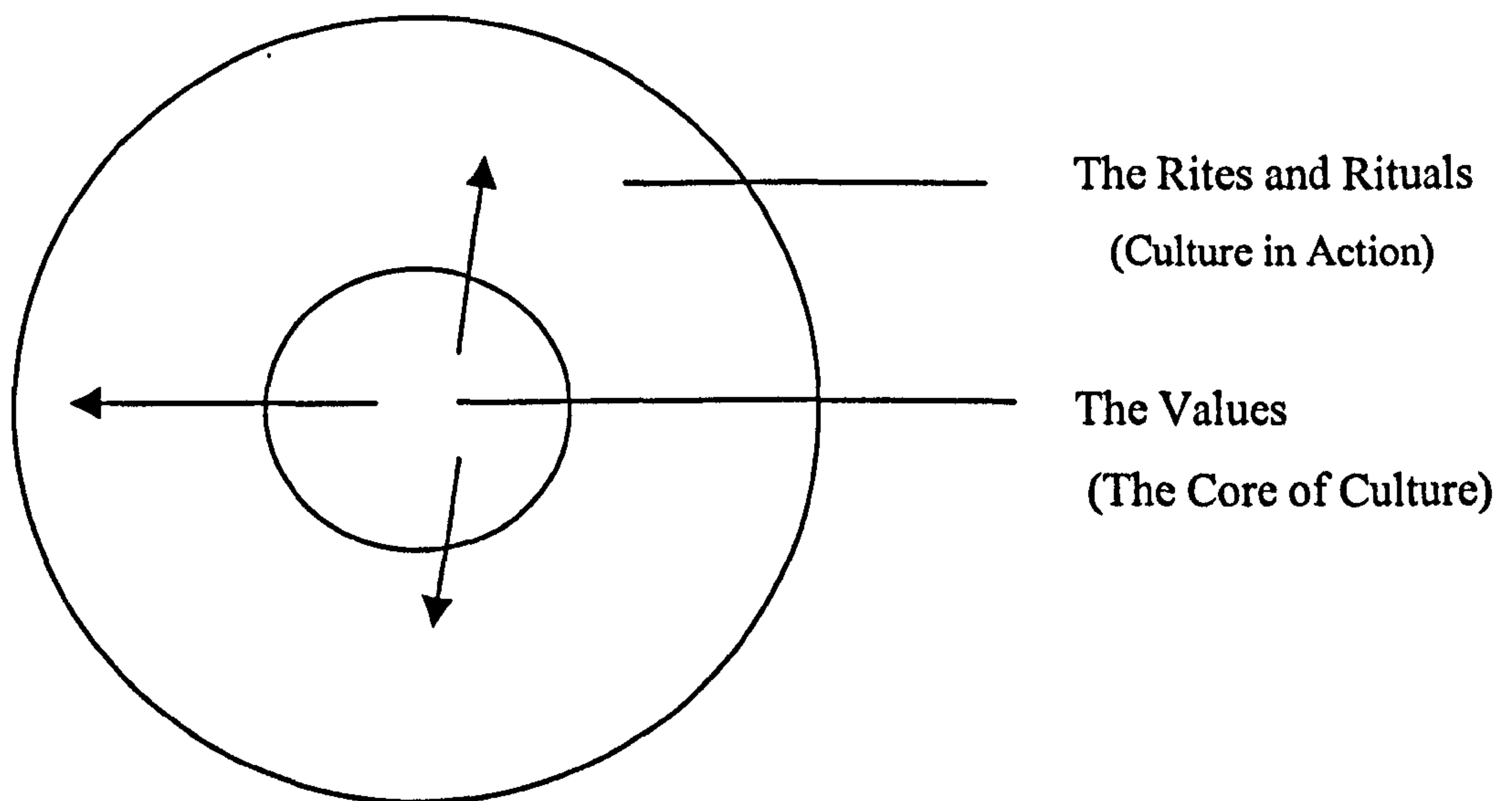
Research questions decide the selection of research practice in terms of the nature of the study (Nelson et al, 1992). Two kinds of approaches are applied to the study of the influences of the national culture on organisational behaviour: the etic approach and the emic approach (Shuter and Wiseman, 1994). The etic approach supposes that national cultures in similar societies share common values and can be categorised into different value groups. The widely quoted and applied etic approach is built into Hofstede's (1980) cultural perspectives of the findings of his research on over 116, 000 respondents in seventy-two countries. Hofstede suggests there are four national cultural dimensions to measure the organisational behaviour, namely power distance, uncertainty avoidance, individualism/collectivism, and masculinity/femininity. The emic approach assumes that different organisations own the special values of that certain country and the conclusion can be drawn on the basis of such different behaviour. This approach focuses on how to do business in specific countries (Copland & Griggs, 1985, and Axtell, 1989).

Given the definitions, the strength of the concepts of the emic and the etic lies in what a researcher may know as truth regarding participants' behaviour from different cultures. Sometimes, he or she interprets a truth about human behaviour as universal (the etic) regardless of culture. On other occasions, he or she perceives a truth as only relating to people from a certain culture (the emic). In other words, the 'truth' is not necessarily true to people from other cultures. Matsumote (1994) points out that there are almost as many emics as etics, for people of different cultures differ in their own efficient and appropriate ways to ensure survival and development. The differences with respect to aspects of human behaviour result from population density, availability of food and other resources.

Given this point, cultural differences are not very problematic in themselves. However, potential or possible problems may appear when one is trying to interpret reasons or implications behind those differences. Culture here is used as a 'filter', which not only dominates the way we perceive things but also the way we understand and interpret things. Because we grow up in an existing culture and get used to connecting any mental activities automatically with our own cultural backgrounds, so we tend to interpret the behaviour of a person from a different culture according to our cultural background and framework, and are likely to generate a conclusion consonant with the values or beliefs of our culture. In some cases, our interpretation may be wrong. Given this fact, the concepts are of significance in allowing the researcher to make judgements based on the truth of the raw data as well as cross validate the truth of a certain topic from participants of different cultural backgrounds, thus helping to diminish possible biases and prejudices.

### **The Framework for Exploration**

The framework for exploration is modelled according to the organisational structure suggested by Deal and Kennedy (1982) (reference back to pp. 67-70, Chapter Three). The following figure is a repetition of Figure 3.2 to show the relevance between the level of company values and the level of rituals. This framework suits the investigation of the research questions designed for the specific aims of exploring the research topic. It provides the means of interpreting whether the training of local managers is a process engaged with cultural adaptation.



**Figure 5.1: Structure of Corporate Culture Suggested by Deal and Kennedy (1982)**

By using the framework, a picture of corporate culture in foreign companies in China was drawn, with focus on exploration of company values, corresponding cross-cultural issues and adaptation in routine management and interpersonal interaction. The data was gathered regarding the above three themes. Based on the findings about cross-cultural issues in routine management, the reasons behind these issues were investigated. The influence of national culture on the specific context of an international company in China was checked in relation to the application of Western management values and practice. Likewise, the adaptation in practice of both expatriates and local managers was explored in terms of the reasons and implications. The investigation of the two categories contributes to the exploration of the third one, which aims at checking the possible effects of the training on corporate culture in foreign companies in China. The research took local managers' education and training as the basic unit of analysis in the discussion of the implications. The discussion was carried out around cultural dimensions for evaluation. The values and rituals of corporate culture were integrated into the dimensions, which are interrelated with emphasis on the change of attitudes and managerial behaviours of local managers.

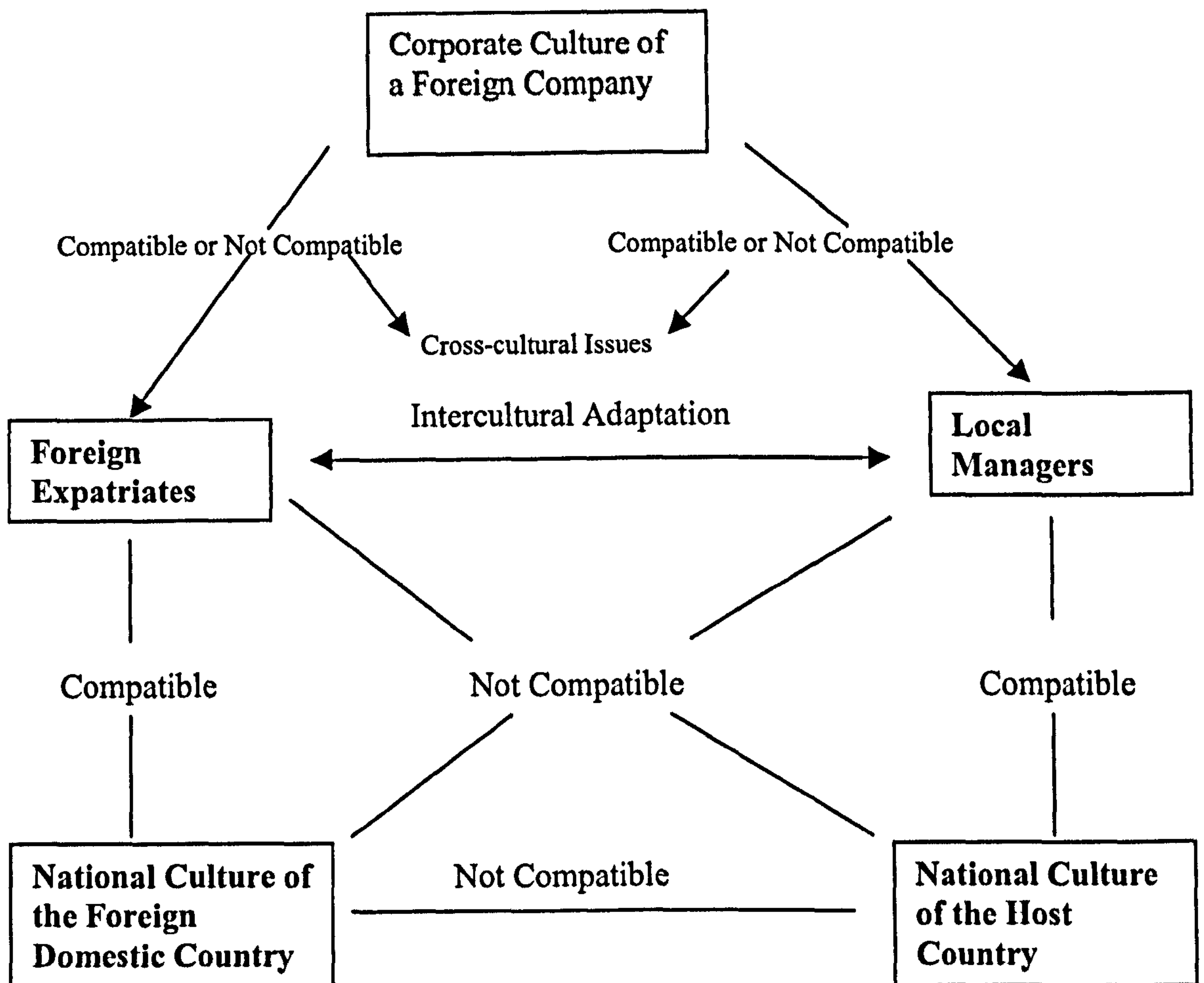


In this framework the evaluation of local managers' education and training programmes was directed by two basic elements in order to increase conciseness. The two elements refer to the management of cultural differences and the assessment of the situation for adaptation of local managers. The first element relates to the investigation of the situation of adaptation in an international company. The assessment includes the description about the impact of Chinese culture on the levels of corporate culture, the supposed values and behaviour. The second refers to the exploration of the extent to which local employees are motivated to adapt themselves to the corporate culture. It focuses on the possibilities for cultural adaptation and influential elements on cultural adaptation. Discourse about possibilities is addressed with emphasis on requirements of values and behaviour of the foreign company and the local managers' own needs or mental adaptation for the relatively new corporate culture. Discourse about possible influential elements on the cultural adaptation includes factors such as the strategies of the foreign parent companies, the attitudes and styles of expatriates, and the personal conditions or self-efforts of local managers.

### **Compatibility Relationships in Research**

Compatibility relationships in research, which have arisen from the cultural environment of an international company, need bearing in mind during the fieldwork and data analysis in order to gather data and discuss the findings in the right way.

According to Hofstede (1991) and Andrew (1995), one usually acquires national values in one's youth, first in the family and the neighbourhood, and later at school. But, an organisational culture is learned through socialisation at the workplace in one's adulthood. Given this point, one might feel alien to a specific corporate culture, but one can learn to adapt oneself in order to become compatible with the corporate culture. Based on such a view, Figure 5.3, designed as follows, presents compatibility relationships in terms of national cultures and corporate culture in relation to cultural issues and adaptation within a foreign company through comparison of different compatibility between expatriates and local managers.



**Figure 5.2: Cultural Compatibility Relationships in A Foreign Company**

This figure shows that cross-cultural issues might stem from local staff's incompatibility with the main values and beliefs of corporate culture or expatriates' incompatibility with the local practice. Failure in intercultural understanding between foreign expatriates and local managers might give rise to incompatibility. Other reasons relating to the management measures and the person's personality or working experience and educational background might also result in such incompatibility. Hofstede (1991) also pointed out that a corporation uses different coping measures to create an effective corporate culture. Training programmes may be one of them and are usually considered as the first thing when the company wants to establish or change a corporate culture.

Furthermore, the education and training could become an important function when the corporate culture needs retaining (Li, et al., 1999). In light of this point, education and training might be perceived as useful tools to cope with potential cross-cultural issues and help members of the management team to make cultural adaptation.

## **Research Design**

Foreign companies have developed remarkably during the past twenty years in China, taking an important role of introducing foreign funds. However, as mentioned previously, there has not been much research into the consequences of local managers' education and training in those companies in terms of assistance in developing corporate culture due to the crucial position of local managers. This study, therefore, attempts to investigate and identify the interrelationship between a corporate culture and educational and training programmes based on both individual and organisational perspectives. In order to achieve the purpose of the study, the selection of methodology and methods are of great significance to the reliability and validity of the research.

## **Qualitative Methodology**

The study explores the complex causality between the corporate culture and local managers' education and training. As is evident from information cited in Chapter Three and Chapter Four, cultural differences appear due to different values, beliefs, and experience of individuals. Furthermore, education and training are processes that happen to people, and the effectiveness depends on the extent to which people engage with the processes. The engagement needs exploring in light of how much an individual is motivated by the organisation and how much by self-efforts. Given this consideration, the study applies a qualitative methodology, for one of the important strengths of the qualitative methodology lies in its effective exploration into cultural issues through individual perspectives (Bryman, 1988). According to Bryman, a qualitative research is 'an approach to the study of the social world which seeks to describe and analyse the culture and behaviour of humans and their groups from the point of view of those being



studied’ (Bryman, 1988, p.46). Similarly, Marshall and Rossman also argue that devising strategies of qualitative analysis is concerned with society and culture regarding individual lived experience (Marshall and Rossman, 1999). A qualitative inquiry has different genres, but ‘one assumption common to all genres is a focus on the meaning that people express about’ (Marshall and Rossman, 1999, p.61). Therefore, the qualitative methodology is strongly suggested to carry out this research.

Awareness of features of the qualitative methodology is both vital and necessary to employ such a paradigm. The following table 5.1 summarises the chief characteristics of the qualitative methodology suggested by Bryman (1988):

Characteristics	Explanation	Methods Supposed
Focusing on individual perspectives	Viewing events, action, norms, values through the eyes of people who are being studied	In-depth unstructured interviews
Description	<ul style="list-style-type: none"> <li>• Providing detailed descriptions of the social settings the researcher investigates, which should be consistent with the perspectives of the participants</li> <li>• Making analysis of the environment in which the research is conducted beyond pure descriptive</li> </ul>	Mapping out of the content
Contextualism	Examining a certain social entity in which people ascribe the meaning to their behaviours, values as well as the multiple perceptions that pervade that entity	Interpreting what is going on through the patterns of social relationships needed to be understood
Process	Surveying social life as processional and interlocking events rather than in static terms	Interviews Survey
Flexibility	<ul style="list-style-type: none"> <li>• Inclining to use a research strategy which is relatively open and unstructured</li> <li>• Enhancing the opportunity of emerging totally unexpected issues that may be of interest</li> </ul>	Unstructured or semi-structured interviews

**Table 5.1: Characteristics of Qualitative Methodology**

According to the above characteristics demonstrated by Bryman, interviews were used as the main and most fundamental method during the period of data collection. Because the study focuses on cultural issues, so adopting an in-depth face-to-face interview that is semi or loosely structured would effectively explore those values, norms, and driving forces behind organisational and individual behaviours from the interviewees. Meanwhile, the researcher is flexible in carrying out those interviews depending on different situations. For example, readjustment of the way of asking particular questions in accordance with interviewees' personalities has been proved as a useful and effective measure to get the relevant information. Unexpected issues, but of the same significance to the purpose of research, have been introduced into the process of data coding and analysis.

### **Interviews: the Primary Method**

As mentioned above, the research relied on interviews as the primary method of data collection. The interview, in terms of its function, serves four purposes according to Cohen and Manion (1994). Firstly, it is a principal way to provide direct information to meet the research objectives through individuals' knowledge, values, attitudes and beliefs. Secondly, it is a device to test the hypotheses or to suggest new ones. Thirdly, it describes and explains the context and relationship between variables. Lastly, it is employed as a basic source of information. In conjunction with other sources, interviews were used to cross validate and confirm the results. During the later data analysis, the researcher focused on the various responses of both those who implement policies and regulations and those who are affected, what their points of view were of the same subjects, and how they responded to each other's views, and so on.

The implications of these interpretations for local managers' education and training practices were then examined. The interpretations were grounded in a cultural context. In the fieldwork the purpose of interviews was to have both foreign and local practitioners reflect on value orientation as well as their perspectives of education and training programmes provided to local managers. With targeted foreign companies the

interviews allowed the researcher to trace any cultural adjustment through the improvement effort as perceived by local managers and acknowledgement of the change of attitudes and behaviour during education and training processes. The researcher paid particular interest to interviewees' account of these cross-cultural issues, their responses to and interpretations of these issues, approaches of adjustment to these differences, and any kind of change in management behaviour emerging due to their education and training.

According to Oppenheim, there are two types of interviews:

- Exploratory interviews, depth interviews, or freestyle interviews (including group interviews)
- Standardised interviews such as used, for example, in public opinion polls, market research and government surveys (Oppenheim, 1992, p. 65)

Interviews in this research were in-depth ones in the light of the conceptual framework. There were no fixed questions. Instead, interviews were equipped with a list of general topics or areas in preparation for putting the data into a set of meaningful categories. Thus interviews in the research were supposed to be descriptive, cross-sectional (range of production and positions), dealing with both facts, and opinions or attitudes, and seeking depth. In respect of these principles the questions were designed as semi-structured or loose-structured, open-ended, both specific and non-specific. Such varied structure of the questions also provides the researcher greater freedom in arrangement of amount of time and attention given to different topics according to the exact wording (Robson, 1993).

In formulating the interview questions, the researcher carried out a comprehensive review of the literature, carefully choosing vocabulary and items suitable to the operation of an international enterprise. The questions were constructed originally in English through consultation with the supervisor. They were first used in the pilot study to check their suitability. The pilot study was conducted in the United Kingdom in a well-known production company, which has cultivated a large range of overseas



subsidiaries of different ownership. The result showed most interview questions were appropriate and yielded relevant information, although some changes were made. Helpful remarks were offered and ambiguous places were modified before reaching the final form. The questions were translated into Chinese. In order to ensure the same validity of the Chinese version as that of the English version, before conducting the formal interviews with local managers in China, the researcher gave a brief introduction to the interview questions through telephone or initial meetings with local interviewees. By doing it in this way, the local interviewees got opportunities to understand and consider the questions, thus ensuring a correct comprehension of and relevant answers to these questions during later interviews. Consequently, confusions were avoided.

The form of interview was a face-to-face conversation initiated by the interviewer. Such a conversation is carried out with the specific purpose of gaining the research related information in a specific context in which the content is identified by the explanation of research objectives and descriptions (Cohen and Manion, 1994). Based on the research questions, the interview questions aimed to cover the following themes:

- General cross-cultural issues in terms of the managerial values and beliefs, managerial behaviour, and communication
- Adjustment of both expatriates and local managers to cultural differences in respect of their attitudes, coping ways, and measures for handling the issues
- Local managers' education and training in general, such as recruitment, technique skill improvement, managerial skill development, mental adjustment

## **Document Survey**

It is possible to get information in terms of both practical activities and conceptual meaning from documentary evidence (Hodder, 2000). Document analysis, therefore, is used in the research as a complementary instrument to provide general information regarding the cultural adaptation or cultural transfer from an organisational perspective. These documents, normally in both Chinese and English, include brochures and

publications of sample companies. They not only introduce the business scope of a certain company, but also provide valuable information about the corporate culture, such as the main values of the company, the regulations or rules, technique level, and so on. In a sense, documents of a company display the corporate culture to a certain extent. Company documents provide a means of triangulating data in organisational research (Forster, 1994). This approach stems from the design to take into account the whole context. In other words, the review of the related documents supplemented the qualitative data based on individual perspectives.

Therefore, documents collected from the sample companies are of special significance. The document survey provided some evidence of factors that affect the development, maintenance, or alternation of the culture of the company. The main purpose of documentary survey lies in examining the organisational attitudes towards the corporate culture. Documentary data were mainly derived from the credos or missions for the development of the targeted foreign companies regarding company core values.

### **Summary of the Focus of Inquiries between Research Questions and Related Sources of Data**

In order to gain a clear picture of the information for the research questions, each of them is divided into several inquiries during data collection. These inquiries helped to investigate the main factors of the topic and the interrelationship among them as well. Based on these inquiries, the sources of data are identified during the process of data collection in such a way that information would be gathered thoroughly and effectively. Different perspectives and views of the same or similar subjects could be compared and different influential elements could be addressed in light of the purpose and aims of the study. The research questions, the related inquiries, and the corresponding sources of data, therefore, are integrated into a general framework for the exploration of the research as a whole. To give a clear summary, the following table describes in detail the focus of inquiry covered by the research questions and the corresponding sources of the data.

Overall research questions	Focus of inquiry	Major sources of data
1. What are the basic values in general and the corresponding cross-cultural issues in foreign companies?	<ul style="list-style-type: none"> <li>• Main values and beliefs of corporate culture</li> <li>• Cross cultural issues in general management</li> <li>• Sources of those conflicts or confrontations and their impact on business behaviour in foreign companies in China</li> <li>• Cultural, political, social and economic factors</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews with expatriates, HR managers, and local managers</li> <li>• Interviews with relevant people from headquarters or foreign parent companies</li> <li>• Documents from the sample companies, including reports, journals and magazines,</li> </ul>
2. What is the adaptation of foreign companies from perspectives of both expatriates and local managers in respect with their attitudes, experience and management conflicts coping strategies?	<ul style="list-style-type: none"> <li>• Recognition of the cultural difference by both expatriates and local managers</li> <li>• The willingness of both sides to diminish those conflicts in management and communication</li> <li>• Measures of coping with management differences and conflicts</li> <li>• Efforts of both expatriates and local managers for co-ordination and adaptation in order to build an appropriate corporate culture</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews with expatriates, HR managers, and local managers</li> <li>• Interviews with relevant people from headquarters or foreign parent companies</li> </ul>
3. What has been the outcome of local managers' education and training in terms of the impact upon the cultivation of corporate culture?	<ul style="list-style-type: none"> <li>• Education and training programs in general</li> <li>• Current practice of training programs: strategies, fields of study, feasibility and workshop</li> <li>• Teaching and learning forms and resources</li> <li>• Individual experience, attitudes, and personal utilisation of acquired knowledge and training skills in the specific context of a foreign company</li> <li>• Impact of corporate culture on the training</li> <li>• Individual perspectives of current training programs implemented in relation to the cultivation of a corporate culture suitable to the development of the company</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews with expatriates, HR managers, and local managers</li> <li>• Interviews with relevant people from headquarters or foreign parent companies</li> <li>• Interviews with people in charge of external training agencies</li> </ul>

**Table 5.2: the Summary of the Focus of Inquiries of the Research Questions and the Related Sources of Data**



## **Sample Selection and Data Collection**

### **Theoretical Sampling Principles**

Sample selecting is based on the concept of theoretical sampling. It is defined by Jennifer Mason as below:

Theoretical sampling means selecting groups or categories to study on the basis of their relevance to your research questions, your theoretical position...and most importantly the explanation or account which you are developing. Theoretical sampling is concerned with constructing a sample, which is meaningful theoretically, because it builds in certain characteristics or criteria which help to develop and test your theory and explanation (Mason, 1996, pp.93-94).

We choose a sample that can provide answers or potential answers to research questions, add insight to the topic, and could represent a larger population. Silverman (2000) further argues that the particular sample selection should maximise access and provide appropriate data at a reasonably mature stage and with a reasonably quick speed. The elements or process on which a researcher will focus should be based on a particular theoretical framework; one may develop all the generalisations he or she wants when the study is applied to other studies that share the same theoretical orientation (Silverman, 2000). Therefore, it is assumed that there is the possibility of further generalisation in qualitative research in single samples due to the similar basic structures of social order anywhere (Peräkylä, 1997). These principles cast light on the location selection and samples chosen in this study.

As far as the selection criteria are concerned, one region in the mainland of China was selected for the fieldwork because of its peculiar position in the development of the economy in China. Shanghai was chosen for the fieldwork for the following main reasons. Firstly, China has a large territory with a big disparity in economic development. It is not difficult to realise that the educational level, social class, and occupations differ greatly in different regions. As discussed in Chapter Two, Shanghai enjoys a high level of education and economy because of both historical reasons and its

current overall social and economic development. Secondly, as an economic zone, Shanghai is one of the pioneers in China to test international ways of doing business. Both central and local governments have adopted preferential policies, regulations, and efforts in order to create a favourable foreign investment environment. Thirdly, as demonstrated previously, many foreign companies have been established in Shanghai. Many of them use Shanghai to accommodate their headquarters in charge of the overall operation of other subsidiaries in China. Thus relatively sophisticated and mature operations, as well as large number of foreign companies, would ensure relatively quick access and good quality of the data. Finally, the researcher had been studying and working in Shanghai for several years before coming to the UK to do the research. The researcher used to work and live in the region and has gained a general knowledge and acquaintance of the city, and at the same time, possesses some personal networks there. Therefore, her acquaintance with this city and personal relationships with people in Shanghai would provide an easy access to data and convenience for data collection, thus guaranteeing the general effectiveness of the fieldwork.

### **Sample Selection**

Interviewees were selected in the light of the specific purpose and the detailed objectives of the research and were supposed to provide relevant information on the topic. In order to build a logical connection between the context and individual perspectives, the social standing of these interviewees were identified before conducting interviews. The interviewees were classified into four main categories according to their professional positions, and each of the categories was perceived as a significant source of information relating to the research questions.

The first group comprises foreign expatriates. Foreign companies co-ordinate their business activities through expatriation. Expatriated personnel usually take responsibilities for the overall management of the overseas subsidiaries. Non-managerial personnel are also expatriated, but for special technical tasks. They are involved in a limited interaction with locals. In the current study, expatriates refer to the foreign

managerial personnel. Expatriates are the main drivers of foreign companies, although the proportion of expatriates is remarkably low in many foreign companies because of the strategy of and attempt at localisation. They usually occupy the top or senior management positions, making and implementing strategies for the development of the company, setting standards and regulations within the companies, establishing principles and the main values and beliefs of a corporate culture compatible with the realisation of the aims of the company, making important decisions, and providing guidance in routine management and communication. They not only carry out short-term tasks, but also serve long-term interests, such as providing training to local successors, cultivating loyalty and pride toward the company among local colleagues and employees. Therefore, how they perceive cross-cultural issues and how they handle them are critical to the international operation as well as establishing a good co-operative relationship between expatriates and local managers. Interviews with expatriates explore the main corporate values and beliefs, cross-cultural issues derived from different national values relevant to business behaviours, their coping approaches, and how they apply education and training programmes to local managers when implementing international standards and rules in a working environment in a host country totally different from investing national cultures.

The second group refers to Human Resource (HR) managers or training managers. Perspectives of HR managers are of great significance in the light of their positions and nationalities in a foreign company. All HR managers interviewed were mainland Chinese, except one who was Hong Kong Chinese. One important role of their jobs is to assist expatriates to establish or keep a corporate culture for the sake of the development strategy of the company. Therefore, one of their important tasks is concerned with creating a proper work environment for staff to perform their jobs effectively, thus helping the managers to reduce conflicts and confrontation in routine management. They usually apply both formal and informal education and training programmes to both local managers and staff to satisfy the purposes of the company. They adopt a certain kind of assessment to the present results of those education and training programmes. Furthermore, they are also local managers and generally get training for their



improvement in both their specific jobs and in general management skills. Interviews with HR or training managers focus on how the overall corporate culture affects education and training, and what the implications or significance of education and training programmes are as a supplementary method in building or keeping a proper corporate culture.

The third group consists of local managers in charge of other functional departments in foreign companies. This group is of specific importance in providing information according to their crucial positions in foreign companies. Local managers also have a responsibility to establish, maintain or develop a corporate culture through fulfilling their own job requirements and managing their subordinates. At the same time, they are usually the training targets for the sake of the further development of the company if the company designs a long-term development in China. Their perspectives about education and training programmes as well as the application of the knowledge in their routine management practice reflect the effectiveness or the results of those education and training programmes. Interviews with the local managers investigate the topic from perspectives of the Chinese side, in terms of cultural difference, adjustment, and the effectiveness of the training.

The last group is composed of the heads of training agencies outside foreign enterprises. It includes private and governmental training agencies in China and those training departments of foreign parent companies situated in an investing country. These training agencies and departments are usually used as complementary tools for technical, general managerial training and cultural awareness as well. Some of them also provide formal education and training aiming at improving both the general managerial skills and the overall quality of managers. Interviews with leaders from those external training agencies would explore outside training sources for staff in enterprises and identify the extent to which foreign companies use those training agencies as a complementary measure. The United Kingdom was selected here for the sake of convenience of data collection as the foreign investing country where the training departments of some parent companies are located.

I approached interviewees through two methods. Initially, I asked the friends within my personal network to introduce some volunteer interviewees. During our initial meetings, I showed them a letter of introduction including the research objectives and my own background. If I could not meet them, I did the same introduction by telephone. By doing so I invited them to become part of the current study and offered to meet with them at their convenience. However, I found these samples were limited in light of the research purpose; I needed other types. Therefore, I approached some potential foreign companies directly and asked to have very brief talks (usually ten minutes) with senior managers. I showed them the same letter and got their permission for interviews at their convenience. I managed to follow the schedules of all the interviewees due to their positions and jobs. Some local managers are introvert because of Chinese characteristics (Xing, 1995). In these cases, at the beginning of interviews, I developed a level of comfort and trust with them, and then they could talk in a more open and easy way.

There were thirty completed interviews from nine expatriates, eighteen local managers and three people of outside training agencies. The majority of them were conducted on-site with expatriates, HR managers, and local managers of other functional positions from twenty companies covering ten foreign countries in Shanghai. The rest were carried out with people from the headquarters situated in the United Kingdom or from outside training agencies in Shanghai. Each of these interviews lasted between one to two hours. They were followed by telephone interviews, wherever further clarification was needed or missing information was added. Furthermore, the researcher managed to get as comprehensive biographical information about participants as possible during interviews. A more comprehensive biographical assessment sheds some light on the correct understanding of the data collected. Not only the age, gender, or nationality, but also the place of upbringing, educational background, occupation, socio-economic status and so on are taken into account when conducting and analysing data. It was supposed these aspects could have potential influence on individual behaviour regarding the identified issues derived from the data. Actually, during data analysis, only the age and the educational background were considered as an influence on the adaptation of local managers to company values as discussed in the following chapters. At the same time,

the nationality and the occupation of foreign expatriates partly account for their adaptation to Chinese culture.

### **Ethical Considerations**

Problems relating to ethics were also taken into consideration during data collection, such as informed consent, privacy, and confidentiality (Christians 2000). Some Chinese interviewees may feel somewhat diffident to give answers to some questions because of conservative personalities based on the traditional Chinese cultures or political considerations. Therefore, before the researcher conducted interviews, she sent to each interviewee the support letter of her supervisor and the introduction letter about the research. In these two letters, a brief introduction is given in terms of personal academic background, the research purpose and questions, research methodology and methods, and the main questions during an interview. In addition, the researcher made a promise to guarantee the confidential state of both the interviewee and the company targeted. The names of both the interviewee and the companies are not known to the public or mentioned in the thesis. To show respect to the interviewee, the researcher asked permission from the interviewee to use a tape recorder, otherwise the researcher adopted note taking as an alternative method of recording.

### **Attention to Reliability and Validity during Data Collection**

Reliability and validity are the two important elements in terms of the quality of the thesis. Reliability, according to Charmaz (2000), refers to the truth that different observers will discover and describe by deploying similar questions, perspectives, methods and subsequent concepts for data analysis. Validity, based on the view of Janesick (2000), is defined as the extent to which the explanation fits the description, in other words, generalisation can be applied to other cases with the same or similar conditions. The researcher attached importance to the following aspects during the data collection in order to increase these two elements of the current study.



Firstly, foreign companies of one field may not represent other fields in China for the sake of the quality of generalisation. Therefore, companies covering main foreign investing fields in Shanghai were selected, such as manufacture, High-tech, retail, hotel, and restaurant. In this matter, different education and training programmes can be compared in terms of their implications and functions in coping with cross-cultural issues in similar or different aspects.

Secondly, this research was designed to study many different foreign companies in one region, which is Shanghai. Therefore, foreign company samples covering different countries were selected, most of them coming from Western countries and the developed East Asian countries, namely the United States, the United Kingdom, Germany, France, Holland, Belgium, Sweden, Australia, Japan, and Singapore, because Western countries and the developed East Asian countries take a big share of the Chinese market, and Shanghai is no exception. However, one company of a certain country may not represent other companies of the same country. At least four companies were chosen respectively from the United Kingdom and the United States for the sake of collecting data in depth. Some data were also collected in the UK, from parent companies or the headquarters of those British companies operating in Shanghai because of the convenience of the researcher's residence in UK. This part of the data is used as a benchmark for that collected in China.

Thirdly, interviewees of the same set of occupations and ranks from different companies were targeted in order to yield consistent results based on information of the same or similar source. For example, HR managers were selected to provide information specifically aiming at the overall building of a corporate culture and the corresponding education and training launched by the corporation.

Fourthly, some interviewees of different positions were selected from one company in order to cross validate the data for the sake of comparison and contrast. For example, there were cases where two interviewees were chosen from one company, one expatriate and one local manager. The same topic was checked from perspectives of participants of

different positions within the same corporate culture, thus gathering data in depth and gaining more comprehensive information for interpretation.

Fifthly, the wish to explore the effectiveness of local employee's education and training in foreign companies stems from the researcher's interest in this field. Before the researcher entered university, she worked in a foreign training agency in China and provided information to local managers about further education in foreign countries, especially those working in foreign companies. As a result, the researcher gained some primary awareness of education and training implemented by foreign companies in China. Therefore, the knowledge, working experience and academic research skills of the researcher offer a basic understanding of those cross-cultural issues and the outcome of corresponding education and training programmes. Because of these personal reasons, a valid interpretation of information gathered through those approaches of data collection could be achieved.

Finally, the researcher collected the data through direct communication with the interviewees in two languages (Mandarin and English). The language knowledge resulted in increasing the reliability of the data coding and categorising. Furthermore, the researcher possesses the basic knowledge of two kinds of culture (Chinese and Western in general), thus broadening possible interpretations of the data. In this case, the knowledge of two languages and two kinds of cultural background helped the researcher to improve the validity of the research to a large extent during data collection and data analysis.

## **Data Categorising and Analysing**

The main purpose of the data analysis is to check all the related elements in reality in order to 'offer insight, enhance understanding and provide a meaningful guide to action' (Strauss and Corbin, 1998, p.12). How to analyse data in an effective way is of great importance to achieve high validity and reliability of the research.

## **Data Coding**

During the interviews, different kinds of information tended to be in a juxtaposition state. Knowing how to code the data properly will influence the quality of analysis. Coding data means setting the bulk of the data 'into analysable units by creating categories with and from the data' (Coffey and Atkinson, 1996, p.26). They further point out 'it can be thought about as a way of relating our data to our ideas about those data' (Coffey and Atkinson, 1996, p.26). In other words, coding creates a constructive relationship between data and our concepts and ideas concerning the answers to our research problems. The coding process is based upon approaches of the 'equivalent codes', aiming at the links between particular segments of data and the categories that can conceptualise those segments in a meaningful way. Thus the coding process is not a simple process, but is considered as a tool to display the systematic relationship between factors identified in an empirical study (Silverman, 2000). Based on the above principles, the researcher adopted a combination of several methods during the coding practice such as 'meaning condensation', 'meaning categorisation', and 'meaning interpretation' suggested by Kvale (1996) in order to achieve or increase validity.

Initially, a few transcripts were coded in both English (interviews with foreign expatriates) and Chinese (interviews with local managers). A guide was generated from this initial coding. This guide was applied to the coding of the rest of transcripts and was revised several times during later coding and the writing-up stage. Some old items were deleted and some new ones were identified and added. Thus the reliability of coding was increased through coding and re-coding. Quotes of the Chinese version used in the report were translated into English with equal meaning. These quotes were not checked by the second translator due to the difficulty of finding another researcher equipped with the two languages from a similar field. However, the consistence of meaning was generally guaranteed. The researcher had a general understanding of Western culture after stay in the UK for several years. Furthermore, the researcher had mastered the skill of translation between the English and Chinese languages. She took modules of



translation during her university education in China both as an undergraduate and as a postgraduate.

## **Triangulation**

Triangulation in analysing data is used in this research. Triangulation, in particular in the current research, refers to the achievement of integration of different data sources in the light of the following words of Robson:

It is particularly valuable in the analysis of qualitative data where the trustworthiness of the data is always a worry. It provides a means of testing one source of information against other sources. Both correspondences and discrepancies are of value. If two sources give the same message then, to some extent, they cross-validate each other. If there is a discrepancy, its investigation may help in explaining the phenomenon of interest (Robson, 1993, p.383).

The view corresponds with that of Hopkins (1993), who explains the triangulation in a similar way below:

It involves contrasting the perceptions of one actor in a specific situation against those of other actors in the same situation. By doing this, an initial subjective observation or perception is fleshed out and given a degree of authenticity (Hopkins, 1993, p. 152).

Therefore, according to Robson and Hopkins, triangulation is believed to improve validity and overcome the biases inherent in a single perspective. Triangulation also refers to gaining the similar data from different paradigms or different methods to achieve validity (Denzin, 1989b).

In this sense, triangulation improves the quality of data and the accuracy of findings through cross validating and incorporation. Triangulation in this research has two functions. First, the researcher tested the same or similar topics from different groups that have different points of view in light of different positions. Second, the qualitative data gathered from interviews was triangulated in the analysis by correlating to and comparing with the results derived from the data collected from the document survey, thus clarifying and validating the findings as a whole.

## **Data Analysis**

The researcher decided to analyse the data with reference to the perspectives of Oka and Shaw (Oka and Shaw, 2000). First, they suggest that the data analysis in a qualitative research should occur before the whole data collection has been completed. Taking this line, the data analysis can go on with data collection simultaneously. For instance, when conducting unstructured interviews, the researcher needs to start to analyse what is being said and if it makes any sense in light of the research aims. Second, they demonstrate the importance of an awareness of the context including the 'electronic text manipulation' to make sure that interviewees are at ease in a particular setting. Third, they suggest that the researcher should often be reflective, for the researcher loads and interprets all the information with the values and interests identified by their 'socio-historical locations'. In other words, reflexivity would assist the correctness of interpretation. Being aware of one's own 'values and preconceptions' before conducting an interview is very important. Fourth, flexibility is assumed as a way to overcome misconceptions. They suggest researchers should use various strategies of analysis rather than only one. Fifth, it is important to clarify the decisions on what kinds of actions have been taken through the analysing process, because such clarification would not only explain, but also validate data collected. Last, they emphasise the importance of using quotes in writing a qualitative interview report.

In the current study the meaningful segments were gathered and evaluated. The results were presented to cover the three main themes: company values in general and corresponding cross-cultural issues in management and communication, approaches of adaptation in general management and communication, and the effects of local managers' education and training on corporate culture. Each of the three topics is composed of a series of types of issues. The type of issues emerging is dealt with in a qualitative way rather than a statistical one during the interpretation.

## Summary

This chapter gave a detailed introduction to the design of the methodology and methods of the research in terms of the conceptual framework for data collection and analysis, the reasons for the selection of the methodology and methods, the range and the process of the fieldwork, and the action for data analysis. Those factors were viewed as appropriate during the periods of data collection and analysis.

The application of the qualitative data conducted in the data gathering process is mainly instrumental in the study in exploring and examining different elements of the cultural phenomena. Individual perspectives are emphasised and analysed in light of exploration of cultural elements as both a cause and effect in relation to other possible influential elements. The investigation attempted to probe the true factors about the cultural phenomenon that could benefit both the organisation and individuals, provided the proper training and learning of local managers is engaged. Therefore, the deployment of the qualitative data provides the researcher with a better understanding of the context of the study, opportunities to discover logic correlation among factors of the phenomenon, and possibilities to increase validity and reliability.

The methodology and methods were so designed as to establish an appropriate framework for effective analysis of the potential interrelationship between corporate culture of a foreign company in China and the corresponding local managers' education and training. Possible answers generated from the data to the research questions were provided both in depth and in a comprehensive way. Such a framework places an emphasis on the implications of those comprehensive training programmes in establishing or maintaining a corporate culture suitable to building an effective and efficient team of local managers in a foreign company. Thus not only the facts about the effects of local managers' education and training on corporate culture in an international company is provided, but also an understanding of the effects is given in respect to interpretation and application of the cultural phenomena in practice.



# **Chapter Six: Corporate Values and Cross-cultural Issues in Foreign Companies**

## **Introduction**

The fieldwork provided a rich collection of data clustered for the purpose of mapping the effects of local managers' education and training on corporate culture in foreign companies in the People's Republic of China. Two data collection methods were adopted during the fieldwork: interviews and documentation. On the one hand, interviews provide information from the different perspectives of the participants about corporate culture and the corresponding training programmes. On the other hand, documentation from the sample companies suggests the type of collective behaviour that a company prefers. The principal findings derived from the interviews are also complemented by those derived from documentary evidence. In this vein, data analysis attempts to present and analyse the research findings from the perspectives of both the organisations and the individuals.

The findings are presented and discussed after a careful coding. As stated in Chapter Five, the overall findings are presented and discussed around a theoretically proposed general structure of corporate culture (reference back to pp. 128-130, Chapter Five). The structure includes two levels: the level of values and the level of rites. The corporate values reflect the intended values and beliefs a company prefers during routine operation. Each company has its own fundamental principles used as guidelines in directing routine management and in justifying employees' life in their workplaces. This chapter provides a picture of corporate values and the implementation of these values in foreign companies, satisfying the first research aim.

This chapter presents and discusses the findings relevant to the two levels in two sections. The first section establishes a profile of expectations of basic values of organisations. The investigation identifies those intended values and reasons for keeping them from both

documentation and interviews. Documentation provides information about these fundamental values mainly through company missions or credos, while the significance for maintaining those intended values is generated from interviews.

The second section explores cross-cultural issues relating to routine management during the implementation of these values from different perspectives of individuals. This part examines what the people working in the companies actually think about those intended values, how they apply those values in their work and why they are doing so. In this sense, the documentation provides a very limited amount of information in terms of interpretation and implementation of these values and beliefs by the members of the management team in daily practice. These aspects were investigated by applying a qualitative methodology. The qualitative data were collected from the perspectives of interviewees of different management positions and different cultural backgrounds, including those who are in charge of the implementation of main values and beliefs as well as those who are under the influence of such an implementation, thus generating more concrete findings.

### **Corporate Values in Foreign Companies: A Review of Documentation**

Documents collected from twelve targeted companies consist of a set of, or separate item of, missions or credos. Those targeted companies were selected from the main business fields in light of foreign investment, such as manufacturing, High-tech, retail, hotel, and restaurant. They were established mainly by Western countries and the developed East Asian countries, namely the United States, the United Kingdom, Germany, France, Holland, Belgium, Sweden, Australia, Japan, and Singapore. The information derived from these missions and credos is related to the revelation about the basic assumptions and core values and beliefs of a corporate culture. Documentation provides a collection of those fundamental ideas, which are used to direct the collective behaviour of employees. Generally speaking, they focus on four main aspects of the operation of a company as: people-based principles, customer-focus, ethical ways of management and technology innovation.

## **People-based Principles**

People-based principles refer to creating an environment in which employees are treated with respect and valued as individuals. Such an environment encourages employees to develop individual abilities in their career life with the growth of the company. The issue points to three main aspects as follows:

### *Showing Respect to Employees*

It reflects that every employee should be respected as an individual. Their dignity and uniqueness should be recognised and respected. One of the fundamental values of one company reflects the point of view below:

Everyone must be considered as an individual. We must respect their dignity and recognise their merit (medicine manufacturing field).

### *Equal Treatment*

The point is concerned with the treatment of the staff. All the staff should be treated equally in the main aspects of their organisational life. Here are some examples of views in this regard below:

Employees must feel free to make suggestions and complains. There must be equal opportunity for employment, development and advancement for those qualified (light industry field).

The employees are the original forces of the company reforms. We should seek and develop these excellent employees in different functional units (food processing business field).

### *Developing the Staff*

The role of every employee is recognised. The company should build an encouraging environment to develop the potential of individual employees, promote individual growth, and retain the key staff. The credo of one company clearly makes this point:



The company attaches great attention to introducing excellent personnel. It offers the staff first-class training opportunities within the business field in order to keep sustainable advantage... People-based principle has been one of the basic assumptions of the company and shall be carried out forever (heavy industry field).

The employees develop with the development of the company (IT business field).

Employees are likely to be perceived as individuals rather than just as resources. This view is somewhat different from that generated from an empirical study of management in overseas subsidiaries in developing countries in the 1980s (Negandhi, 1985). The study found that employees were seen as resources only. International companies are becoming more people-based in recent years. Big foreign companies in China tend to perceive taking responsibilities for the working life of staff and development of staff as one of the most fundamental beliefs of the corporate culture (Liu, 2000). A more people-based performance management system is commonly applied, just as it is argued that people with values are more important to the operation and development of the company than material forms (Sparrow, 1999). This reflects that the long-term development of an organisation is driven by people's expectations, people's work and people's creativity. An organisation could get the best out of its employees if they are treated reasonably and appropriately as individuals.

### **Customer-focus**

This value reflects that things should be done with the purpose of serving customers and for the good of customers who are the driving force behind the long-term development of the company. Customer requirements are declared and supported by a series of concrete measures, standards and service delivery methods. One company's credo describes the point in terms of service delivery:

- Showing high respect to customers
- Providing services with quality by exceeding our customers' expectations
- Paying attention to appearance and manners when receiving customers such as neat clothes, smiling and polite greetings
- Satisfying the needs of customers and solving the problems in a polite and accurate way ( hotel business field)

The service delivery show the company believes in being customer driven in its operations. Everything it does is for the good of customers. Customer-focus here is manifested in the continuous improvement of efficiency and quality of delivery of services. Customer driven implies a manager should understand the clients, internal as well as external. It helps to change his or her values and behaviour in the provision of production of products or the delivery of services. The traditionally planned economy in China seldom focused on the needs and responses of customers, so the service principles of international companies help to gradually change the relatively old consumption concepts and habits of the Chinese market. Take PepsiCo for instance. The world-wide famous company considers customers as the most important contribution to the development of the company. Customer-focus is the driving force behind the continuous improvement of quality of products, services, brand image and employee performance. This principle is subscribed to the Chinese business environment as well (Luo, 2000). The customer-focus value is consistent with a study of organisational change of foreign companies (Gorelick, 2002). This study advocates that customer-focus needs to be promoted throughout the company and new and innovative strategies to deal with the needs of customers need to be applied in the long run.

### **Ethical Ways of Management**

This means a company should operate according to business ethics such as being law abiding and conducting ethical management of staff. Foreign companies generally do not allow managers to violate national laws and labour laws during operation. Violating a company's fundamental principle in managing the staff is also perceived as an unethical conduct. The credo of one company stresses this point of view below:

It has always been the policy and practice of the company to conduct its affairs ethically and in a socially responsible manner. This responsibility is characterised and reflected in the company's credo and policy on business conduct that are distributed throughout the company (light industry field).

Other companies' credos echo the above.

We must provide competent management, and their actions must be just and ethical (light industry field).

Being fair, frank and honest in communication ( food processing business field)

Management of a company is anticipated to be compliant with these ethical principles. An appropriate management behaviour is not only perceived as preferred by the organisation, but also seen as compatible with ethical values. These ethical principles need to be transferred into appropriate management behaviour through policies, procedures and training (McNamara, 2003).

### **Technological Innovation**

Foreign companies encourage creativity and innovation in technology. Technological innovation focuses on the continuing improvement in the quality and the constant development of products and services. The following words of one company reflect this basic value:

Leading the way through high technology focus on quality extends to (the name of the company)'s IT. Reflecting the increasing role of new technology throughout the industry, the company had made significant investment in the latest hardware and software. To ensure excellent service on a world-wide basis, (the name of the company) operates on a global IT platform. This allows for the smooth flow of information and documentation and the easy tracking of (the name of the business) around the globe. In addition to these advanced IT capabilities, the company continuous to develop a range of business applications over the internet which are designed to facilitate doing business with (the name of the company) (logistic business field).

From the above words, the significance of pursuit of high level of technology lies in creating consistent and enduring performance of a corporation. Such a performance is particularly vital to the competitive ability in a certain business field and market. Innovation is perceived as the key to global competitiveness and as the reason to create a learning environment of a company (Christopher, 1992). As a developing country, China is relatively backward in technological capabilities compared with developed countries (Liu and Yang, 2003). Technology innovation might be carried out in foreign parent companies or the headquarters. This value subscribed to subsidiaries in China from



foreign parent companies could help these subsidiaries promote their international image in a competitive market.

### The Significance of Corporate Values

Corporate values are of great significance to the development of the organisation as discussed in Chapter Three. A foreign company in China is no exception, and it needs those company values to integrate employees from different cultural backgrounds. The reasons for keeping the fundamental things are generated from interviews conducted with nine foreign managers (including expatriates and relevant people from the headquarters or foreign parent companies) and eighteen local managers (including HR managers and local managers from other functional departments). They are manifested in the following three main aspects in accordance with the data as the following figure shows.

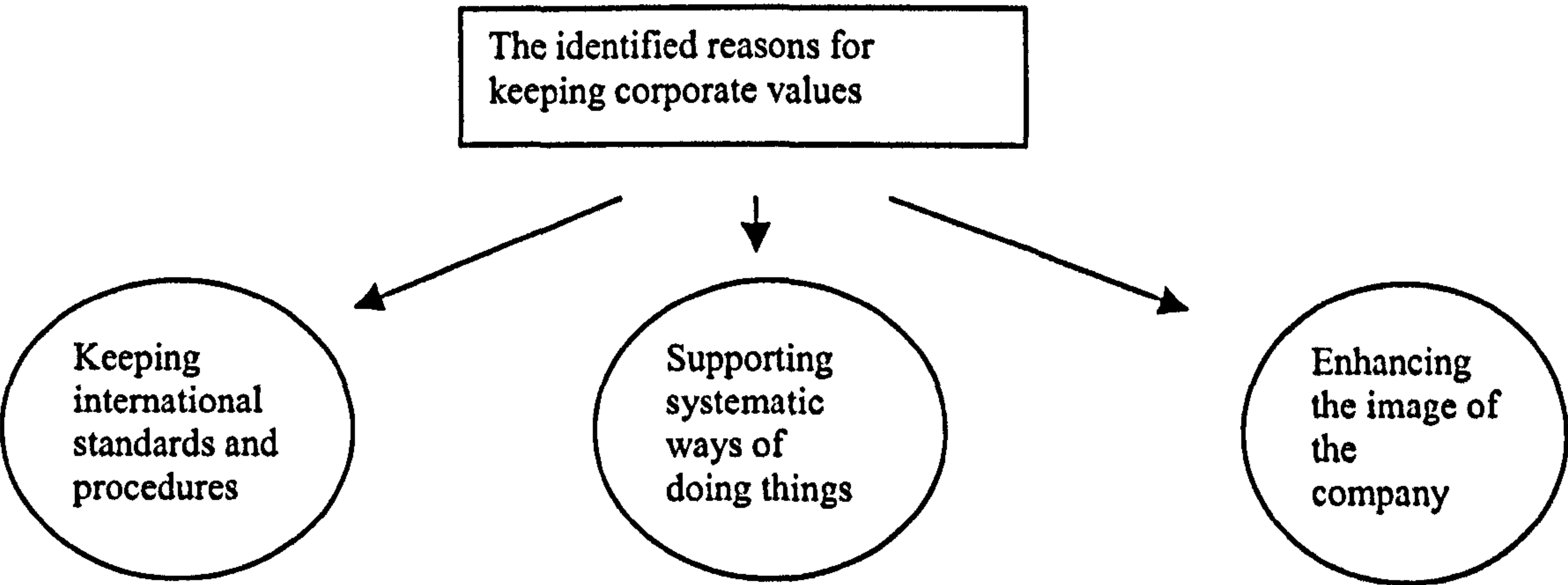


Figure 6.1: The Reasons for Keeping Corporate Values

## **Keeping International Standards and Procedures**

The core values may emphasise different aspects of an organisational life, but all contribute to the establishment of international standards and procedures, which are addressed for the professional operation and management of a foreign company. The majority of interviewed expatriates, local managers, and foreign managers from parent companies situated in the UK see keeping to international standards and procedures as vital and necessary to the operation of the corporation in both local and international markets. Some companies are subsidiaries of world-class international or global companies, and they in particular need to apply the same or similar standards of quality of products and services as those in parent companies situated in domestic countries or as those subsidiaries set up in other countries. Therefore, those companies attach importance to maintaining their standard of international operation. One foreign manager demonstrated this as follows.

It is not our aim that we become totally so local and that we behave just like every state-owned China company. I don't compromise my own way of doing things because actually there should be an ideal mix of culture that I maintain the way when I worked in...(the name of the parent company). I keep stressing we are an international company and we will abide by international ways of doing things (Foreign manager No. 6).

Another expatriate's opinion echoes the words of the above interviewee.

We try culturally to manage our staff and there are differences between ...(the name of the parent company) and here. That is not written down, just our managers' thing. But the corporate policies must be followed. ...We have to have procedures, because through our job we are used to applying rules and regulations that are common throughout the world. We don't have a problem with that. This applies equally throughout the company, without exception. However where there are culturally differences, which prevent us from applying a particular rule or regulation, then there must be discussion. But it is important to recognise that we are an international company and we apply rules and regulations internally (Foreign manager No. 2).

Company fundamental values are commonly imported from the foreign investing parent companies or the headquarters. They are perceived as basically stable beliefs that are critical to the implementation of international standards and procedures, which are applied in other parts of the world as well, not only in China. These overall corporate values are expected to subscribe to everyone and everywhere involved in the

organisation, and greatly help the organisation set up international standards of operation. This issue is supported by the empirical study on investigating how to partner with Chinese enterprises (Luo, 2000). The study points out that a foreign domestic company when establishing a subsidiary in China tends to apply the same or similar standards that are set by itself or by the domestic government regulations. The main commodities are standardised. The cases involved in the study include some first-class international companies such as Atlantic Richfield, Intel, PepsiCo, Kodak, OTIS, Boeing and KFC.

### **Supporting Systematic Ways of Doing Things**

Systematic ways of doing things are commonly recognised as an important issue in terms of the development of foreign companies. Doing things in a systematic way reflects that management conduct or behaviour should follow good business sense, which is supported through the implementation of core values and beliefs in proper demonstration of regulations and rules, good communication and effective management in practice. There is a general agreement among interviewees that systematic ways of doing things contribute to the building of effective teams in terms of the main aspects of management such as recruitment, performance assessment, communication and training. Corporate culture needs to be manifested in these management aspects. Here are some examples below:

The most important thing is selecting the right people (local employees). Finding the right people. People with the potential, identifying the kind of skills and the kind of competencies, could be successful managers... We are confident in our recruiting process. We are confident we understand the kind of people we need and we are confident we have the right tools to identify those people (Foreign manager No. 3).

The aim of rewards set up by the company is to create excellent performance of staff. The rewards are designed for those who can reflect the corporate culture in a continuous way, compatible with the corporate mission and credo. It helps to promote systematic ways of doing things (Local manager No. 12).

We have the regulation that members of the management team must have meals in the canteen with ordinary staff for a certain period of time per month. If he/she does not do so in the previous month, we would warn him/her about it (Local manager No. 10).

The corporate culture is manifested in every aspect of the operation, such systematic ways of doing things, staff benefits and training (Local manager No. 5).

We adopt two training principles: effectiveness and equality (local manager No. 2).



The above examples in terms of management suggest company values are perceived as the base and guidance to the professional ways of doing things that the company prefers. Systematic ways of doing things reflect those basic assumptions and values in practical operation of a foreign corporation such as respect to individuals, pursuit of achievement and contribution, persistence in integrity and honesty in business dealing and encouragement in innovation and creativity. Poor performance of managers can result from the failure to comply with these norms of conduct.

The point coincides with the case study on perpetuation of corporate culture at Disneyland (Brown, 1995). The case study demonstrates that the company values guide the sorts of behaviour accepted and designed by the corporation. For example, good performance in Disneyland is manifested in detailed things, such as punctuality, wearing uniforms properly, and so on. Systematic ways of doing things are the instruments in keeping to international standards and procedures, thus contributing to the improvement of the competitive capacity of the company in the long run.

### **Enhancing the Image of the Company**

Many interview participants accentuated the importance of the image of the company in a competitive market, namely China. On the one hand, company values can contribute to the good quality of products and services delivered to customers. On the other hand, they can guarantee business ethics during the operation of the company. Foreign companies attempt to keep their international images through global standards and certain business ethics, although they are sensitive to local practice and local standards in their day-to-day operation. Here are some examples. One expatriate explained the image of his company in terms of relationships between the company and its customers below:

The company manifests an international image, which is the same as that in other countries such as America and Germany... The image stresses on a co-operative and lasting relationship between the company and customers. This is also one credo of the company (Foreign manager No. 1).

A local manager commented on the image of his company relevant to the ethical management as follows:

The image of the company reflects the basic assumptions in managing the company: being honest to customers and being friendly to staff. So whatever business activities, production, and sales we undertake or organise, we are driven by interests of customers and staff, and thus we emphasise on the training to our staff (Local manager No. 6).

Another expatriate felt the company should have a more fitting and proper image suitable to international business through the enhancement of corporate culture just as he complained.

This company should be a very modern and progressive company with regulations, which are reasonable and developing (Foreign manager No. 7).

Company values, therefore, contribute to the establishment of corporate identity to the outside world, communicating the expectation of the corporation (Deal and Kennedy, 1999). Many companies managed to display their values to the outside world through ceremonies and activities, such as the celebration of the opening of new subsidiaries, naming ceremonies, exhibitions, raising funds, and so on. Company ceremonies usually reflect a careful combination of the international elements and local characteristics. Local characteristics are cautiously presented in such a way as to enhance the international and unique image of the company.

## **Cross-cultural Issues in Foreign Companies**

As mentioned previously, a foreign company is a relatively new organisation appearing in China in the past twenty-five years, so it is not difficult to expect that there are differences between foreign and local enterprises in the organisational structure, management concepts and systems, technology innovation, and ways of sharing information. The questions of the second part of the interview schedule aimed at eliciting cross-cultural issues in daily management. With regard to such problems related to cultural elements, documentation gives little help in obtaining a detailed picture. However, a wealth of findings is drawn from the qualitative data collected through

interviews. These findings focus on elements of people rather than elements of strategies in management in a company. The majority of findings are concerned with the level of organisational behaviour of the general structure of an organisational culture. As stated in Chapter Three, the level refers to the main rites or rituals, which are manifested in the management values and behaviour of managers from a particular organisational culture. This part reflects how people perceive these corporate values in routine management.

According to the data, responses focusing on cultural differences or conflicts are mainly from foreign managers, while local managers rarely wanted to discuss these issues. This might be because local managers tend to be averse to conflicts, as the findings showed later. The cross-cultural issues are brought up in particular in relation to the cultural differences, which tend to give rise to cultural conflicts or cultural confusion, as previous studies reviewed. The findings are compared with empirical studies especially those reviewed in Chapter Four. This section consists of two parts relevant to cross-cultural issues. The first part is concerned with issues pertaining to management in general. The other describes the issues stemming from communication between expatriates and local managers.

### **Cross-cultural Issues Pertaining to Management**

Chinese culture shapes or affects the management style of Chinese managers. Managers working for foreign companies are no exception although they are greatly exposed to Western management concepts and practice. The influences are manifested in the findings based on the data and are labelled 'as lack of modern management traits among local managers', 'performance-based rewards', 'hierarchical influence among local managers', 'ethical management' and 'teamwork' shown in the following Table 6.1. More cultural differences or conflicts come from the perspectives of foreign managers who are in a critical position to implement these management concepts and practice among local managers. Therefore, from the perspective of an organisation, this part provides the reason why local managers mainly need to make adaptation to these relatively new management concepts and practice.



<b>Types of Issues</b>	<b>Description</b>	<b>Number of Interviewees</b>	<b>Identified Items</b>
Lack of modern management traits among local managers	A general lack of modern management traits in terms of dealing with the international operation	15 (both foreign managers and local managers)	<ul style="list-style-type: none"> <li>• Lack of self-dependence in decision-making (just following the opinions of superiors, asking opinion from superiors even for small things)</li> <li>• Needing more imagination and creativity</li> <li>• Lack of risk-taking</li> <li>• Lack of self-effort in training</li> </ul>
Performance-based Assessment	Differences in attitudes and definitions of qualified managerial personnel in daily management, associated performance assessment, training and career development	9 (both foreign managers and local managers)	<ul style="list-style-type: none"> <li>• Gender inequality in promotion</li> <li>• Getting rewards on the basis of who they know or how old they are among local managers</li> <li>• Local managers' unwillingness to work overtime without getting immediate benefits</li> <li>• Local managers' upset about the job competition</li> </ul>
Hierarchical influence among local managers	Differences in terms of company interest-based or hierarchy of personal positions-based relationship	6 (foreign managers)	<ul style="list-style-type: none"> <li>• Local managers tend to pay too much attention to hierarchy of management team</li> <li>• Local managers tend to follow superiors' opinions in decision-making</li> <li>• Chinese culture is somewhat conflict averse</li> <li>• Local managers sometimes personalise working relationships</li> </ul>
Ethical management	Different attitudes to the ethical management of the staff especially relevant to 'Guanxi'	5 (foreign managers)	<ul style="list-style-type: none"> <li>• Personal relationship is more important in business in China than in western countries</li> <li>• Personal relationship (Guanxi) can exert negative influence on the management of staff</li> <li>• Operating totally legally and ethically is important to an international company</li> <li>• There is a good moral and ethical sense for doing things</li> </ul>
Teamwork	Differences in application of the concept of the 'teamwork'	4 (both foreign managers and local managers)	<ul style="list-style-type: none"> <li>• Local managers tend to hide certain information</li> <li>• Lack of good co-operation among local managers</li> <li>• Providing opinions from one's own cultural background during meetings</li> </ul>

**Table 6.1: Cross-cultural Issues Pertaining to Management**

### *Lack of Modern Management Traits among Local Managers*

In a foreign organisation, local managers are supposed to be more self-dependent, self-assertive, and self-responsible than those working in SOEs. They need to be more innovative and creative in ways of thinking and working in the day-to-day management. They need to take risks in their endeavour and responsibility for their decisions. They should take a more direct approach to deal with conflicts. However, the majority of foreign interviewees and some local managers indicate that there is a general lack among many local managers of those managerial traits compatible with the modern management of an international company, although many local managers are taking a more active role than those working in state-owned companies. One expatriate made the comment about local managers' lack of self-dependence in making decisions.

When I used to work in...(the name of the parent company), there was a very powerful management culture, everyone used to make their own decisions. You only go to the boss when you really don't know how to make the decision. In China, the culture has tended to be historical that every body has to ask their boss, even for the very small things (Foreign manager No. 6).

Another expatriate claimed that local managers are less likely to take risks, especially big risks compared with European managers.

In Europe, the senior manager would weigh up the risks and accept that if there is a risk, the value outweighs the risk, so he will take it... In China, we find that senior managers are not in a position to take a risk because why take a risk. If something goes wrong then the managers below them will immediately get promotion. They want everything to be black and white with no risk, whereas business opportunities take nearly all the risk (Foreign manager No. 4).

The third foreign manager mentioned the same issue relevant to being innovative or creative.

It is important obviously to follow the detailed steps but we also expect people to be challenged. Why do we do that? There must be a better way and come up with new ideas. That doesn't always come here. It takes a lot of encouragement (Foreign manager No. 8).

The above findings are consistent with some previous studies (Xu and Wang, 1991; Ralston, et al., 1994; Trigo, 1995, Chow, et, al., 1997; Beamer, 1998; Wang, 1998; Weldon and Vanhonacker, 1999; Worm and Frankenstein, 2000; Luo, 2001; and Stone,

2001). The differences in management traits stem from the Chinese cultural background. Chu (1988) summarised the two main historical and cultural conceptions that contribute greatly to the mindset of the Chinese. Firstly, the Chinese have been greatly influenced by the teaching of Taosim who was a philosopher more than two thousand years ago. The core of the teaching is called '*Wuwei*' (lack of action), which advocates that the behaviour of a human being should be in harmony with the nature and should not pay much attention to the fruit of your action. For about two thousand years Chinese people have practised the passive principle of '*Wuwei*'. However, the decline of the Chinese society and backward science and technology have corrupted the conception and changed the original meaning. Many Chinese people believe the more you do, or the more responsibility you take during your work, the more trouble and problems you tend to bring down upon yourself or your family.

Another conception refers to the teaching of Confucius, which is an overwhelming view affecting China as well as other Asian countries bordering China. The principle is mainly attributed to the establishment of the strict bureaucratic hierarchy in Chinese society. The effect of such a bureaucratic hierarchy still exists in China and in other Asian countries, and prevents suggestions and feedback from being exchanged in an open and honest way. The essence of the strict hierarchy lies in the emphasis on the bonds and obligations of relationships rather than obeying abstract rules. Response and decisions are likely to change depending on different situations and people involved in order to protect relationships (Hall, 1995). The two historical and cultural conceptions still control the mentality of many Chinese officials and managers, especially of older generations. Chu (1988), furthermore, summarised some corresponding and common weaknesses of the Chinese characteristic relating to managerial culture and practice, such as lack of innovation, avoidance of involvement, lack of unity, lack of communication, jealousy, and lack of work integrity. These cultural conceptions and the corresponding weaknesses are not very suitable to the operation of modern enterprises as shown in the presentation of the research findings.



National culture enormously affects management behaviour. As stated earlier in Chapter Four, many cultural differences stem from the cultural distinction between individualism and collectivism. China is defined as a relatively higher collective country than most Western countries. The cultural norm stemming from the practice of the traditional Chinese family ties has existed for thousands of years. Chinese people are more loyal to their immediate superiors or more tied to groups with immediate interests important to themselves or family ties. Therefore, in practice there has existed a strong bureaucratic hierarchy in the long history of China. There is only a loose tie between an individual employee and the corporation as a whole, although the communist party has advocated setting up such a close tie in SOEs, both in the past and at the present. In the mind of a Chinese person, the company does not own one's immediate interests or close ties as with family members or the people within one's personal networks. A Chinese manager in a state-owned company generally does not take his or her job too seriously or endeavour to create high demands regarding standards of performance. In traditional Chinese management, relationship-based behaviour, rather than task-based behaviour, tends to take a dominating role. Chinese leaders and managers are likely to promote interdependence, avoid conflicts, deal with conflicts in an indirect way, and maintain harmony among different working groups.

However, the cultural norm does not imply that Chinese people would always like grouping together to accomplish tasks, or that one Chinese person cannot be productive when working alone (McFarlin and Sweeney, 1998). Local managers have the potential to be developed as both an individual and a member of the team if they are properly motivated and an intimate working relationship is established between local managers and their superiors as demonstrated in light of adaptation (see Chapter Seven).

### *Performance-based Assessment*

'People-based management' is considered as a basic assumption in many companies. The corresponding values of equality needs are manifested in the main aspects of the management of employees, such as paying equal respect to and having confidence in

people from different cultures. Behaviour assessment and career development should be based on job-performance. Equality here does not mean to treat everybody in an absolutely equal way, no matter what kind of performance an employee achieves. It actually means every individual employee has an equal opportunity to develop himself or herself or get compensation packages according to his or her performance. It suggests competition in performance and, accordingly, employees get their rewards. This concept is somewhat new to local managers, especially from SOEs. The issue is perceived commonly among the majority of expatriates. One expatriate from a joint venture complained about the gender inequality in promotion in the foreign joint venture below.

I have got one female project manager. She is the best project manager, but her position within the company is only that of assistant project manager. They (Chinese partners) will not promote her to project manager. They will not pay her, so they will not promote a female. It is not about performance, purely about being paid. It is more equal in European countries (Foreign manager No. 7).

The above point suggests that the approach of performance appraisal be applied to all the staff regardless of their gender difference. The gender inequality in the traditional Chinese culture adds difficulty to the actual implementation of the management concept in foreign companies.

Another expatriate explains the different attitudes towards rewards between expatriates and local managers.

The attitude of the company towards the rewards demonstrates that if you have good performance, your income will be increased. However, the Chinese staff take an opposite attitude, which shows that if the company promises to increase their income, they will produce good performance (Foreign manager No. 1).

This account demonstrates that employees get their rewards based on their performance. It is different from a SOE, in which people get the same rewards if they are on the same management or technical level.

However, a few local managers showed concern about the issue in respect of hard feelings during the assessment of job competence. One local manager expressed his

disappointment when talking about someone's failure to be promoted to a higher position.

There are two persons on the same management level, but only one can get the promotion to a higher position. The management ability between them is of minor difference. In this case, the person who fails in promotion is very upset and even wants to leave the company (Local manager No. 14).

This account gives support to the view that a foreign company in China may not have an appropriate context for the specific interpretation of management concepts of the parent company. The interpretation is affected by local culture and practice.

The findings are compatible with the previous empirical studies of cultural differences of performance assessment (Brunner, et al., 1992; Osland and Cavusgil, 1996; Nowark and Dong, 1997; Beamer, 1998) (reference back to p. 109, Chapter Four). These studies implicate that in Chinese culture the performance of employees has a loose link with rewards. To a foreign company in China, it can be difficult to motivate staff to achieve good performance (Luo, 2000). The concept of equal competition in job competence is relatively unfamiliar to local managers according to the findings. Therefore, the company might, at the beginning stage of conducting business in China, need to create a working environment focusing more on the harmony of the positions of the employees rather than on a potentially threatening measure. Then the company might gradually impose change on individual perspectives of local managers, and thus a better result could be achieved. Persistence is of great importance to the existence of the change and could be rewarded financially in the long run.

### *Hierarchical Influence among Local Managers*

Company interest-based relationship should be the dominating relationship in accordance with the organisational structure of a foreign company. However, the mentality of the hierarchic structure of the traditional Chinese society still prevails in some foreign companies, especially some joint ventures, in which both parties are almost equal shareholders. After years of managing state-owned organisations and enterprises under a



centralised and planned economy, Chinese managers have formulated a set of management traits and behaviour. Although economic reforms have changed some of these management traits and behaviour, there still remain concepts and perspectives of the relatively old bureaucratic structure of SOEs in the manners of both middle and senior local managers, even in foreign companies. The issue is raised from the perspectives of foreign managers. One expatriate reflected on the issue describing decision-making as follows:

It tends to be somewhat hierarchical. People tend to be afraid to make decisions and they are always asking their bosses to endorse their decisions (Foreign manager No. 6).

Another expatriate, who is a general manager, felt somewhat depressed when he talked about the issue appearing in organisational meetings.

In a straightforward management team meeting, if there is a disagreement, in principle, between myself and the deputy general manager (who is sent by the Chinese parent company), I will never win the argument, because if you push to a democratic decision, I will lose two to six (referring to the organisational structure of the top management team consisting of two expatriates and six local managers). ...Every Chinese person below him relies on the deputy general manager. He controls their pay, their welfare, their houses, so they will not argue with him. You have a management team meeting about a serious subject. If the deputy general manager does not understand why something has to be different or does not agree with it, regardless of how silly it may be, every single Chinese person will support him. They will not argue with him, they are frightened to argue with him (Foreign manager, No. 7).

Hierarchy is deeply rooted in the traditional Chinese culture of leadership. In China, a paternalistic view of leadership tends to appear in management practice, while in most Western countries, a professional view dominates. It gives support to the dimension of being parochial/professional in an organisation as argued by Hofstede (1991). This dimension claims that in a parochial working culture, both the job competence and the social and economic background of employees are taken into account. The organisation inflicts its dominating norms on staffs' jobs as well as at home. Members of a professional culture feel their private life has nothing to do with their working units, which should treat employees mostly according to their job competence. Managers in Western countries are perceived as leaders who can affect the attitudes and behaviour of employees in the workplace to guarantee the goals of the company are achieved. They need skills to motivate their subordinates to get the tasks accomplished. They usually take

a consultative role to help their subordinates to find their own answers and solve their own problems. On the contrary, the parochial view that prevails in the traditional Chinese management is likely to consider a manager as a fatherly person. A good manager is looked upon as a wise and kind leader who shows concern for the personal problems of the subordinates, while subordinates need to obey the orders of the leader without question and the leader takes the whole responsibility for the result.

Management values associated with many Chinese officials and managers stem from such leadership, which is still basically relationship-oriented in many state-owned enterprises and government offices. Firstly, there is a deep loyalty of subordinates to the immediate superiors within the network of personal relationships, but little interest in the corporation as a whole, which does not generally bring immediate benefits. Secondly, the ability to build personal relationships and to develop group harmony is considered as one of the basic management skills. Thirdly, the personal needs and emotions within the networks are likely to be taken into account during the decision-making process, not the goals or the general interests of the company. Based on the findings, for example, some local managers like to justify their existence among their subordinates by showing their power during the process of decision-making, ignoring the overall interest of the whole company. Fourthly, personal relationships tend to be mixed with job accomplishment. One's personal situation is used as the main reference in the reward system. Personal competence and performance relating to job accomplishment are ignored. Fifthly, Chinese managers are not likely to argue with their superiors even if they are actually correct, for people with different views and opinions are seen as destructive or challenging to stability and harmony. Finally, there generally exists a fear of making mistakes when Chinese managers make decisions or ask their superiors for approval, for, if something is wrong, it would become a negative element influencing their further promotion and career development (Xing, 1995). Chinese managers own some common attributes due to the traditional Chinese management values. Xing (1995) listed these attributes, such as being introverted, self-restrained, dependent, procrastinators, implicit, and patient. These traits were mentioned earlier in Chapter Four, which focuses on the



literature review of those empirical studies relating to the topic in the previous twenty years.

### *Ethical Management*

Foreign companies, especially Western companies, usually pay attention to the law-abiding and ethical issues during company operation and management, such as following local governments' laws and regulations upon the control of the business, labour laws, and ethics during the management of employees. Take the issue of *Guanxi* (personal networks or connections) for instance. *Guanxi* prevailing in many state-owned organisations is sometimes perceived as an illegal way of operation in foreign companies. It sometimes reflects a kind of unhealthy nepotism as one expatriate claimed below.

There are certain issues in how you motivate local staff to actually act in the best interests of the company at all times. In all developing countries, and China is not the only one, there are issues of *Guanxi*, which is sometimes not healthy for the company overall... As I said before, as a company that abides by international standards, we are very sensitive to those things and we shouldn't tolerate this sort of things. You can't change the world all in one day in China, but nevertheless, those types of structures and relationships are not always helpful to the corporate identity. As a foreigner, particularly, I can find that quite frustrating (Foreign manager, No. 6).

Another expatriate's (from a joint venture) view echoes the above one in this regard.

I would say fifty percent of the promotion that happens inside the company has *Guanxi* connections inside the company. Very, very seldom does somebody get promoted because they are good... At the moment a large number of people in this organisation still believe that it is reasonable and correct to use corrupt practices to achieve their objectives (Foreign manager No. 8).

The finding is compatible with the study of the *Guanxi* (personal networks) in foreign companies in China (Wong and Kung, 1999). Corruption prevailing in many state-owned organisations is perceived as an illegal way of operation in foreign companies. It is perceived as an important feature of the Chinese business environment (Luo, 2000). However, some local managers, especially from SOEs, may still perceive it as an effective way forward during the operation of the foreign corporation. It is difficult to handle due to the complex Chinese political systems and traditional cultures. The main reason may be that the main meaning of ethical management in Chinese is different from



that in Western countries according to McDonald and Pak (1996) (reference back to p.115, Chapter Four). In this sense, expatriates usually take more responsibility and make an effort to prevent such corruption from happening during their day-to-day management practice.

### *Team-work*

A foreign company needs good co-operation between members of the management team in order for the company to survive and develop. It seems the research data do not show good co-operation among members of management teams, although China is considered as a more collective society than Western countries as one expatriate maintained:

If members of the management team do not want me to know what is happening, they will give me notes in Chinese. If they want me to know what is happening, they will give me notes in English (Foreign manager No. 7).

As mentioned previously Chinese people are loyal to the groups with personal relationship or direct personal benefits, but they care less for the overall benefits of the organisation as a whole. This is a common phenomenon in traditional SOEs. One local manager (Local manager No. 15) used the game of *Majiang* for an analogy. *Majiang* is a traditional Chinese card game involving four people. Each person needs to get the right card from those common cards or the person next to him or her in order to complete the certain card patterns to win. Sometimes, one does not want to give up the card even if he or she does not need it, for he or she knows the card might be the one the other person exactly needs to win. He said that if one local manager could not win, he or she would not give up the card you needed, so you could not win either. Such a mindset still affects the behaviour of local managers sometimes. The finding corresponds with the empirical study conducted by Wong and Kung (1999).

However, a new finding occurs in the data with a significant meaning in terms of building an effective team. A similar Chinese traditional concept is consistent with the modern management concept of 'teamwork', which was imported from some Western countries.

It is called *Qun Ce Qun Li*, which means to make full use of the collective wisdom and strength for the sake of the fulfilment of difficult tasks. But the application of it in practice is different from that in Western countries. In China it is manifested in an articulated form rather than being applied in practice. One HR local manager argued that in fact Chinese people are not totally unfamiliar with the Western concept of 'teamwork'.

The Chinese items such as '*Qun Ce Qun Li*' and '*Ji Si Guang Yi*' (solving a problem through gathering suggestions from different perspectives) have a similar meaning with 'teamwork'. In SOEs these similar Chinese concepts are used to encourage the co-operation between members of the team, but there is lack of the corresponding compensation or incentive system to support the concrete implementation of the concept in those companies. Furthermore, the bureaucratic hierarchy also hinders the actual application of the concept. In this sense, it is not very difficult for local employees to understand the concept and apply it in practice in an international environment accompanying with the corresponding management measures (Local manager No. 2).

Local managers may interpret the Western management concept by comparison to the similar Chinese concept, thus applying those values in an effective way in practice. This account is somewhat different from some empirical studies (Björkman and Schaap, 1994; Goodall and Warner, 1998; Worm and Frankenstein, 2000). These studies see the Chinese way of working mainly as a problem.

### **Cross-cultural Issues Pertaining to Interpersonal Interaction**

Interpersonal interaction can be problematic in a foreign company when members of the management team do not comprehend the real meaning behind what others communicate. Misunderstandings or improper behaviour during international communication is mainly caused by someone who is trying to interpret the meaning behind others' communications from his or her own cultural background. Interviews in the research show that such misunderstanding and impropriety of behaviour hinder effective communication among members of the management team rather than language problems in themselves.

Types of Issues	Description	Number of Interviewees	Identified Items
Lack of knowledge of background information	Misunderstanding because of lack of an appropriate background knowledge	7 (both foreign managers and local managers)	<ul style="list-style-type: none"> <li>• Foreigners need to have some knowledge about China</li> <li>• Need to know more about each other's culture</li> <li>• Foreigners should respect Chinese habits</li> </ul>
Expatriates' improper attitudes towards local managers	Different attitudes and ways of expressing one's opinions and showing one's feelings	5 (local managers)	<ul style="list-style-type: none"> <li>• Foreign managers tend to show their feelings more directly</li> <li>• Being arrogant towards local managers</li> <li>• Lack confidence and trust in local managers</li> </ul>
Language	Can be problematic giving the poor English of local managers or little knowledge of the Chinese language of expatriates	4 (both foreign managers and local managers)	<ul style="list-style-type: none"> <li>• Expatriates' sometimes being ill-informed depending on interpretation alone</li> <li>• Unwillingness to use English by a few senior local managers</li> <li>• Poor writing skills of some local managers</li> </ul>

**Table 6.2: Cross-cultural Issues Pertaining to Interpersonal Interaction**

*Lack of Knowledge of Background Information*

Sometimes issues appear due to a lack of knowledge of background information during day-to-day communications. Problems related to lack of background knowledge exist not only in business-related talks, but also in informal conversation and chats. Misunderstanding and uncomfortable feelings aroused from informal communication may affect personal relationships among individuals, and thus may hinder the building of effective working relationships. Providing one's opinions and positions without sufficient background knowledge may result in confusion and unpleasant feelings in the listener. One local manager felt somewhat irritated whenever he found that one colleague expatriate gave opinions, which were based on limited or distorted background information about China that he got from his own country.

Sometimes, I told him he should read some history of China and then we can talk. Cultural conflicts sometimes are more manifested in those day-to-day informal talks (Local manager No. 18).



Another local manager's opinion echoes the above words in this regard:

The contradiction mainly lies in the inappropriate communication in light of national cultures (Local manager No. 1).

One expatriate manager's comment may shed light on why having some background knowledge of the culture of the host country can be important in this context.

It (a foreign company in China) is fifty percent success and fifty percent failure, because they (expatriates) don't properly understand the culture (Foreign manager No. 5).

This issue reflects that potential mistakes or pitfalls might be caused by cultural understanding at a surface level. A problem may not make sense to people from a different cultural background if they do not possess knowledge of the main norms of another culture. In an international company, individuals bearing their different cultural identities are working together. It is somewhat risky to make judgements depending upon the words spoken alone. Furthermore, some foreigners come to China with their own share of ignorance and prejudice about the Chinese and the country. Therefore, it becomes necessary to check to make sure the understanding of the words matches the mental pictures of each other.

Cultural differences tend to affect daily business communications and working relationships between expatriates and local managers. The above accounts are compatible with Hofstede (1983) and Higgs (1996). Their studies suggest that understanding and valuing national cultural diversity, and leveraging diversity in individual behaviour and management style, could assist to improve the effectiveness of the management team performance in international companies.

### *Expatriates' Improper Attitudes towards Local Managers*

The attitudes of expatriates give rise to concern among some local managers. The issue is manifested in the ways that an expatriate shows his or her feelings or opinions. Local managers feel somewhat annoyed or upset during the daily interpersonal interaction. One

local manager shows his dislike of the direct method of expression of feelings of one of his colleague expatriates.

I have worked with him for a relatively long time and have had plenty of communication. We argued sometimes. When we argued he occasionally used rude words, but I knew he did not really mean it. Therefore, I warned him: 'You should never, never use this next time' (Local manager No. 9).

This point is supported by Osland (1990) as discussed earlier in Chapter Four. The ways of information sharing in China are somewhat different from organisations in Western countries. China has a relatively 'high context' for communication. However, in foreign companies, expatriates tend to exchange opinions in a more direct way. They may show their feelings about a particular result more directly or openly in front of their Chinese colleagues or subordinates. On the other hand, Chinese managers on most occasions find it difficult to show anger to a colleague even when they are disappointed with the result. They feel expatriates are sometimes too personal where human relationships are critical. Thus any confusion or uncomfortable feelings during the information sharing can result from different cultural communication backgrounds. Ways of expressing emotions stemming from roots of cultures exert influence on daily communication, although more subjective measures are brought to bear in decision-making. It is relatively easy for people to apply new ways of doing things than having the corresponding emotional changes, because key emotions have long been rooted in the long history and tradition of a particular culture.

Likewise, another local manager complained about the lack of respect and confidence in local managers during the decision-making process.

Even when we (referring to local managers) made the right decision, if it didn't agree to his (referring to one expatriate colleague), he would not accept it. Furthermore, he declared our decision was not right. He tried hard to persuade us to accept his view... Once he and me received a notice from the headquarters. It required us to persuade a factory director of a state-owned enterprise to do something. I told him it was impossible to happen due to the Chinese situation. Furthermore, it was not good to the image of the company... He insisted in going to do it. I decided not to go. He became so angry that he made the door bump close when he left the office. Some time later he came back and said he was sorry about his rude attitude toward me. It was obvious that he did not get the expected result (Local manager 18).

The ability of expatriates to realise the expectations of the parent company by using a practical strategy applied in routine management is not enough. At the same time they need the ability to build effective interpersonal communication with local managers (Borg, 1988; Black and Gregersen, 1992; Su, 1999). The issue of lack of trust in the decisions made by local managers echoes an empirical study of the investigation of working relationships between expatriates and local managers in American companies in China (Walsh et al., 1999). The study suggests that the business deficiencies of the Chinese environment contribute to the formation of a kind of condescending personal attitude of expatriates towards local managers in terms of the issue of trust. It further points out that it is relatively difficult to change such perceptions, but local managers can show their potential or talents given the proper chance.

### *Language*

A few language problems were mentioned by participants. Findings show language tends to be problematic in the following situations. First, senior and older local managers are likely to be poor in English. He or she has to use an interpreter. However, a phenomenon confusing foreigners is that even if a local manager of senior position is capable of speaking English, he or she is unwilling to use English during company meetings. Consequently, those senior managers may have some difficulties during both formal and informal interaction with expatriates as one expatriate complained:

He (a senior local manager) is perfectly capable of responding in English, but he will not... In a management team meeting, he sits there, dumb and insolent (Foreign manager No. 7).

The above account is compatible with the study conducted by Osland (1990). The study found that it seemed high positions or national pride prevented the local from speaking another language rather than Chinese.

Second, an expatriate with very limited knowledge of English language in those companies in which English is not the main foreign language may find himself or herself



less effective to exchange opinions with local managers during business meetings. He or she would find himself or herself sometimes in a very ill-informed situation by solely depending on interpreters, as one local manager pointed out:

The previous boss (the expatriate) cannot understand either Chinese or English. He did not understand what we were talking about during meetings. The interpreter could not interpret everything in an accurate or proper way. As a result, sometimes, he did not know whether he had made the right decision. Neither did he know whether we had applied his strategies or followed his decisions (Local manager No. 5).

Actually, problems related to languages arising in interpersonal interactions are not perceived as main obstacles by either expatriates or local managers during communication. In the majority of foreign companies the English language is usually the dominating foreign language among the members of the management team, and most local managers at senior and middle levels have basic or average English language skills for both oral and written communication. Furthermore, some local managers have studied abroad or got qualifications of higher education. One expatriate's opinion represents the point.

Most of my managers and colleagues speak good English. As a foreign company, we generally hire people with high level of English. So there is no great need for me to speak Chinese in the day-to-day working context... Otherwise, it would be a waste of time (Foreign manager No. 6).

The finding is not very consistent with the study on cross-cultural interchange in foreign companies in China (Mu, 1995), which suggested using competent interpreters to achieve good communication. Ultimately, the widespread use of English means language is no longer the big problem of daily communication.

## **The Summary**

The research reported in this chapter presented and discussed the findings categorised in respect to the first research question: the corporate values in general and the corresponding cross-cultural issues in management in foreign companies in China.

According to the findings, corporate culture in foreign companies mainly aims at providing a sound environment that suits the work and the development of employees in order to guarantee the development of the company in the long run. The main values and beliefs can assist foreign companies to achieve their objectives through maintaining international standards and procedures, reducing time-consuming and costly proceedings in operations by adopting systematic ways of doing things and enhancing the international image of the corporation. This section was analysed according to exiting documentation.

Furthermore, the presentation of the findings about the significance of the establishment or maintenance of an appropriate corporate culture provides the background information about the three categories. This section shed some light on the reasons for the appearance of those cross-cultural issues, the requirement for adaptation of foreign companies, and the potential of local managers' education and training in terms of cultivating a corporate culture. The results were yielded from the comprehensive information derived from the interview-based survey.

Central elements of Chinese culture were found to have an impact on the implementation of company core values and beliefs from Western investing parent companies, implying that general management needs to be tailored to local values in order to facilitate the management of local staff and keep or enhance international standards and quality of products and services. The impact is mainly manifested in the implementation of these values in routine management. The formation of the corresponding management behaviour is to be further analysed in the next chapter. Furthermore, the discussion reflects that it is relatively easier to present these Western corporate principles or values but harder to enforce the integrity of the application of them in the Chinese context. A solid change in the Chinese mind may need a relatively long period of time and proper cultural cultivation as discussed in the next chapter.

# **Chapter Seven: Cultural Adaptation of Foreign Companies and Local Managers' Education and Training**

## **Introduction**

This chapter aims at presenting the findings about cultural adaptation of foreign companies and about local managers' education and training. It also discusses what can be evaluated regarding the effects of local managers' education and training upon corporate culture in foreign companies in the People's Republic of China. The analysis is carried out around the findings presented and discussed in the current chapter and also the discussion in Chapter Six. During the discussion the reasons behind the findings are explored by comparison or contrast with previous researches. Some of these findings are confirmed in previous empirical studies, some are new insights drawing upon the research data. The implications for local managers' education and training in terms of building an effective corporate culture are discussed.

The chapter is composed of two parts aimed at analysing the other two research questions. The two parts continue using the same theoretical framework. The first part attempts to provide a discussion based on the findings about the implications of the second research question: the cross-cultural adaptation in management. As mentioned earlier in Chapter Six, cultural adaptation is closely linked to the rites and rituals of organisational culture, which is also called the 'culture in action' (Deal and Kennedy, 1982) (reference back to Chapter Three). Cultural adaptation reflects how members of the management team understand those cross-cultural issues and make corresponding adjustment in practice.

The second part sets out to discuss the last research question. This is about the interrelationship between the corporate culture and the local managers' education and



training. Through the discussion the second research aim is thus satisfied. Education and training programs provided for local managers are the basic analytical unit. The discussion is carried out around the effectiveness of the training intervention in terms of value orientation and behaviour formation.

Adaptation of both expatriates and local managers to routine management is the second major category. As far as the point of view of adaptation is concerned, as with the first category above, very little information is given through documentation, but the qualitative research data gives considerable information related to workplace adjustment, which was seen as necessary in the study. More interviewees provided opinions in this regard than in terms of the issues of cultural differences or conflicts. The reason might be that the participants tend to own positive attitudes about co-operation among members of the management team and show optimistic perspectives about the integrity of the management team as well. Some types of adjustment have been noted in the previous studies, while others appear new. These issues are discussed and evaluated in the following part. The sub-categories are proposed in order to show those findings in a detailed picture.

## **Cultural Adaptation Relating to Management**

Issues of adaptation naturally come from two main kinds of perspectives in accordance with the professional positions of expatriates and local managers in a foreign company. The overwhelming majority of expatriates commented on the need for sensibility to the local culture and the significance of adjustment to local practice. On the other hand, the majority of local managers perceived the importance of adjustment to basic company assumptions and core values. While concern about the adaptation may lie in concern about the realisation of common goals among senior managers, there was also anxiety from middle or low level local managers about requirements to succeed in their jobs and influences on their career development. Furthermore, a person's previous working experience, educational background, and personality all contribute to the extent or effectiveness of adaptation. The findings presented in this part focus on the environment

of the workplace. The two types of perspectives for adaptation are presented in terms of comparison or contrast under some common subtitles for comparison. The framework of the analysis is shown in the table below:

Types of Issues	Description	Number of Interviewees	Identified Items
Cultivating modern management traits among local managers	Developing western management values and skills of local managers	17 (both foreign managers and local managers)	<ul style="list-style-type: none"> <li>• Self-responsibility</li> <li>• New ways of thinking and doing things</li> <li>• Creating your own working style</li> <li>• Taking risk even if making mistakes</li> <li>• Teaching local managers how to behave and why to behave that way to achieve objectives</li> <li>• Increasing on-the-job skills in a continuous and conscious way</li> <li>• Doing things in a professional way</li> </ul>
Performance appraisal	Implementing proper performance appraisal for local managers	13 (both foreign managers and local managers)	<ul style="list-style-type: none"> <li>• Focusing on the results</li> <li>• Hard work</li> <li>• Compatible with the corporate culture</li> <li>• Pursuing excellent performance</li> <li>• Adopting equal attitude towards local managers' performance</li> </ul>
Assertive Management	Sticking to company principles and core values	6 (foreign managers)	<ul style="list-style-type: none"> <li>• Abiding by international ways of doing things</li> <li>• Fighting Chinese hierarchical ways in management</li> <li>• Not becoming totally so local</li> <li>• Complying with company fundamental things</li> <li>• Complying with company principles in terms of internal management</li> <li>• Being fair, honest and open</li> <li>• Insisting in controlling the company legally and ethically</li> </ul>
Compromise	Adopting the measure of compromise to reach purposes	10 (both foreign managers and local managers)	<ul style="list-style-type: none"> <li>• Taking different roads to reach the purpose</li> <li>• Sometimes success depends on compromise</li> <li>• Changing political views</li> <li>• Developing <i>Guanxi</i> (personal networks) to deal with local customers, suppliers and people in government positions</li> <li>• Modifying different behaviour and expectations in a way of continuous co-operation</li> <li>• Focusing on common goals and regulations</li> <li>• Do not wait for the environment to suit you</li> <li>• Local managers are obliged to make compromise in decision-making</li> </ul>
Flexibility	Being sensitive to local practice and local culture	20 (both foreign managers and local managers)	<ul style="list-style-type: none"> <li>• Creating the subsidiary's own culture while keeping the main values of the parent company of the headquarters</li> <li>• Creating a dynamic culture by adding local aspects</li> <li>• Creating new knowledge</li> <li>• Adapting to local specifics of the culture</li> <li>• Adapting to local specifics of the local markets</li> <li>• Creating a flexible work environment</li> </ul>
Localisation	Replacing expatriates with qualified local managers in terms of handling or reducing cross-cultural differences	21 (both foreign managers and local managers)	<ul style="list-style-type: none"> <li>• Using localisation to handle the Chinese culture in daily management</li> <li>• One important role of an expatriate is to be a coach</li> <li>• Dealing with local staff in a more effective way</li> <li>• Dealing with Chinese customers in a more effective way by using local managers</li> <li>• Reducing the cost of sending expatriates</li> </ul>

Table 7.1: Cultural Adaptation Relating to Management



## **Cultivating Modern Management Traits among Local Managers**

Local managers are in a critical position of having most contact and communication with both expatriate managers and non-managerial local staff. On the one hand, they are usually the subordinates of the expatriates, and, at the same time, the superiors of the non-managerial local staff. They need to comprehend relatively new management concepts and systems and apply those concepts and systems into the Chinese environment and practice, assisting expatriates to keep the international standards of quality and service. On the other hand, the management behaviour of local managers greatly affects the transfer of the company values to non-managerial local staff. The rites and rituals of a company are manifested in the general behaviour of the majority of the staff, and so it is important to improve the staff's personal quality and professional skills and attitudes towards their work in general. The non-managerial local staff are exposed to the main corporate values mainly through the management, training and coaching from local managers. Therefore, the management behaviour adaptation of local managers has a great significance with respect to the development of an effective proper corporate culture. Cultivating modern management traits among local managers is perceived as a useful tool for effective cultural adaptation.

Companies usually attempt to cultivate relatively new management concepts among local managers, such as taking on risks and challenges, being innovative and creative, more self-responsible and so on. In a foreign company especially established by a Western country in China, local managers are encouraged to develop the management behaviour the company prefers as a result of an effective cultural adaptation. One foreign senior manager brought home this view in terms of improving the knowledge of relatively new local managers in his company.

What we want is to create a culture whereby people (referring to local managers) use their mind, use their initiative, and come up with answers... If someone makes a mistake, what it means, he/she has tried something different and we always want them to be trying different things, in terms of service, our operational processes, and the way we deliver training. We are always looking for new ways to do it and we need people to be imaginative and to take risks and try new things and new ideas, but obviously we don't want people to make the same mistake. But if they make different mistakes all the time,



then it is showing they are being imaginative. So we want to encourage people to think for themselves, which is a big challenge (Foreign manager No. 3).

The above point suggests that local managers need to show initiative, thinking about things in new ways. They are learning to be creative in running the business within their departments, overcoming problems, designing products and so on. One HR manager from a joint venture described the work his company has done in terms of changing the relatively old concepts and values of local staff.

Some of our staff come from the original state-owned enterprise and others we recruited come from societies and universities or colleges... They need a period of time for adaptation due to different management concepts, conceptions, and style as well as different working systems. Therefore, we spent about three years and plenty of money for this kind of education and training according to the characteristics of a foreign company... I often tell a local graduate that he/she should make full use of his/her potential and ability of innovation and creativity in this company (Local manager No. 1).

The majority of local managers showed their satisfaction with the training in applying foreign management styles as one local manager summarised:

Generally speaking, there are three benefits a local manager can get when working in a foreign corporation. Firstly, we can enrich our own culture through learning the new culture. Secondly, we can get higher salary or bonus through improving the competitive ability. Finally, we can develop the on-the-job skills in a conscious and continuous way (Local manager No. 11).

Another local manager showed her contentment with the result of the cultivation in terms of innovation and creativity in management.

In this company, you yourself are an entity. Whatever you do reflects your own experience and personality. So sometimes, you do not present the style of your department or your company, because you present your own or unique style in the job... For example, if one day I leave the company and another person does my job, the job may reflect his/her own style. This is the essence of the corporate culture. You don't have to follow the working style of other people as long as you are right with the main direction of the job... After the cultivation in this company, you could survive well in many other companies. You have been trained to make self-decision or self-judgement, to be self-dependent, and to be responsible for the result (Local manager No. 13).

These management behaviours are formed from the corporate values closely linked to the Western cultures, which are enormously different from the Chinese culture. Foreign companies transfer these management concepts and behaviours in order to emphasise the



company values aiming at creating an effective international work environment. These international companies believe some main management behaviours, like company fundamental values, work almost equally well and effectively everywhere in the world, despite large cultural differences, due to the similarities in terms of structure, technology, and strategy. Chinese culture might affect the effectiveness of behaviour at the beginning of the establishment of the company but, a few years later, local managers are generally socialised by the company assumptions and values and behave accordingly, at least within the company, and might put their own values aside if necessary. These accounts are consistent with several empirical studies (Osland and Cavusgil, 1996; Xie, 1996; Beamer, 1998; Zhu and Dowling, 1998).

The adoption of the new management values into local managers' preferred behaviour in practice proves a challenge to a foreign company due to the influence of the national culture, but it is by no means an unconquerable obstacle. Some elements of the traditional Chinese culture are not opposite to the advanced management concepts and values in theory, such as *Qun Ce Qun Li* and *Ji Si Guang Yi* (reference back to p. 172-173, Chapter Six). However, these elements need to be redefined in the present management practice and to be applied with corresponding management measures. Reapplying some Chinese traditional management values in a foreign company through novelty can be perceived as a useful tool to handle cultural differences. The view is not very consistent with some studies that consider the elements of the Chinese culture mainly as obstacles to the international management (Brunner et al. 1992; Björkman and Schaap, 1994; Hu and Graen, 1997; Goodall and Warner, 1998; Lindholm et al. 1999; Worm and Frankenstein, 2000; Valentine and Godkin, 2001).

The outcome of adaptation is closely linked to an individual's way of thinking, educational level and previous working experience. The findings show that some local managers had already worked in other foreign companies and so do not have much difficulty or confusion in adapting to the corporate culture, while others who never worked in foreign companies found themselves in an alien and uncomfortable environment. Furthermore, there appears to be a general view that younger and higher educated local managers find it easier to adapt themselves to the core values and beliefs



and apply these concepts in a more effective way in practice because they are more open-minded, while they generally lack working experience in SOEs or government offices. The majority of interviewees of local managers were between thirty to forty years old and at least have college diplomas. This point of view coincides with studies by Xie (1996) and Beamer (1998). As a result, it is easier for them to adapt themselves to the corporate culture and easier for the company to cultivate the corporate cultural elements into their preferred working behaviour.

### **Performance Appraisal**

Motivation is one of the important management measures in foreign companies. It often happens that the implementation of the concept of motivation in Western companies located in domestic Western countries proves to be effective for Chinese staff. Interviews in this regard indicate performance appraisal measures commonly used are compatible with company values as one foreign manager declared.

We try to build a management pattern of organisation where people get rewarded based on the results and not on the basis of who they know or how old they are, or this type of thing (Foreign manager No. 6).

One HR manager stated the strategy of performance appraisal of the company in which he is working.

Here (the foreign company) the pursuit of money needs to be linked with your performance result. For example, basic annual salary adds competitive bonus. While in a state-owned enterprise the individual performance is normally not associated with the development of the corporation (Local manager No. 17).

The measure stems from the value of equal competition in job competence, which is a relatively new value to Chinese managers as discussed in Chapter Six (reference back to pp. 167-168, Chapter Six). Many local managers working in foreign companies can accept the value and make adaptation in a conscious way. One local manager's comment reflects the point.

Here you are an artist or a designer. The boss does not watch you when you are designing or planning, but he will assess the result (Local manager No. 13).

Another local manager gave positive comments about this value that echoes the above words.

The boss (the expatriate) takes equal attitudes towards local managers. He does not involve personal inclination in a local manager's job, but checks the result. If he is not satisfied with your work, he would point it out in a serious manner. If you achieve a good result, he would react accordingly (Local manager, 3).

One local manager's words shed some light on the reason why the foreign performance appraisal can be accepted by local managers.

You need to report to the boss about the results. He (the boss) needs to give assessment... In this way, your ability can be greatly improved. Furthermore, you get opportunities and the stage to apply your ideas in practice... The middle or senior local managers working here attach more importance to being respected and being granted authority rather than earning money. This is the reason why I stay (Local manager No. 5).

These accounts suggest that Chinese managers working in foreign companies gradually enhance individual responsibilities through the implementation of the company values. They exert more personal control and influence on their job results through cultivating company values and management skills, and promoting self-interests and stressing individual achievements as well. The point of view is manifested in the studies (Xie, 1996; Beamer, 1998; Zhu and Dowling, 1998). These studies were reviewed in Chapter Four (reference back to p. 116, Chapter Four).

### **Assertive Management**

Foreign managers brought out the issue of assertive management, which aims at keeping company principles and core management values, such as reducing hierarchical influence and maintaining management ethics. It is perceived as a method of maintaining international operation of standards and image of the company. It is carried out based on business sense, not on a personal inclination. One common reason to stick to company principles and values comes from the traditional management values in China, as one expatriate pointed out.

In a straightforward management team meeting, if there is a disagreement, in principle, between myself and the deputy general manager (who is sent by the Chinese parent



company), I will never win the argument, because if you push to a democratic decision, I will lose two to six (referring to the organisational structure of the top management team consisting of two expatriates and six local managers). ...Every Chinese person below him relies on the deputy general manager. He controls their pay, their welfare, their houses, so they will not argue with him. You have a management team meeting about a serious subject. If the deputy general manager does not understand why something has to be different or does not agree with it, regardless of how silly it may be, every single Chinese person will support him. They will not argue with him, they are frightened to argue with him... Sometimes, I continue to fight and get my way (Foreign manager, No. 7).

Another expatriate described his 'fighting' experience in terms of decision-making.

When I used to work in...(the name of the parent company), there was a very powerful management culture, everyone used to make their own decisions. You only go to the boss when you really don't know how to make the decision. In China, the culture has tended to be historical that every body has to ask their boss, even for the very small things. So to a certain extent you are always fighting against this (Foreign manager No. 6).

The relatively modern management values and concepts affect the traditional management values and beliefs of individual local managers to different extents. Some management values and beliefs are closely linked to the national culture, so to an extent, the company values exert influence on the Chinese culture and habits of local managers. Expatriates are generally in a critical position to establish these company assumptions and values and implement the corresponding management concepts and values among local managers.

Furthermore, they need to stick to those basic values on most occasions in order to establish or keep the international image of the company. Therefore, foreign companies tend to attach importance to sticking to those fundamental elements for the sake of maintaining the international operation and image. These fundamental things refer to basic assumptions, core values and ethical principles, which show the direction to the collective behaviour of the staff. One foreign manager stated his point regarding the issue below.

There are some fundamental things that are important to us as a company... We believe those are values that are good for the UK, they are good for Poland, they are good for Turkey and they are good for China. Those underlying principles are very important to us. So to one extent, there is a centrally dictated set of cultures and values for all our different operating companies (Foreign manager No. 8).



The deficiencies of the Chinese business context is the third important reason for foreign companies to stick to company principles or core values. As one foreign manager stated.

Sometimes, the way of doing things is incredible in the domestic country, but here in China you have to do so. However, within the company we must comply with the principles of the parent company in terms of internal management (Foreign manager No. 1).

Another foreign manager made the similar complaint.

It is one of the areas that I end up shouting at people the most because I get very frustrated that health and safety standards do not really exist in China... What we have done, especially in health and safety, we have set our own standards and safety standards that should be as good in China as they are in the domestic country. It doesn't matter what the local law says and this is one area where we will insist on things. Even if the local law is down, we will insist on our health and safety here (Foreign manager No. 3).

Although the social culture of the whole country is experiencing a transition since the reform of economics, the foreign companies in China are at the centre of a cultural shock, which tends to lead to cultural conflicts and confrontations (Lu, 1999). Company fundamental values are commonly imported from the foreign investing parent companies. They are perceived as basically stable beliefs that are critical to the implementation of international standards and procedures, which are applied in other parts of the world as well, not only in China. Those overall corporate values are expected to subscribe to everyone involved in the organisation (reference back to pp. 158-161, Chapter Six). These basic company values greatly help to achieve international standards, enhance the corporate image and reputation and create an effective working environment.

## **Compromise**

As a reactive adaptation, the measure of compromise is of significance in light of effective co-operation between expatriates and local managers. It refers to compromise on both sides in practice in order to realise the common purposes. However, it does not simply mean that one side just follows the other's opinion or decision. It is a kind of management measure to reduce the conflicts or confrontation for the sake of the best interests of the company. As a local manager put it:

Usually there is not only one way to reach the purpose and you may not always take the shortest way. Sometimes you may take the way by following other's decision as long as you can reach the purpose, although it costs more and is more time-consuming (Local manager No 1).

The above account indicates there are many options open to the organisation through adopting different views of looking at a situation or interpreting goals across cultures. The findings indicate that an international corporation might achieve its objectives through both international and local measures. But the potential solution needs to fit in with the international rules and regulations and, at the same time, with the Chinese cultural assumptions.

Some Chinese culture or traditional norms can be applied in the international operation when identified in the new environment. For instance, one expatriate mentioned the use of *Guanxi* (personal relationships) during the recruitment. He sometimes uses someone from the personal networks as long as the person is qualified to do the job for the company.

The personal relationships are extremely important... I mean if the person is qualified, I won't say it has to go to open competition. If the person fits in, why not. I think it is fine... Later when a contract is offered, the man will remember that this company offered to help so he will offer it to the company and similarly if our quote is good and the quality is good. Then if somebody else's quote is equal to ours, we would expect to get this business, because in the past we also have helped, so we also expect to benefit. (Foreign manager No. 4).

He perceived such a way of doing things as compromising, suitable to the Chinese culture and, at the same time, without destroying the company interests. The point is consistent with other empirical studies (Osland and Cavusgil, 1996; Tung and Worm 2001).

Another expatriate's view echoes this. He showed his change of views since he came to China.

If the issue does not involve me directly either safety of people or financial welfare of the company, then I will move. I do change my view. When I came to China, I was very much in English politics, very conservative, right wing. In China, I believe my politics



have changed for being here and I am much more in the centre of politics (Foreign manager No. 7).

Likewise, one local manager raised the same issue of criticism in public in terms of self-effort.

Criticising you in front of your colleagues because of the mistake you made in your job is the working style of the company. It would remind or warn others in terms of doing their jobs properly. It is no exception in China. In a competitive working environment, you'd better make effort to adapt yourself to the culture and then affect it. You can't wait and hope that the environment should suit you (Local manager, No. 13).

These accounts suggest that there is more than one way to view the realities. One attitude, or one perspective, is less effective to deal with those cross-cultural issues. An effective adaptation and co-operation might appear if things are done or information is perceived in a wide sense (Stuttard, 2000). In other words, culture-specific ways of doing things need to be recognised and valued in order to achieve the best result, although expatriates need to control the operational procedures to a maximum extent.

However, one local manager mentioned the issue of compromise from a different angle. He sometimes feels compelled to make compromises during daily management. The manager mentioned that, sometimes, local managers made compromises because of bias or improper attitudes of foreign managers.

The big cultural difference lies in whether decisions made by local managers are accepted by expatriates is based on the equal condition... The conclusion drawn by local managers may not be accepted by some expatriates until they generated the same or similar conclusion. They (referring to some expatriates) are not likely to accept the reality of China... On most occasions, Chinese managers made compromise even when we were right. It sometimes gave rise to extra money, costs and more time spent on dealing with things (Local manager No. 18).

The account from a different perspective suggests a foreign company needs to make sure that the operation is realistic and workable in the environment in China. It requires the timely adjustment to practice for some essential rules and cultural features which are not easily perceivable at the beginning stage or at surface level. Some unwritten rules and features might be present in particular situations during the operation of the company. As a result of the establishment of corporate culture, the negative influence of cultural



differences gradually erodes in favour of mutual understanding and a dynamic decision-making process.

The issue of compromise indicates that the desired culture should have roots in the understanding of human nature of different cultures. It aims at creating an effective working environment in an international organisation, which is people-based through stressing the harmony among individuals and the harmony between the staff and the working environment. An effective compromise strategy should be built on mutual understanding at the deep level. Therefore, a person does not necessarily have to sacrifice the integrity of one's personality, or one's cultural characteristics, for the sake of keeping the integrity of the international operation (Alder, 1980).

## **Flexibility**

Contrary to the measure of compromise, flexibility can be seen as a kind of active adaptation. It refers to sensitivity to local practice and culture. Being sensitive does not simply mean a foreign company should accept the local values and ways of doing things only. It aims to achieve the best result, rather than just getting things done. It actually enhances the systematic ways of doing things and international standards and procedures through permitting local managers to adopt some proper and effective local ways in order to facilitate the operation of the company. According to the data the issue has two implications.

Firstly, a foreign company needs to adapt to local practice in day-to-day management in order to keep to international standards of products and services in a more effective way. In this respect, local managers are encouraged to apply local ways compatible with the local culture and market. The opinion of one expatriate reflects the view.

We have certain global standards, because we are a global operator, we want to offer our customers a global standard of service. Obviously that does not encompass each and every small detail about day-to-day operation... So it is a mixture of global policy and global standards of service, accuracy and likeness whatever, also adapting to the local specifics of the local markets here (Foreign manager No. 6).

Adapting to local specifics also reflects a dynamic culture created through adding some local aspects, while keeping the company principles and core values. The majority of companies recognise corporate culture is driven by people with different perspectives and rules from different countries. Many Western companies in China are encouraged to add new aspects or make adjustment to local practice. Thus some parent companies encourage their subsidiaries to create their relatively independent corporate culture, while retaining the fundamental values and beliefs that are mainly imported from parent companies, and at the same time allow the co-existence of subcultures. This approach provides the balance between maintaining the main values of the company and proper adaptation to local practice. An interview with a member from the top management team shows a subsidiary is encouraged to develop its own corporate culture in which the basic assumptions of the parent company reflect themselves with local characteristics.

We consider each of our operating companies to be independent. They have an independent management structure and they have an independent corporate culture... There are some fundamental things that are important to us as a company... The way they manifest themselves, the way they show themselves, the way we communicate those messages might be slightly different in every country... We allow them to have local characteristics, and we believe that our corporate values and our culture in China is very strong with local characteristics, with Chinese characteristics. We try to adapt and we try to grow our culture locally to suit the local people (Foreign manager No. 3).

Another local manager's comment shed some light on the nature of such a dynamic culture.

The corporate culture of the company is a kind of creative and mixed culture neither with the pure Chinese nor Western values. It reflects the corporate mission and tends to be accepted by both employees and the Chinese market (Local manager No. 7).

By doing so, the corporate culture of a subsidiary enriches the management experience and values of the parent company, just as one senior foreign manager from a British company put it:

We want to take the very best thing out of ...(the name of the parent company) UK culture and the best things out of China's social culture and put them together to form ...(the name of the company) China culture. We are also very keen that communication and learning between the companies is not a one way process. It is not about us going to China and saying you will learn from us because we know everything in the UK. It is



about our experience, it may help you. However, your experience may be able to help us in the UK as well. And the interesting thing is we have many business developments that we have taken from the UK and have been very successful in Shanghai, but there had also been some very successful developments and new ideas that have come from ...(the name of the company) China that we are now bringing back into the business in the UK, and you can imagine our Chinese colleagues get an enormous amount of satisfaction (Foreign manager No. 3).

The above account echoes an empirical study exploring the successful knowledge management in joint ventures between Western countries and developing countries (Berdrow and Lane, 2003). The researchers argued that knowledge management usually involves three processes: knowledge transfer (the migration of existing knowledge from parent companies to the subsidiary); knowledge transformation (the integration and application of the existing knowledge and the creation of new knowledge within the subsidiary); and knowledge harvesting (arguable application of the new knowledge in the parent companies). They suggested that showing respect to the cultures of each other and perceiving knowledge as an important resource to be developed are the two important factors for successful knowledge management. In a sense, the finding implies a dynamic corporate culture in foreign companies in China, and provides more opportunities for the formation of new knowledge, thus making learning possible and beneficial. In this case, a dynamic culture tends to stimulate the desire for gaining knowledge and forming an effective learning environment within the organisation, resulting in benefits to both the foreign subsidiary and the parent company or companies.

However, one foreign manager commented that there is a risk when adopting local ways of doing things.

In some cases, you've got two ways of doing things. One is the universal way, and the other is an adaptive approach. There is something to be said for the adaptive approach because you get potentially the better of folk, if you get it wrong, you get the worst of folk. So there is a risk (Foreign manager No. 8).

This account shows caution should be paid when adopting local ways of doing things in a foreign company. It suggests flexibility needs to be made on the basis of a good understanding of the local culture and habits.



Chinese culture and traditions have evolved over thousands of years. The cultural environment becomes remarkably complicated for the operation of a foreign company. Some norms have proved to be obstacles to the operation of an international enterprise, while others might have potential to be positive in the direction of the operation of a modern enterprise if they are redefined properly and applied carefully (reference back to p. 172-173, Chapter Six). The corporate culture of an international company is in a dynamic pattern involving both features of the international operation and local characteristics. Under the direction of the fundamental assumptions and values, a variety of cultural forms appear according to the local situation. Different and opposite factors are allowed to exist within one value system in a corporation. Such a culture is likely to increase the integrity of the employees, improve the performance of the company as a whole, and help the company to establish a consistent behaviour model (Alder, 1980).

Secondly, foreign companies tend to create a flexible work environment for the sake of effectiveness. A flexible work environment refers to relatively loose control during work time. There is a general agreement among local managers that a flexible work environment facilitates management, and is attributable to the building of effective work teams. One local manager said that the foreign companies in which they are working are more open to suggestions and feedback from employees than state-owned organisations.

We have boxes to collect suggestions of improvement of the operation of the company from individuals. If someone's suggestion is accepted, he or she can get monetary reward (Local manager No. 10).

Another one maintained that superiors and subordinates could have chats or casual talks, and even make jokes.

In this company a casual relationship exists between superiors and subordinates. The line of distinction is not as clear as that in a SOE. We have talks, chats and meals together. We even make jokes. It is impossible between superiors and subordinates in SOEs (Local manager No. 18).

A flexible working environment is created as the result of flexibility of company culture. A dynamic working environment here also means that the organisation has a relatively

'loose control' system (Hofstede, 1991). In a loose control environment, people may not go to offices punctually and tend to ignore the cost. They can make jokes about the company or their jobs. Local culture, if dealt with properly, could help the company to achieve the international standards and procedures in business practice, thus generating an effective workplace.

The issue of flexibility suggests that simple imitation or copying of the other culture's assumptions and values be viewed as inappropriate in the management of intercultural interactions. The cultural adjustment needs to involve a kind of novelty and transcendence. In other words, the cultural communication should happen at a deeper level based on the true and mutual understanding and sincerity for co-operation, rather than just simply following or imitating the other's values and behaviour. Developing the understanding of common values at deep levels would guarantee effective co-operation in the long run. New values and beliefs might be added to the original corporate culture and practice during the process of true co-operation. Drawing strength from different cultures is of great importance to building an effective culture according to Lu (1999) (reference back to p. 114, Chapter Four).

## **Localisation**

An overwhelming view related to the handling of cultural issues is the emphasis on gradual localisation among the members of the top management team. Localisation here aims at replacing foreign expatriates with qualified local managers during daily management in China. It not only greatly reduces the cost of expatriation, but also copes with those cross-cultural differences in a more effective way, thus diminishing management conflicts and confrontations. Having the same or similar cultural backgrounds helps to increase mutual understanding and improve the effectiveness of teamwork.

At the beginning, parent companies are likely to designate overseas Chinese as expatriates, because these overseas Chinese have knowledge of Western management and



working experience in Western countries, and at the same time, have the knowledge of typical Chinese culture and tradition. One local manager introduced the organisational structure of the top management team in his company below:

The top management team consists of nine people. Number one, the manager director, is the Hong Kong Chinese. Four general managers are overseas Chinese having passports of foreign countries. Only one general manager is a real foreigner from the investing country. The other three general managers are Chinese nationals, including me... The main management style is of that of Western countries (Local manager No. 9).

One foreign manager talked about the purpose of sending expatriates. He pointed out that one of the important roles of expatriates working in China is to develop qualified locals to replace themselves.

The selection process for the expatriates is very important. One of the key things that we tell them is their role is not really to go over there (referring to China) and be a manager but their role is to be a coach. The successful person will eventually manage themselves out of a job after two or three years (Foreign manager No. 3).

With the development of the company, qualified local managers are identified and developed to replace expatriates. Local managers in different managerial levels are in a critical position in terms of the long-term development of the companies. They are perceived as facilitators necessary in managing and coaching the general local staff, contacting local suppliers and customers, and associating with government officers at different levels (Wong and Law, 1999). In this sense, localisation not only reduces the cost of dispatching expatriates from the foreign parent company, but also makes good business sense with regard to solving cultural conflicts. One expatriate raised the reason why his company is adopting the policy of localisation.

It is an active policy to promote our nationals at the moment, if they are suitable for the job. If local managers were qualified, I'd rather use local managers... We promote local managers because of the cultural relations. It also makes business sense for us, because a national manager is quite different to an expatriate manager in China (Foreign manager No. 2).

'Localisation' is perceived as a useful tool to deal with cross-cultural conflicts in daily management in general. Developing local managers to replace expatriates makes sound



business sense in the long term. Another local manager's opinion supports the above view.

I think localisation is a good strategy. In this sense, the conflicts caused by cross-cultural differences become less. There is less misunderstanding, more personal communication (Local manager No. 8).

One local manager mentioned the role of local managers in facilitating the management of local staff in terms of recruitment. Local managers are more knowledgeable about the educational and working backgrounds of local staff. They have a better understanding about both the working and personal problems of local staff as the local manager from a certain manufacturing field stated:

In our business field, if you don't know the technical background, you are not likely to recruit the right person. It is difficult for you to know his/her working background and experience in depth if you only read his/her CV. But I know those universities in the field and which subjects those universities focus on...I also know the main differences between people from the southern part and the northern part. I talk to him/her and know if his/her CV is compatible with his/her description (Local manager No. 18).

Accepting the company principles and values is of great significance to a qualified local manager. Another foreign manager pointed out this is one of the important conditions for a qualified local manager (Foreign manager No. 1). Another HR manager reflected a similar focus when recruiting a local manager.

During the recruitment, the company would get some idea of a certain person through the interview and background materials... During the trial period, his or her ability of communication, potential, personal interaction and working capacity indicate if he or she can be compatible with the corporate culture (Local manager No. 11).

Therefore, local managers' roles in terms of building a strong and cohesive corporate culture cannot be ignored, especially for the development of the company in the long run. Their commitment is necessary for the implementation of management decisions and in creating an appropriate culture among non-managerial local staff. The implications of local managers' adaptation and training are investigated in depth in the research.

As the findings demonstrated, the majority of foreign companies adopt the strategy of localisation at both middle and high levels of the management structure, because these companies tend to believe that the most excellent managerial personnel should be those possessing the sound expertise and the corporate values and beliefs as well. The point is consistent with the study about the exploration corporate culture and operation of big international companies in China (Li, 2002). The study demonstrates that some big international companies give the same importance to cultivating core values of locals as to developing on-the-job skills.

### **Cultural Adaptation Relating to Interpersonal Interaction**

The data show good interpersonal interaction is helpful in creating an effective working environment. The main measures for good interpersonal interaction appear in this regard to be: knowledge of each other's culture, expatriates' proper attitudes towards local managers and language learning. These issues are presented and discussed in the following table.



Types of Issues	Description	Number of Interviewees	Identified Items
Knowledge of each other's culture	Helpful to the understanding of company values and another national culture as well as facilitating the daily management	10 (both foreign managers and local managers)	<ul style="list-style-type: none"> <li>• Working together much better if each side understand more about each other's culture</li> <li>• Helping to understand the management values of the foreign parent company by local managers</li> <li>• Focusing on common things of the cultures at the beginning</li> <li>• Helping to know the ways of doing thing in the foreign parent company</li> <li>• 'Coaching boss'(the top expatriate) in terms of Chinese culture and economic environment</li> <li>• Expatriates' culture-specific training</li> </ul>
Expatriates' proper attitudes towards local managers	Assisting to build good relationships with local managers and facilitate the daily management	8 (both foreign managers and local managers)	<ul style="list-style-type: none"> <li>• Being friendly, not arrogant</li> <li>• Being patient</li> <li>• Showing confidence in local managers</li> <li>• Doing lots of talk with local manager</li> <li>• Attending social activities with local managers</li> <li>• Having trust in decisions made by local managers</li> <li>• Providing support when meeting big difficulties</li> </ul>
Language Learning	Helpful to a more effective communication in terms of mutual learning to build the identity of team	6 (both foreign managers and local managers)	<ul style="list-style-type: none"> <li>• Learning some basic Chinese language by expatriates</li> <li>• Increasing senior local managers' English levels</li> </ul>

**Table 7.2: Cultural Adaptation Relating to Interpersonal Interaction**

### Knowledge of Each Other's Culture

Cross-cultural issues stem from a corporate culture influenced by national cultures when operating in an alien environment. It can contribute to an effective communication if expatriates possess knowledge of the main norms of the Chinese culture. The findings in the current research give support to the view, but at the same time indicate the learning involves a dual process. On the other hand, local managers need to gain the basic knowledge of the foreign culture of the investing country in order to have a better understanding of those management concepts and values.

Local managers sometimes need to 'coach' their bosses (expatriates) by telling them the Chinese way of doing things, as one local manager mentioned below.

Sometimes, the boss (expatriate) does not understand, you need to tell him about the Chinese context. You need to 'coach' him in this regard (Local manager No. 5).



This account suggests that the values and beliefs of top expatriates are of great importance in setting up a corporate culture that facilitates the settlement of conflicts or confrontations during the routine management practice. Their understanding of the main factors of the Chinese culture helps them engage in an effective communication with local managers.

The issue also reflects that local managers need to have some knowledge of the culture of the foreign parent company or the headquarters. One local manager described her feeling about the differences in management style in companies established by different foreign countries according to her present and previous working experience.

American companies stress on the concrete guidelines during routine management and subordinates are supposed to follow these guidelines from their superiors in order to fulfil their jobs in a professional and logic way. Local managers are encouraged to take initiative, but at the same time need to constrict their behaviour within the detailed guidelines... Japanese companies focus on the strict systematic format and procedures in management practice. Local managers need to follow these formats and procedures in a strict way... On the other hand, European companies are relatively decentralised, providing local managers with more space to display their personal characteristics in the workshop. Local managers, in this sense, are entitled to make most decisions about the internal affairs in their own functional departments based on the advisory guidelines from expatriates or superiors. Local managers may create a sort of his or her own style of the job (Local manager No. 13).

She stressed that management style is closely linked to the main characteristics of the culture of a particular country. It was easier and more effective for her to make adaptation because she made some studies about the relationship between the management style and the particular culture.

Another expatriate expressed his opinion in terms of gaining cultural knowledge of both sides.

I am very happy to informally explain the way we do things and all the exchanging the way things can be done. Equally I am happy for Chinese people to explain to me the way that things can be done here. So it is a cultural exchange (Foreign manager No. 4).

An understanding of the main norms of another culture is a prerequisite for a culture change. A basic knowledge of each other's culture assists both expatriates and local

managers to describe and interpret the salient factors comprising the corporate culture. Such knowledge would help each other accept different cultures and understand different behavioural styles and ways. Furthermore, the knowledge facilitates the process of building trust between expatriates and local managers. From the point of view of intercultural awareness, both expatriates and local managers could recognise the merits of the other's culture and learn from each other.

Having some knowledge of each other's culture enhances mutual understanding and co-operation. It is easier for members of the management team to seek common features of each side. There are some areas of cultural differences, but a sound foundation of co-operation may not be established if members of the management team are worrying too much about these differences. It does not mean these differences should be ignored, but put aside. When a sound foundation is set up the team would have more ability in dealing with those differences. This view is construed from the perspective of one foreign manager.

If they (local managers) understand more about our culture and we can understand more about Chinese culture, we work together much better... Let's focus on the things we have in common first of all. If we can work together on the things that we have in common, then these issues on the side become a smaller problem... Let's understand and appreciate that we have our differences in terms of culture and value, but equally let's also understand that we have many things in common... What happens if when we focus on areas of common understanding and common value? We begin to understand each other better. Once you understand each other, then the areas that are different become much smaller (Foreign manager No. 3).

Knowing the main norms of each other's culture can assist both expatriates and local managers to interact effectively with each other (Weaver, 1993). Furthermore, the adjustment is a gradual process focusing on common things in terms of operation of an international company at the beginning, and at the same time cultural differences are not ignored. Problems can be solved in a way appropriate for the staff and clients through applying both similarities and diversities of different cultures. Such a process involves recognising both similarities and diversities of particular cultures and at the same time transcending these specific cultures in reality according to different cultural problems (Alder, 1980).



## **Expatriates' Proper Attitudes towards Local Managers**

In a foreign company in China, expatriates usually take a leading role in establishment or maintenance of a proper corporate culture. They are running the overall management of the company, and, at the same time, they are transferring the comparatively new management concepts and values to local managers. Their management values and behaviour greatly influence the general management communication and practice within the company. The management style of expatriates sets the pace for local managers. One expatriate described his working approach in terms of creating an effective communication with local staff.

I want to talk with them, to be friendly. It is easier for them if they have a problem they come to me more easily, not because they have to come to me. I don't want them to be scared to come to me. I spent eighteen years doing the job they do. Two or three times during the day, I just walk down to the office just have a talk to see how things are going on. Is the job going okay? Is there any problem? Who is going for a holiday? Just have a talk (Foreign manager No. 2).

Local managers considered the attitude of expatriates towards local managers as important to building a strong corporate culture. A local manager talked about the point with regard to problem solving.

The boss (refers to the top expatriate) has lived in China for a relatively long time. Furthermore, he is friendly to us and shows confidence in us. ...He is special, because he is far too patient to and confident in local staff than many foreigners. ...So many problems are easier to be sorted out between him and us (Local manager No. 18)

Another local manager talked about the supportive role of the expatriate in terms of fulfilling difficult tasks.

If you have difficulty, you can ask the support from the boss. This is really an advantage, because when you communicate with the government officers or other senior managers of other departments, you may not in a proper position as a middle-level local manager. In this case, the boss would like to help me (Local manager No. 5).

These opinions indicate that building interpersonal relationships and showing respect to local people and culture are of great significance during interpersonal interaction. The issue is compatible with some previous studies (Osland and Cavusgil, 1996; Nowark, et



al. 1997). A new leader of an organisation, according to Harrison (1995), should have a caring, respectful and positive attitude towards employees. Such an attitude from an expatriate is especially needed in an international company because of cross-cultural differences. An expatriate is a vehicle for promoting the fundamental culture and values of the parent company in his or her activities. As Baron (1994) put it, an expatriate is not necessarily aware of every aspect of cultural difference, but possesses an open mind to the notion of difference itself, and cultural understanding and skills as well. If an expatriate is more consultative in the workplace and friendlier towards the local staff, a local manager is more willing to make adaptations.

### **Language Learning**

Although language problems are not perceived as main obstacles to hinder the efficiency and effectiveness of the routine management practice, a few companies provide some English language training aimed at increasing the English levels of senior local managers, especially in joint ventures. One foreign manager introduced training courses for the senior executives in China.

The senior executives development programme is aimed at senior local executives. One is management development... We also improve their English so we run English language skills. A lot of the programme is on management development of managers, some of it is spent on English language (Foreign manager No. 8).

It can be useful for those senior local managers to master some knowledge of the English language to facilitate the communication among different language speakers. Possessing some knowledge of the Chinese language is helpful for foreign managers to set up relationships with local managers and to deal with their daily life outside the company. Most foreign managers interviewed, except two overseas Chinese expatriates, have a very basic knowledge of the Chinese language. They can use it to deal with daily life as one expatriate maintained.

My Chinese is at the basic level, good enough for shopping, eating in a restaurant, buying train tickets and making some basic conversation with taxi drivers (Foreign manager No. 6).

The basic knowledge is also helpful for them to know better about the Chinese culture and set up personal relationships with local managers. The knowledge of the Chinese culture and some basic knowledge of the Chinese language are also helpful to the establishment of friendships with the local managers. This point is supported by the empirical study conducted by Björkman and Schaap (1994), who emphasised the importance of some knowledge of Chinese culture and the basic knowledge by expatriates of the Chinese language to the management of subsidiaries in China. According to the study, foreign parent companies are paying more attention to the preparation of expatriates sent on assignment to China through providing knowledge of the particular Chinese culture and/or basic language training.

Research findings and discussion covering local managers' education and training partially point to the third and most important category. Foreign companies provide education and training to local managers, aimed at satisfying different purposes and objectives of the implementation of strategies and decisions of a corporation. The qualitative data used in this part was collected from thirty interviewees from twenty foreign companies, including nine foreign managers, eighteen local managers and three consultants from external training agencies in Shanghai. The findings not only provide information about formal training programmes, but also about informal training, which is sometimes closely linked to the establishment and maintenance of a proper corporate culture.

## **Formal Education and Training of Local Managers**

Formal education and training refers to those training programmes designed or planned with specific purposes that are usually considered as one integrated part of the strategies for the development of the company as a whole. It is a compulsory or necessary part in the process of developing local managers. These programmes are deliberately planned in order to provide local managers with the necessary knowledge to fulfil their jobs and increase their performance in accordance with the general management and specific technical requirements of the company. The following table identifies the types of formal

education and training emerging from the data in terms of training contents and training methods.



<b>Types of Formal Education and Training</b>	<b>Description</b>	<b>The Number of Companies</b>	<b>Training Contents</b>	<b>Training Methods</b>
On-the-job training	Referring to training relating to the specific job and general management skills	20	<ul style="list-style-type: none"> <li>• Job-specific skills and knowledge</li> <li>• standard management skills and knowledge</li> <li>• Adapting to Chinese culture</li> <li>• Constantly upgrading the material according to the business development in China</li> <li>• Reflecting company values</li> </ul>	In-house training <ul style="list-style-type: none"> <li>• Running courses and coaching</li> <li>• Visiting and learning in the foreign parent company or the headquarters</li> <li>• Seminars</li> <li>• Conferences</li> </ul> Studying in outside training agencies <ul style="list-style-type: none"> <li>• Short-period courses</li> <li>• Diplomas or degrees</li> </ul>
Developing international business experience	Concerning the training and work outside China	11	<ul style="list-style-type: none"> <li>• Experience in the foreign parent company or subsidiaries in other areas of the world</li> <li>• Corporate values of the foreign parent company or other subsidiaries of the world</li> <li>• Ways of doing things in the foreign parent company or subsidiaries in other parts of the world</li> </ul>	<ul style="list-style-type: none"> <li>• Job assignment or training in foreign parent companies or the headquarters</li> <li>• Working or training in other subsidiaries of the parent company or the headquarters outside China</li> </ul>
Career development	Providing qualified local managers opportunities for promotion according to the developmental needs of a foreign company	8	<ul style="list-style-type: none"> <li>• A wide range of general business skills and knowledge</li> <li>• Acquiring transferable skills</li> <li>• Systematic maintenance and improvement of knowledge and skill relevant to the development of the company</li> </ul>	<ul style="list-style-type: none"> <li>• Setting up the development plan</li> <li>• Exposure to national or international assignments</li> <li>• Seeking to achieve higher qualifications from external training bodies</li> </ul>
Entrance orientation	A programme about the induction of the overall information about the company to new comers, including local managers	14	<ul style="list-style-type: none"> <li>• The history and development</li> <li>• The missions and credos</li> <li>• The regulations and rules</li> <li>• The physical environment</li> </ul>	<ul style="list-style-type: none"> <li>• From one to three days' induction at the very beginning of entering the company</li> <li>• Talks during first few months</li> </ul>

**Table 7. 3: Formal Education and Training of Local Managers**

## **On-the-Job Training**

One overwhelming view from interviews is that the development of the company is always the priority whenever adopting some training measures. Staff needs could be considered as long as the need of the organisation is satisfied. All the foreign companies provide on-the-job training, including two main aspects: specific job-related training and the improvement of general management skills. The job-related training aims at enhancing local managers' job skills or fulfilling the new tasks within the company and is mainly at the company's expense. Sometimes companies provide training to local managers in order to manage new technical projects both within and outside the company depending on different situations in relation to their substantive jobs. The job specific training is derived from the company's development strategy and provided within the company's budget.

Training for improvement of general management skills and knowledge aims at increasing and enhancing overall managerial quality and capacity, such as effective supervision (motivation, performance appraisal), marketing, financial management, teamwork, communication, strategy-planning, decision-making, local staff's training, and so on. Foreign companies provide the training in those standard business management topics as one foreign general manager described:

We run training programmes. One is called 'developing and managing your team'. We run four of those programmes each year. We have sent our local financial manager and industrial manager and the managers in Shanghai to those courses. We have another personal development course, which is to develop your working ability such as setting objectives etc. Those programmes are targeted to develop local managers' working ability (Foreign manager No. 2).

The contents of the training need to be modified to the Chinese culture and customers as one expatriate pointed out:

We may have one thousand training courses, but only five hundred suit the Chinese environment. Therefore, we need to know the local culture and customers (Foreign manager No. 5).



The material of the training is constantly upgraded according to the business development of the international company. A foreign manager from one headquarters made comments in terms of helping its expatriates to improve the training of those subsidiaries.

In each of the regions there is a training manager and each manager organises training courses for people in that region. The management courses are being run locally and regionally. Local managers and local nationals are being trained as managers in these places... We told those regional managers what we thought the main issues were for us that needed to be addressed. We also got some feedback from these managers in Asia and European countries about what thought should be included. So we designed a programme that at best addresses those issues. We are trying to make improvement all the time (Foreign manager No. 9).

Company principles and values are sometimes manifested in the content of training as one foreign manager and one local manager stressed.

The first and most important thing is health and safety training... This goes back to our value of respecting people (Foreign manager No. 3).

Training in management is also concerned about the understanding of the company background and the particular ways of doing things (Local manager No. 2).

Two methods are applied by the majority of foreign companies for providing the training. The first way, which is the more popular one, points to in-house training. That means companies use their own training facilities to develop local managers. Four types of issues appeared based on the data, categorised as running courses and coaching, visiting and learning in foreign parent companies or headquarters, conferences and seminars.

Firstly, a foreign company normally runs some courses by using its own coaches and teaching materials usually designed by the foreign parent company or the headquarters. Some big companies have set up their own training centres, providing uniform training to local managers or staff in all the subsidiaries established in China. Foreign parent companies or headquarters either use expatriates or dispatch trainers to China to teach local managers. More often than not expatriates take the role of being the trainer as well as managing the company as stated earlier under the subtitle of 'localisation' in this chapter (reference back to pp. 197-199 of the current chapter). Almost all the parent companies pay enormous attention to their overseas assignment of expatriates.



Expatriates' technical skills are of great significance to their foreign assignments and are commonly considered as the priority for expatriation. A foreign manager from one headquarters addressed the issue with an emphasis on the importance of technical skill and competence.

What we tend to do is to send people to China because of their technical experience. Some of them are promoted to management positions, but really based on their technical competence... If you didn't have the technical experience, you would not be in a manager's job (Foreign manager No. 9).

Classroom teaching is different from that in the Chinese context. The training methods are based on Western management training, such as student-focus, role-playing and having fun. The coach adopts an adapted syllabus based on the syllabus from the foreign parent company. Local managers' involvement and commitment attribute to the outcome of the training. Typical Chinese teaching methods are mainly teacher-centred, while western teaching methods focus on participants' involvement. The classroom atmosphere is lively and active, stimulating local managers' interests to learning. It is important for students to draw conclusions by themselves. One foreign manager compared the two different teaching systems below.

We are thinking of new and better ways to train people and thinking of ways to make training more exciting and more fun for people. This is an absolute key because if people are having fun they remember things and they learn things much more quickly. There is one of the big troubles we have in China. The Chinese education system is as such that people traditionally have always been told things. This is the answer and you must remember the answer and when I ask you the question you must give me that answer... In the UK our approach to education is very different. We will be told the names of people involved and then we will be asked our opinion about why these things happen. We will be asked in exam questions to which there is no right or wrong answer. You must put together a good argument. You must use your knowledge to construct an argument based on facts and things that you know (Foreign manager No. 3).

Furthermore, Chinese culture should be considered when conducting management training as one expatriate put it:

I get cultural awareness training and Western business management training provided by the foreign parent company, and I have to put the two together because I would work in China. I can look at the Western training if that will work, and that will not work and how can I change it so that it will work in China (Foreign manager No.7)

The consideration of the national culture during the process of training is supported by the study of the direction of local managers' training in general by Johnson (1991). The work suggests that the trainer own a clear awareness of cross-cultural differences in the contents and methods of management courses when providing training to local managers in developing countries.

Local managers are encouraged to get the answers through their own efforts. They are learning to use facts and logic to form their arguments, working out a problem in a better way, not the only way. Western teaching methods encourage the involvement of local managers in their workplace learning, thus assisting local managers to build self-responsibility and self-dependence in their managerial practice. The issue is consistent with the study (Beckett, 1999), which demonstrated that managers' learning in the new century aims at improving creativity in thinking and doing their jobs. Local managers through the in-house training not only learn general management skills and management style of the company, but also acknowledge some cultural differences between the investing foreign country and China.

Secondly, sending local managers on orientation visits to foreign parent companies or the headquarters is perceived as an effective developmental tool. It can be for the purpose of learning the knowledge of a new system or new projects. It also can be concerned about being familiar with the business environment of the foreign parent company. Local managers can take advantages of the opportunities in observing the culture of the foreign parent company, even of the foreign country. They can acquire some knowledge of foreign business values and behaviour. The account of one foreign manager shed some light on the point.

Currently, every year, we have a trip from Shanghai to the UK for two weeks... They look at stores, understanding why we do things the way we do things in the UK, because in China sometimes we do the same thing in a different way, since customers are different (Foreign manager No. 3).



Thirdly, some companies see conferences as good opportunities for local managers to develop their on-the-job capacities. These conferences are concerned with either a job-specific field or general management skills. They provide valuable chances for learning and exchanging different perspectives as one local manager related.

I attend the conferences to exchange information. Normally, every year from three to five times, I represent the company to attend these conferences... I hope, in future, I can participate in some international conferences (Local manager No. 12).

The last training method refers to the application of seminars based on the data from two companies. One expatriate described the regular seminars provided by his company and considered them as of benefit to local managers in terms of increasing technical skills and spreading the principle values of the corporate culture as well.

The topics of these seminars cover factors of both the technique and corporate culture. Expatriates are the speakers. We raise a different topic per week and each expatriate gives speech according to his/her expertise. He or she shares the concepts of the management and the style of working in modern enterprises with local staff as well as the new technical information (Foreign manager No. 1).

The second training method points to sending local managers to study in outside training agencies. There are mainly two kinds of these agencies. One kind is run by foreign educational institutes, mainly applying Western ways of teaching. The other kind is established by relatively local government offices. This kind of training usually focuses on two purposes. Firstly, it provides short period training for job specifics, such as jobs in foreign airlines in China. As one head from a training agency stated:

We provide training to people whose work is related to a certain foreign airline, such as operation, administration and customer services (Head No. 2 from outside training agencies).

Secondly, it involves gaining degrees or diplomas in management at different levels, such as a Master degree of Business of Administration (MBA). They usually engage foreign lecturers and adopt a Western management curriculum and Western material. One head from a training agency set up by the Shanghai Personnel Bureau described the training patterns in management.



We apply three different teaching patterns in the management training. In the first teaching pattern, all the lecturers are foreigners who speak English. Students mainly come from foreign companies. The second pattern means foreign lecturers and Chinese lecturers teach the whole course jointly, 50% and 50%. The last pattern points to teaching in Chinese language exclusively, targeting these senior and older Chinese managers who have very low English levels (Head No. 1 from outside training agencies).

Those training agencies mainly apply Western teaching methods as was stressed by one head from a training agency established by a foreign university.

The lecturers come from the university and they apply Western classroom teaching methods, such as role plays and case studies, in order to get people to think differently (Head No. 3 from outside training agencies).

These accounts reflect that these training agencies design their courses in a way that achieves the improvement in management skills of Chinese managers working in modern enterprises in China, including both local and foreign companies. In this sense, local managers have opportunities in acquiring systematic management knowledge.

However, only a few companies are willing to pay all the tuition fees, usually with fulfilment of some corresponding commitment. Many companies provide a limited amount towards tuition fees with the condition of a degree of commitment for local managers to continue working after they get the degree. The account of one local manager is typical in this regard.

The company supports the studies for degrees or diplomas based on some conditions. We need to sign contracts (Local manager No. 15).

The emphasis on on-the-job training suggests the great significance of developing technical and managerial skills of local managers in terms of the growth of the company. Such an importance is supported by many studies (Baumgarten, 1995; Briscoe, 1995; Wong and Law, 1999; Valentine and Godkin, 2001). However, these studies did not explore the training in terms of the contents and methods, as the current study has analysed. The richness of training contents and the variety of teaching methods discussed above enables a company to use the full potential of local nationals.

## **Developing International Business Experience**

There is a general lack of international working experience among Chinese managers compared with Western counterparts, as it demonstrated in previous studies (Wong, 1999; Neelankavil, 2000; Cui, et al. 2002). The current study confirms this view. In this vein, foreign companies, especially at the beginning of their establishment, provide their local managers with chances to obtain some experience of international business operation. The length of time depends on the concrete requirements and purposes of the company. Developing local managers' international business experience mainly stems from the strategy of localisation.

Generally speaking, local managers can get three kinds of benefits from their work or training outside China. First and most important, they acquire some international business experiences, which are beneficial for the development of the company and their individual improvement as well. One expatriate's comment sheds some light on the reason for developing local managers' experience of international operation.

Because we need to develop them, not just in China. We are an international business, and you must see what happens outside of China. So we need to develop the staff by sending them to other places to see how other places work (Foreign manager No. 2).

Second, local managers can have a better understanding of the core values, which are subscribed by all the subsidiaries of the international company as one foreign manager mentioned:

The senior local people go to the parent company to familiarise themselves with the company and its culture and the people they will be working with (Foreign manager No. 4).

Lastly, they get opportunities to observe the working environment, investigate the working ways of doing things, and talk to the colleagues in the investing countries. Through all these activities they get some knowledge of the management styles of the international company (reference back to p. 211, the quote of Foreign manager No. 3, the current chapter).



Key local managers sent outside China to work or learn can increase both their international management skills and cultural awareness. The experience adds some knowledge not only about the modern management and international business experience, but also about those main values of the corporate culture, thus helping local managers to adapt themselves to those basic values.

The form of training for international business experience is different dependent upon the different purposes of companies. But the most general form emerging in the finding is sending key local managers to work in the parent company or the headquarters and subsidiaries situated in other countries for some time. Overseas assignments for local managers outside China provide valuable opportunities to gain international business experience. One expatriate introduced the plan for developing local managers in terms of increasing their international management capacity.

We are sending Chinese nationals to other countries for training... So we have one in Hong Kong. I am looking at putting another one into Korea for twelve to eighteen months. Maybe we will send somebody to Spain... For development reasons, we will send them somewhere else. We also send them to the UK for short periods for specific reasons (Foreign manager No. 2).

Local managers longed for such training activities, feeling they really get benefits from these working or learning chances and greatly improve their technical and management skills. One local manager felt proud of the high levels of management quality and excellent performance of customer services in his company. He attributed the achievement partly to such coaching programmes.

I had been sent to learn in the subsidiaries situated in Hong Kong, observing the management style and culture elements there during the first two or three years of the establishment of the company. Now it is generally considered among customers the management style and the quality of service here is better and higher than that in Hong Kong... The headquarters even dispatch some managerial staff from subsidiaries in other Asian countries to study here (Local manager No. 10).

These accounts point to the importance of cultivating international business experience of local managers as demonstrated in the previous studies (Paauwe and Dewe, 1995; Baumgarten, 1995). These studies placed the same emphasis on the international business



and training and development activities of local managers as that of expatriates. Otherwise, the consequences can be negative in the long term. The approach contributes to the maintenance of high-potential local nationals. By doing so, local managers can get the opportunity to compare the actual application of managerial concepts and skills as well as the basic corporate values between those subsidiaries and the Chinese one(s) and make proper managerial adjustment. It can be helpful to integrate local managers into the company culture. In a sense their international working skills and experience could strengthen their knowledge and skills and expand the range of utilisation of their knowledge and skills. From an organisational perspective, such assignments enhance the efforts of transferring learning to host organisations in both their technical and managerial capacities and the corporate culture and values. On the other hand, from an individual perspective, those assignments accommodate the interests and development needs of individuals in their career life.

## **Career Development**

Career development is partly manifested in education and training. The need for career development stems from the needs of the company, aiming at providing qualified local managers opportunities for promotion according to the developmental needs of a foreign company.

Findings covering the contents of career development are analysed in the following three aspects. Firstly, local managers identified for promotion need to master a relatively wide range of business skills and knowledge in general. One HR manager talked about the preparation for the promotion of one local manager from a low-level position to a senior management position.

He needs to take all the management courses provided by the company. On finishing those courses, he is going to stay in the Business Department for two months, learning skills of negotiation and arrangement of projects. Then he will be sent to the parent company for one month in order to get some knowledge of operation of our international projects (Local manager No. 1).

Secondly, career development involves knowledge transfer skills. It means local managers can apply their knowledge in a new situation according to the development of the company as one foreign manager stated.

Our national training centre that was created has been a great success. It has proved very beneficial providing the business with local managers who can open a new store in a new city. We provide them with the tools and the knowledge and experience to share that knowledge and experience with all the other members of their team (Foreign manager No. 3).

The above account supports the study (McEllister, 1998), which explored the training in terms of retention of local managers in Western companies in China. The study implies an importance of training for developing the potential to meet the future demands.

Finally, continuous improvement in knowledge and skills of local managers is of importance to career development. In other words, career development is engaged with the systematic maintenance and improvement of knowledge and skill relevant to the development of the company. It reflects the continuity of training provided to local managers. Expatriates, and parent companies in general, attempt to create a learning environment in order to provide necessary and important training for local managers and staff. Furthermore, local managers are encouraged to learn new knowledge and skills in a more conscious way rather than only being pushed by the company. The knowledge and skills of higher stages are built on the basis of lower ones. Therefore, new knowledge and skills are provided in a consistent way in order to maintain the competitive ability of the company. One foreign manager pointed out the importance of providing training in a continuous way.

Now in any business the product life cycle is going to change so you will produce something. The training will work well for a while. Then the design changes, therefore, you need more training to be able to cope with that change (Foreign manager No. 8).

Several ways for career development were mentioned in the interviews. They include setting up development plans, exposure to national or international assignments, and seeking to achieve higher qualifications via external training agencies.



Some companies set up a systematic plan to identify local managers' development, including providing training in job specific skills and general management capacity, job rotation, and increasing international business experience, and so on. Setting development plans is supportive in facilitating the process of localisation. One local manager from a chain restaurant talked about the development plan in terms of in-house training and coaching.

The company set up a training system for the newly recruited assistant managers. First, they need to learn to manage a particular section... Second, they need to learn to do machine maintenance... Third, they need to learn to manage their staff... Last, they need to learn to deal with customer services... The company spent plenty of money on the systematic training, and both the theories and the procedures are designed by the headquarters. The local managers had been cultivated for such a length of time as to be committed to the company image. In the later development of the company, many local managers have become an indispensable part (Local manager No. 14).

Key local managers or staff are provided with opportunities to get promotion. They can be more motivated if they see their own development corresponds with the development of the company. Local managers should not accept the development plan in a passive way, for promotion opportunities do not come to them automatically. Self-improvement during the preparation period is important to get promotion when the chance really comes. For example, local managers in one foreign company are expected to draw up their own training and development plan with reference to the training and development plan of the company. They are encouraged to take the initial step and some responsibility for such planning (Local manager No. 4). The view is somewhat consistent with the study (Anon., 1993), which suggests the implementation of personal involvement during local managers' training and development (reference back to p.120, Chapter Four).

National or international assignments and getting higher qualifications are another two ways for career development. International assignments can assist local managers to develop an international corporate perspective rather than insights limited to local interests (Baumgarten, 1995). A company supports their studies aimed at getting degrees by paying some tuition fees according to the extent to which the study is related to their jobs (reference back to the analysis of 'on-the-job training'). Local managers are sent to work for a short period of time in their parent companies situated in the foreign investing



countries or subsidiaries in other countries or areas in order to increase their international business experience as discussed previously (reference back to the analysis of 'increasing international business experience').

The importance of career development is manifested in the study on the management of human resources in foreign companies in China (Björkman and Lu, 1999). The study stresses that career development of local managers is perceived as a useful instrument to retain good local personnel, especially in terms of internal promotion. Furthermore, consistent with the findings of the current research, local employees are encouraged to take some responsibility for their own career planning.

### **Entrance Orientation**

According to interviews, the targeted companies tend to provide entrance orientation or induction to newcomers as a way to become accustomed to the overall work environment and to gain an initial feel for the corporate culture. Generally speaking, an entrance orientation covers these main factors: introduction of the development of the company and prospects for future growth, explanation of the missions or credos, declaration of regulations and rules, and orientation of the physical environment (including the buildings, the products, the technology level, and so on). Entrance training displays the corporate culture for the first time to newcomers. One HR manager's introduction to the entrance orientation is representative of this issue.

We have three-day's entrance orientation. It includes introduction of the company in general such as the history, the mission, the regulations, the performance assessment, the contracts, and physical environment (Local manger No. 10).

Many elements of the corporate culture will be repeated or strengthened during the later work. Some companies, in the first few months, organise talks with the newcomers in order to get feedback about both their work and their cultural adaptation as one HR manager described below.

At the end of the third month of entering the company, we have a talk with every newcomer for one hour. This is a reflection of the corporate culture and is very important. We give suggestions to his or her work and answer his or her questions. We also ask his or her opinions about the company (Local manager No. 5).

Induction programmes are applied to both new local managers and non-managerial local staff. However, some companies demonstrate that, apart from the general content of the entrance training, new local managers are provided with more detailed information in their entrance training in terms of the corporate culture and the corresponding management values and concepts. Furthermore, they need to master more basic knowledge about the company in order to transfer the information to his or her subordinates. For example, one company requires all the local managerial people (including both new and old local managerial people) to attend the general entrance orientation whenever the company adds new topics or information (Local manager No.11).

Through the learning process of entrance orientation, the attitudes of new local managers are shaped in order to help them to make adjustment to the behaviour the company prefers (Anon., 2002). The induction programmes thus guide the newcomers to fit into the new work community by gaining a primary understanding of the company's structure, mission, history, culture and physical environment.

## **Informal Training of Local Managers**

'Informal training' is so labelled as to distinguish it from the 'formal training' presented above. The informal training or coaching refers to a kind of training that is not defined in a concrete way for specific purposes to develop local managers. This kind of training or coaching usually takes a complementary or supportive role rather than a compulsory one during the cultivation of local managers. It helps local managers to enhance their impression or understanding of the company culture and strengthens the implementation of the new management concepts and values in practice. The patterns of informal education and training are identified in the Table 7.4 below.



Types of Informal Training	Description	Number of Companies	Contents	Methods
Casual coaching	A kind of training happening in daily management without specific training purpose and aims	12	<ul style="list-style-type: none"> <li>• Management concepts and ways</li> <li>• Corporate culture</li> <li>• Culture of the foreign investing country</li> </ul>	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Talks</li> <li>• Chats</li> </ul>
Behaviour modelling	Imitating the proper behaviour of peers through observation	4	<ul style="list-style-type: none"> <li>• Proper ways of doing things</li> </ul>	<ul style="list-style-type: none"> <li>• observation</li> </ul>
Social activities	Different activities organised by the company	13	<ul style="list-style-type: none"> <li>• Communication</li> <li>• Socialising local nationals to fit into the culture</li> <li>• Celebration</li> </ul>	<ul style="list-style-type: none"> <li>• Holiday parties</li> <li>• Relaxation activities</li> <li>• Ceremonies</li> </ul>

**Table 7. 4: Informal Training Forms of Local Managers**

**Casual Coaching**

Interviews show casual coaching exists in most companies. Casual coaching in the research refers to a kind of informal training happening in daily management practice without the expectation of reaching specific training purposes, but it actually provides local managers with opportunities to enhance the understanding of the company values and ways of doing of things. It helps to enhance the value orientation in practice.

It is manifested in a variety of both job-based and casual interactions such as meetings, talks, and chats happening among the members of the management team. These meetings and talks usually focus on business information sharing and problem solving. Managers can exchange their opinions, and, at the same time, learn the way of doing things, especially from superiors. A company has time schedules for regular meetings and talks for managers at different levels per day, per week and per month. One local manager felt he got some benefits from the talks with his boss about the routine management.



Everyday I interact with my boss. His experience and knowledge are richer than mine. Therefore, in a sense, I perceive this kind of interaction as coaching (Local manager No. 12).

Managers sometimes have casual talks during their breaks and meals. A kind of cultural information sharing occurs during the conversation between expatriates and local managers during the meals. One local manager felt well informed through these casual talks with the expatriates during coffee breaks and lunches.

Conversation is important during the communication in this company. We talk about the foreign culture, arts, wine and lifestyle. Such topics often appear during gatherings, breaks, lunches and trips (Local manager No. 13).

She gained some knowledge about the culture of the foreign investing country, and it has helped her to develop the business sense of the corporation.

Generally speaking, casual coaching gives local managers some opportunities to gain a better understanding of the company values and management style through both interpersonal and personal interacts. It is well known that it is the traditional Chinese style of management that needs to make the transition to the market economy, and such a change inevitably causes some anxiety and uncertainty in local managers working in foreign companies. Working closely with local managers and socialising with local managers outside working time can ease the anxiety and reduce the uncertainty that the change gives rise to according to Liu and Vince (1999).

## **Behaviour Modelling**

A few companies raised the issue of 'behaviour modelling' in terms of cultivating corporate culture among new local managers. This term means a trainee learns by observing the behaviour of model persons (Cascio, 1991). A newcomer can learn the company principles or the ways of doing things through imitating others' proper behaviour. The imitation of the behaviour of your peers is perceived as important to learn the new ways of doing things as one local manager mentioned.

The company owns a good business sense. You can observe or learn from the peers during day-to-day work. From many cases, you can get some idea that the way of doing things in this company is different from others... We don't push you to do things in such a way, but you need to observe and to follow (Local manager No. 17).

The behaviour modelling should happen in a conscious way for the sake of achieving better results. Self-effort is stressed during the imitation as one expatriate mentioned.

In the company, if you sit there, doing little, nobody will come to interfere. However, you would feel great pressure when you see others are busily engaged into their work... We don't have strict regulations or rules for local staff to follow and on most occasions they learn the ways of doing things through such casual coaching. We create a corporate culture in which we hope local staff learn the ways of doing things through their own observation, not just being told directly all the time (Foreign manager No. 1).

A few empirical studies explored the issue of behaviour modelling in foreign companies, especially on the side of local managers. Wong and Law (1999) conducted a study of the exploration of managing localisation in Western companies in China. They suggested that expatriates should set models in terms of providing development experience to local managers. Behaviour modelling, from the above accounts, can be instrumental in facilitating the implementation of new company values and management style.

## **Social Activities**

Social activities are organised mainly for the sake of entertainment and celebrations for employees. However, they reflect the corporate culture in terms of the casual communication as one local manager described.

We organise parties during important holidays. The atmosphere is very lively, for people can talk in a casual and free manner... Sometimes, the board director (an expatriate), the general manager (an expatriate) and the vice-general manager participate in our parties, talking and eating together (Local manager No. 1).

One foreign manager talked about ordinary relaxation activities organised by his company.



We organised small tours around the country. Last year we went to Tongli (a popular sightseeing town in Zhejiang Province). Even the general manager (an expatriate) went there as well (Foreign manager No. 1).

Ceremonies are seen as a common ritual appearing in some companies such as a naming ceremony and a fund collecting ceremony. Company images are enhanced in ceremonies as one local manager stated when he described the naming ceremony that lately happened in his company.

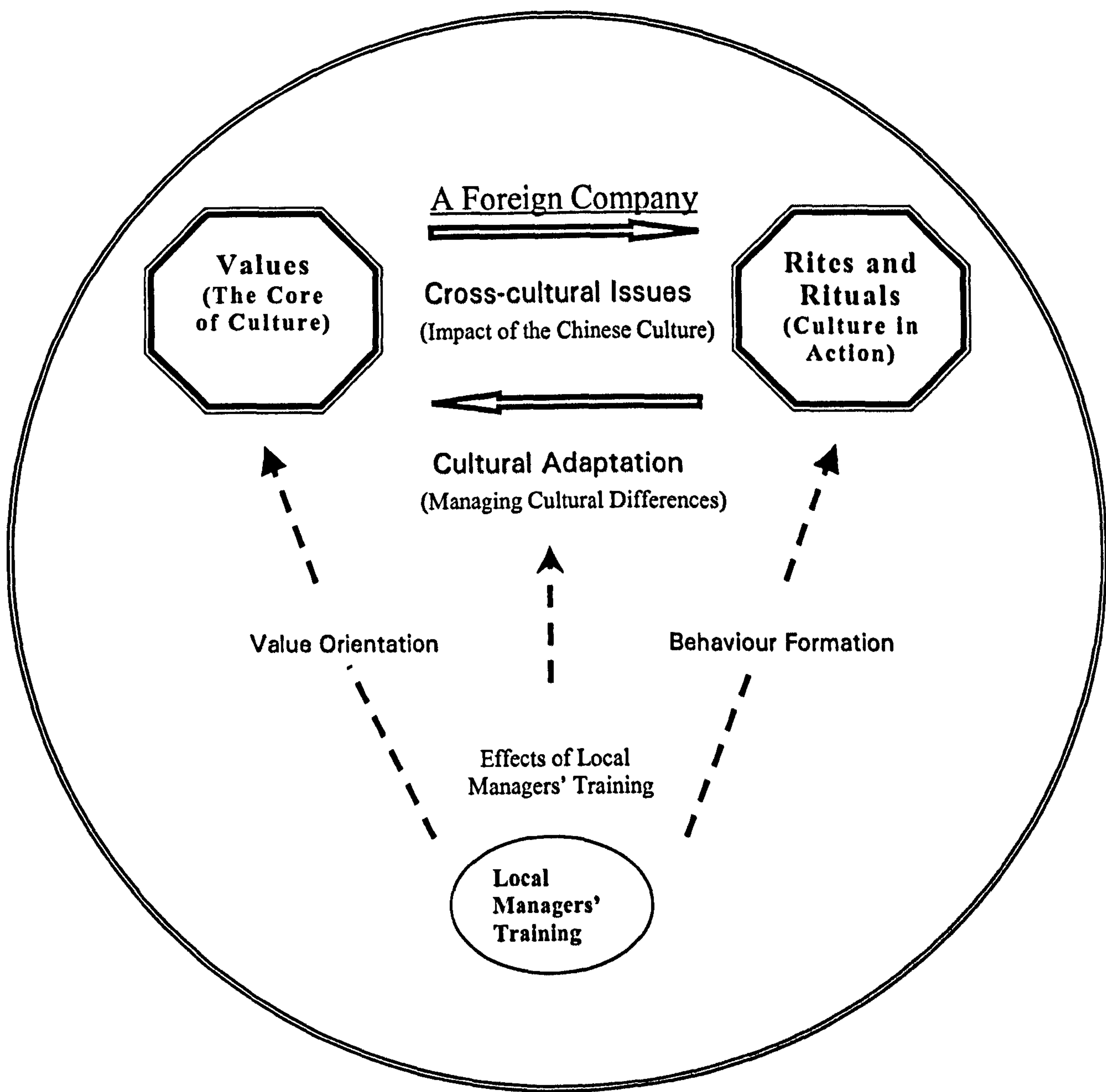
We stress the European image of our company. We just had a naming ceremony. We designed the whole process based on company values. We engaged a consultant company to design the process such as making the stage, hiring a music band, purchasing the food and drink, building the bathroom, sitting room and work room. We even hired a medical specialist and an ambulance because we had six hundred guests present during the session (Local manager No. 9).


The issue of social activities is compatible with the study (Selmer, 1999), which shows expatriates can conduct effective interaction with local managers by social involvement with local managers. Such an effective interaction helps to build up trust between expatriates and local managers during daily management.


## **Implications of the Training for Corporate Culture**

This part provides an integrated overview of the studies of corporate culture described in Chapter Six, especially cultural adaptation and local managers' education and training analysed earlier in the current chapter. The overview attempts to satisfy the third research question in light of the theoretical review of the corporate culture demonstrated in Chapter Three, reflecting the impact of local managers' education and training on corporate culture. This section applies the model of the structure of corporate culture suggested by Deal and Kennedy (1982). Such an integration is achieved through the analysis of the two aspects: behaviour formation and value orientation. They are demonstrated in the model shown in Figure 7.1 below.





Direct Effect: 

Indirect Effect: 

**Figure 7.1: The Model for the Analysis of the Implications of Local Managers' Education and Training for Corporate Culture**

Figure 7.1 above demonstrates the model of analysis of the subjects for the implications of education and training of local managers for corporate culture, as well as the relevance of those subjects. The analysis includes two main intervention roles of the training, namely: the value orientation and the behaviour formation in relation to the level of values and the level of rituals respectively. In this part, the researcher argues that possible support appears from the training of local managers for the development of corporate culture. The possible support might account for the establishment of the new value system and the formation of behaviour of local managers required by the company. The examination of the effect of the training will consider managing cultural differences and managing a culture change in the Chinese context supported by and compared with the literature of the corporate culture reviewed in Chapter Three.

### **Impact of the Chinese Culture**

From the results in Chapter Six, it can be seen that core values of corporate culture are ascribed to all the subsidiaries of an international enterprise. Subsidiaries in China are not an exception. Those core values are rather new to the Chinese business environment and are of importance during the operation of a foreign company in China in terms of keeping to international standards, supporting systematic ways of doing things and enhancing the image of the company (reference back to pp. 157-161, Chapter Six). However, the implementation of these core values does not take an easy and direct way according to the findings and discussion of the cross-cultural issues in Chapter Six. The collectivism and high power distance work styles mainly account for the cultural clashes or conflicts (Hofstede, 1991, reference back to pp. 76-77, Chapter Three and pp. 96-97, Chapter Four), which are especially related to 'performance based rewards', 'hierarchical influence among local managers', 'ethical management' and 'teamwork'. In these aspects, the Chinese culture has a strong effect on the management style of local managers who generally lack modern management traits. Furthermore, these traditional approaches in a particular range of the Chinese business environment still remain active, and are difficult to take into convergence with company values (Kerr, 1983; Vertinsky, et al., 1990).



Cultural conflicts are also manifested in international interaction as the findings and discussion showed in Chapter Six. The two main issues regarding these conflicts were the 'lack of knowledge of each other's culture' and 'expatriates' inappropriate attitudes towards local managers'. Those conflicts reflect the mistrust and poor understanding between expatriates and local managers. Mistrust can cause an unpleasant tension in the working relationship between expatriates and local managers, thus affecting the managerial performance of local managers. The result is consistent with the studies conducted by Beamish (1990), Hu and Chen (1996), Holy (1997), and Hoon-Halbauer (1999). In the Chinese context, the relatively 'high context culture for communication' (Osland, 1990, reference back to p. 80, Chapter Three) accounts for these conflicts in terms of emotional control and ways of expression. Furthermore, the assumption of superiority by expatriates towards local managers stemming from the backward business environment of China can prevent local managers from developing their potential.

Those cross-cultural issues emerging from the data are natural results during the implementation of company values in routine management due to the remarkable differences between Chinese and Western cultures. The new values when confronting the relatively old and traditional management style cause effects on both sides. On the one hand, for expatriates, the outcome mainly reflects the attempt to maintain corporate principles and the adaptation to the local practice. On the other hand, for local managers, the effect is manifested in the socialisation in the corporate culture and assimilation of managerial skills in a proper and effective way.

### **Managing Culture Differences**

The study of the cultural adaptation of foreign companies illustrates the coping measures applied to handle those cultural differences or conflicts. These coping forms were identified and labelled as 'cultivating modern management traits among local managers', 'performance appraisal', 'assertive management', 'compromise', 'flexibility', 'localisation', 'knowledge of each other's culture', and 'foreign expatriates' proper attitude toward local managers' (reference back to the section on cultural adaptation



earlier in the current chapter). The cultural adaptation generally yields positive effect on international operation and international communication as the results demonstrate below.

The issues of ‘developing modern management skills of local managers’ and the adoption of ‘performance appraisal’ are generally emerging to reflect the necessity of developing the management behaviour of local managers preferred by the company in light of company principles and developmental goals. Their mastery of these new management skills can reduce the negative influence of the Chinese culture on routine management. It is worthy pointing out that during the cultivation process a few local management concepts can be adopted by redefining compared with the new management concepts. The reason behind the view is demonstrated by Martinsons and Westwood (1991) and Herbig and Miller (1992), who perceived the assimilation of management skills from the investing countries by local managers not just as one-way process, but with the involvement of local characteristics (reference back to p. 83, Chapter Three). ‘Assertive management’, ‘compromise’ and ‘flexibility’ refer to the two sides of one object. The measures of ‘compromise’ and ‘flexibility’ can be effective only when the shared company values are retained under any circumstances. This point is supported by the conceptual review regarding culture change (Schein, 1985; Galiardi, 1986; Deal and Kennedy, 1999). These studies suggest that a strong cultural identity needs to remain through retaining those core values, and changes can happen in peripheral practice (reference back to pp. 70-71, Chapter Three).

Managing a culture change in a foreign company in China includes the following two aspects as a result of effective adaptation. They are generated from the results on corporate culture and cultural adaptation in management. Firstly, local managers need to accept those basic values of a company and practice them in general management. In other words, they need to change the old values and ways of thinking and doing things, turning their style of behaviour into a relatively new one. For instance, ethical management is commonly proposed and applied in foreign companies, so the culture change needs to support or guarantee the ethics in general management practice. The

second aspect lies in the adaptation of the company to local habits and culture in a proper way. It does not imply the adoption of old local culture and management skills, but the adoption of a kind of improved local management skills in order to manage the local staff and deal with local customers in an effective way.

The discussion of ‘compromise’ and ‘flexibility’ focused on reduction of management conflicts through making adaptation to local management practice. ‘Compromise’ refers to a kind of reactive measure, reflecting adoption of the right ways of doing things for the sake of realising the company goals. The analysis indicates that local managers might need an appropriate length of time to change old habits. At the same time their cultural characteristics shaped by the Chinese culture, with its long history, need to be acknowledged and understood during the process of change. ‘Flexibility’ is identified as a kind of active adaptation measure and reflects cultural compatibility in foreign companies in China. Cultural compatibility refers to the mixture of the best elements of different cultures, making use of these elements in a complementary way in order to achieve the best result (Alder 1980; Child 1994; Child and Faulkner 1998) (reference back to p. 83-84, Chapter Three). The current study found that the Chinese environment and culture provide some positive meaning to modern management such as creating new knowledge and creating an effective environment in the workplace (reference back to pp. 194-195, the current chapter).

‘Localisation’ can be seen as the extension of the measures of ‘compromise’ and ‘flexibility’, but with a more active adaptation meaning. This measure exhibits a significant effect on adaptation in terms of dealing with cultural differences and conflicts. The theoretical reason for localisation is demonstrated by Killing (1983), who suggested that less tension and conflicts appear among managers within the same or similar culture sources (reference back to p. 83, Chapter Three). As a universal coping strategy, ‘localisation’ in the Chinese context is of specific importance in light of the deep roots of Chinese tradition and culture. Equipped with modern management traits, local managers can handle local staff and customers in a more effective way.



The issues of adaptation in international interaction are mainly concerned with 'gaining some knowledge of each other's culture' and 'adopting proper attitudes towards local managers'. An understanding of each other's culture can help each side not only to distinguish those differences but also to develop coping ability in practice (Weaver, 1993, reference back to p. 85, Chapter Three). The Chinese management mentality stems from the main factors of the Chinese culture such as hierarchy and personal networks. Such a mentality is manifested accordingly in the management style of local managers. Therefore, some knowledge of the Chinese culture is helpful in understanding the management behaviour of local managers. In the same vein, some knowledge of the culture of the foreign domestic country can assist local managers to cope with the new culture in a relatively easy and effective way. Expatriates' proper attitudes towards local managers are perceived as an important element for the support of adaptation of local managers. In the Chinese context, tolerance and patience help to build trust during communication between expatriates and local managers. Moreover, treating local managers as equals could speed up the formation of new management behaviour.

### **Possible Support from Local Managers' Training for the Handling of Cultural Differences**

It is crystal clear that the purpose of cultivating the corporate culture is concerned with the operation and development of the company in both the short and long term. However, organisational purposes and goals might not always be consistent with the needs of an individual. Cultivating new values becomes a challenging task in terms of socialising employees in the new culture in a positive way. It can be seen from the findings on cross-cultural issues and adaptation in international interaction. Local managers can make a more effective cultural adaptation when expatriates own some knowledge of the Chinese culture, show trust or confidence in local managers, and use proper methods of expression. The view of the types of organisational culture change (Brown, 1995) supports the result. Brown argued that a change could achieve the best result only when employees recognise the necessity or benefits of the change to their actual work (reference back to pp. 73-74, Chapter Three).



The findings about adaptation in both management and interpersonal interaction indicate that the obstacles of the national culture are not unconquered. Local managers working in foreign companies in China are relatively young, and they grow up in a more competitive market-oriented economic environment. They usually possess higher educational qualifications and have greater ambitions for career development. Furthermore, they are more likely to make adaptations when they are exposed to challenging company values. On the one hand, Chinese traditional culture and habits have less influence on them. On the other hand, the company values and the corresponding management values and concepts generally help local managers to build a business sense in the international operation. Things will be done in a better way when there is a true understanding of the application of these universal values in the Chinese context. One study (Nord, 1985) sheds some light on this point, showing that different values or perspectives within one cultural system form a pattern, which allows for change through the dynamic tension between those conflicting perspectives (reference back to p. 74, Chapter Three). In this vein, a business sense is gradually developed through conflicts and compromise during the daily management as well as the comparison and contrast of different ways of doing things in practice.

The preparation for a culture change of local managers, especially new managers, might be supported by training according to the process of change suggested by Robert and Brown (1992). There are three phases for the process namely, 'unfreezing', 'change', and 'refreezing' (reference back to pp. 71-72, Chapter Three). The phase of 'unfreezing' means that the top management team promotes the new values or new organisational structure among employees. The second phase of 'change' stresses the replacement of old values by new ones. The last phase refers to the natural application of those new ways of doing things of employees. Training, especially for the first and second stages, is perceived as an important facilitator during the implementation of the new principles. During the first stage, training may help employees acknowledge the change and make adaptations to new ways of thinking and doing things. In a similar way, during the second phase, training may assist employees to reach such a cognitive stage that they are willing to accept those new values. The issue of cultural conflicts in the current research



indicates Chinese managers need to adapt themselves to company values or principles. The issue of cultural adaptation reflects different coping strategies applied by foreign companies during the implementation of new values. The issue of 'cultivating modern management traits among local managers', as one of the important adaptation types, focuses on the education and training of local managers to promote such a change (reference back to pp. 184-187, the current chapter). Thus the training becomes a kind of cultural adaptation process.

The essential values not only make sense of the work time of employees but also integrate the subcultures in a modern or international company (Alvesson and Berg, 1992, reference back to p. 65, Chapter Three). Some common basic values presented in Chapter Six were 'people-based principles', 'customer-focus', 'ethical management' and 'technological innovation'. Applied in the typical Chinese situation, these basic values result in cultural issues, some of which exert reverse effects on the level of rituals (culture in action). Management behaviour is formed based on core values. Local managers learn these values through their adaptation in practice and apply those values in a conscious or unconscious way in routine management, and in turn these values are embellished and reinforced. The results are supported by the studies on development of corporate culture (Williams, Dobson and Walters, 1993, reference back to p. 68, Chapter Three). These studies emphasise that the essential values are the indispensable and stable elements of a corporate culture, forming the corporate identity of the company.

The cultivating process of those stable elements of corporate culture involves three stages according to Hickman and Silva (1985) (reference back to pp. 68-69, Chapter Three). The model suggests that employees can be socialised into the corporate culture through 'instilling commitment', 'rewarding competence' and 'perpetuating commitment and competence'. As one of the set managerial methods, training facilitates development through the three stages in terms of building commitment, cultivating competent skills and developing the further competence knowledge. In the Chinese context, the cross-cultural issues appearing in the current research suggest cultural conflicts make the process more complex and challenging. Foreign domestic operations and situations might



be interpreted differently by local employees in China due to large differences in cultural backgrounds between Western countries and China. People tend to construct their individual ways of viewing the social and organisational reality in accordance with their own cultural background information and experience. One concept or situation might be perceived in different ways in the particular Chinese context if insufficient background information is provided. However, the different coping measures show that an effective socialisation is possible given the proper consideration of and resolution of cultural differences. Training is a process involving cultural adaptation rather than providing pure job competence.

### **Training in terms of Value Orientation**

The study of local managers' training has a particular implication for value orientation in terms of cultural adaptation of local managers. The results show value orientation of local managers is greatly helpful in the 'establishment or keeping of international standards and procedures', 'supporting systematic ways of doing things' and 'enhancing the company image' (reference back to pp. 157-161, Chapter Six). Effective cultural adaptation of local managers can facilitate value orientation. Most literature from perspectives of foreign parent companies stresses the cultural adjustment of expatriates for the sake of handling cultural differences. However, the current research perceives a similar significance in local managers' cultural adaptation in dealing with cross-cultural differences. Value orientation is manifested in understanding and complying with the corporate values and beliefs. Therefore, cross-cultural adaptation of local managers needs to be taken into account when setting up an overseas subsidiary, especially in a country with a very different culture.

In an international company, foreign expatriates are usually in a critical position to be recommended to gain the skills of cultural adaptation and cultural sensitivity to the local culture and tradition. They are facing a big challenge during their management time according to a variety of empirical studies (Oddou, 1985, 1986; Hendry, 1994; Bhagat and Prien, 1996; Gudykunst, Guzley, and Hammer, 1996; Li, et. al, 1999; Selmer, 1999;



Walsh, et. al, 1999). From the point of view of cultural awareness of expatriates, these studies explore their knowledge and ability for cultural adaptation in light of their intercultural awareness. Oddou (1985, 1986) suggested four main coping ways for expatriates to work in an alien cultural work environment. They are via a 'self-oriented dimension', an 'other-oriented dimension', a 'perceptual dimension' and a 'cultural compatibility' (reference back to pp. 89-90, Chapter Three). The self-oriented approach means that an expatriate should adopt concrete coping steps such as attending social activities and learning the language of the host country. The other-oriented approach suggests that an expatriate needs to deliberately build relationships with locals in order to avoid making common cultural mistakes. By adopting the perceptual approach, a foreign manager can be open-minded to new experience and information, rather than perceiving things in the perspective of his or her own cultural frameworks. The cultural compatibility approach suggests that the personality and background of an individual be taken into account for an effective adaptation. In the current study, the discussion of the findings of adaptation on international interaction and informal training is consistent with these four approaches in many aspects such as casual talks or chats with local managers, attending social activities, learning the Chinese language, cherishing an open-mind to the Chinese culture, owning past work experiences in Asia, and so on. The findings demonstrate that expatriates in China can make adaptation to the Chinese culture in a proper way, and this in turn can be supportive of local managers' adaptation to the corporate culture.

Expatriates are not the only people to run the international company and there is usually a very limited number of them. Local managers, in a sense, are like international managers because they are also involved in the management of the company, although not from a very dominant position. The ultimate success of an international company depends on both the effective fulfilment of an expatriate assignment and the effective work of local managers (Baumgarten, 1995). Generally speaking, the intention of value orientation is to achieve socialisation with local managers and make them willing to make as much contribution as possible in their work. The view is compatible with an empirical study on the relationship between the utilisation of local managers and the overall performance in



foreign companies of a certain Western country (Abramson and Ai, 1999). Cultural socialisation provides a big possibility for local managers to get both material and emotional satisfaction from their jobs and make sense of their working time.

In foreign companies local managers are granted more power and responsibilities in workplaces. Their opportunities for communication with their superiors are in a more open way. The socialisation is a natural process rather than a temporary submission to money and authority. The temporary submission only makes the company prosper for a temporary period of time. During the process, the essence of the culture of China, which is one of the most ancient civilised countries in the world, is by no means ignored by foreign companies. The results of the current research argue for the cultivation of company core values in the Chinese context. It is easy to recognise that cultural differences tend to affect daily business communications and working relationships between expatriates and local managers. However, understanding and valuing national cultural diversity and leveraging diversity in individual behaviour and management style could assist to improve the effectiveness of the management team performance in international companies. These findings are consistent with and add to earlier research (Hofstede, 1983; Higgs, 1996; Hoon-Halbauer, 1999).

To most Chinese managers working in foreign companies, education and training become a kind of cultural practice, which is closely linked to employee motivation and organisational effectiveness. On the one hand, it is evident that they absorb the new knowledge through comparison with the local management culture and behaviour. On the other hand, their learning is directed in a way that the corporate culture could be enhanced or enriched through the effectiveness of daily management. Exploration of cultural awareness of local managers is an important factor relating to the development and strengthening of the company values.

Both formal and informal training and coaching provide opportunities for the cultivation of values and beliefs of local managers. Formal training usually offers direct access to the understanding of company values or principles (reference back to pp. 209-220, the



current chapter). During the 'on-job-training', cultural elements are involved in the process of management training programmes such as the design of contents and training methods. As far as the contents are concerned, reflecting company values and adapting to the Chinese culture indicate that the cultural elements provide guidance to the training programmes. The training methods produce chances available for local managers to acknowledge the corporate values from different angles such as Western classroom teaching ways, exposure to the foreign domestic ways of doing things, and exchange of information or sharing experiences during seminars and conferences. 'Developing international experiences' and 'career development' inevitably offer plenty of opportunities for observing or learning about the cultures in foreign parent companies, the headquarters, or other overseas subsidiaries. By doing so, local managers can adapt themselves to or develop the corporate culture of the company situated in China through comparison and transfer. 'Entrance orientation' gives local managers their first impression of essential cultural elements at the beginning of their work. Local managers need to use more effort in understanding those elements than non-managerial staff.

Informal training offers an indirect access to the mastery of company values (reference back to pp. 220-224, the current chapter). Among these informal types, 'casual coaching' provides the biggest chance for a better understanding of new values through both formal and informal personal or group discussions, talks, or chats. Various meetings (planned or non-planned) are seen as rituals and can provide chances for managers to reinforce cultural values and beliefs rather than just getting things done (Deal and Kennedy, 1982). Local managers can get some ideas about the essential elements of corporate culture from superiors or expatriates through their ways of thinking, the suggestions and advice, the comments, the analysis of problems and exchange of opinions about the national cultures of both the host country and the foreign domestic country. To benefit from such casual coaching, the attitudes of expatriates are important such as supportiveness, friendliness and openness. 'Behaviour modelling' suggests the formation of proper behaviours of new managers through the modelling influence of peers and superiors. Local managers imitate the right ways of doing things through observation. The right way of doing things of top managers generally reflects the main values of the company. The learning takes place in a



kind of assimilation. 'Social activities' provide cultural exchange in very informal ways such as celebrations and ceremonies. Local managers can get some information about company values when the content of information is checked through such cultural exchange. From a corporate perspective, informal training approaches appear to have an equal value in cultivating company values as formal training.

Local managers also need to be sensitive to the culture of the foreign investing country in order to adjust themselves in a more effective way to the core company values and the corresponding management concepts and beliefs. Furthermore, some country knowledge helps local managers moderate the tension and oppression during the new or relatively new working environment, especially at the beginning of their career life in foreign companies. For intercultural awareness, visiting, working or learning in the foreign parent company and talks or chats are common forms in both formal and informal kinds of training.

The training with respect to the company values focuses on the change of relatively old corporate values and structures. Local managers get chances to learn new ones and apply them in management practice. It is worth mentioning three aspects for attention. The first aspect concerns the attitudes and application of new ways of doing things. On the one hand, local managers need to bear in mind that there are many relatively out-of-date concepts and values in the Chinese business environment and these values need to be replaced or improved by those of a modern enterprise. On the other hand, they need to be sensitive to those new values and comprehend them in a practical way, because the Chinese environment is different from that where those values were generated.

The second one reflects that working attitudes may be accepted by local managers through cultivating company values, but it may be difficult to change the original culture norms and values. The fundamental values of a person are much more stable than attitudes (Arnold, Cooper, and Robertson, 1998). Deep cultural differences result from incommensurable mentalities and it can be very difficult to sort out the problems from the deep level (Markoczy, 1998). So the deep cultural diversities need more mutual

understanding and a longer time to deal with. The change of espoused values at the organisational level is relatively easier through stimulation, imitation, and education and training, while fundamental change is a very slow process. Adoption of the fundamental features should happen in a critical way depending on the inclination of individuals. Therefore, always showing tolerance and understanding to different perspectives and different behaviours of local managers would be beneficial in the long run.

The final factor lies in the different company policies and management measures that have vital influence on the adaptation process, such as the definition of the criteria of salary and bonus, the performance appraisal systems, the welfare delivery methods, training and coaching, and recruitment. Education and training for local managers might be a useful tool in cultivating company values. But a good result is dependent upon the proper launching of these different company policies and management measures in combination with the working styles of expatriates and self-efforts of local managers.

### **Training in terms of Behaviour Formation**

The behaviours of staff preferred by an organisation are formed on the level of 'Culture in Action'. The behaviour of the managerial staff is of remarkable importance in light of their influence on non-managerial staff. From Figure 7.1, it can be seen that the implementation of values can be hindered by intercultural differences and can result in conflicts because of the Chinese specific culture according to the study of cross-cultural issues in Chapter Six. However, through different cultural adaptation measures, local managers can gradually adjust their managerial behaviour required by company values. The training types emerging in the current study suggest possible support to the behaviour formation of local managers required by a foreign company. These programmes go beyond just training local managers for modern management skills and specific expertise, and try to provide local managers with the capacity to perform in an international context, not just in China.



'On-the-job training' refers to both job-specific and general management skills training and exerts some influence on behaviour formation. Most companies are willing to spend money on increasing local managers' on-the-job skills. The technical level of local managers might not exactly match the level of technology and skills of the company as a whole. However, it affects the general level of technology through the management of other local staff. There are two roles for expatriates to take within their areas of authority. One of the roles is to provide technical knowledge and criteria to local managers as the international standards and procedures require. This is involved in such activities as on-the-job training, coaching, supervision, and appraisal. The other role refers to offering personal support to their subordinates in order to help them to reach these criteria. The role is manifested in giving advice to subordinates when their subordinates are facing technical difficulties. Providing advice can happen during the workshop, meetings, talks, and discussion. Technology innovation is one of the common credos in foreign companies and expatriates are generally professionally competent in the particular field of the business. An in-depth knowledge of technical detail of expatriates is essential for creating an atmosphere of technology innovation (reference back to p. 210, the current chapter). Local managers' attitudes about technology innovation affect the general technology innovation within their functional departments. Local managers are encouraged to pursue technological knowledge for the sake of continuing improvement in the performance of the company in terms of quality and services.

In an international company in China the management skills of local managers are basically related to Western management concepts and values with a proper adaptation to local practice. It is a challenge for local managers to run the routine management of the local staff with modern management skills according to the findings drawn from the experience of local managers (reference back Chapter Six), because many of them have never worked in the environment of a foreign company. The learning process provides local managers with exposure to these management concepts and values. During the training or coaching process, adoption of a wide range of Western teaching methods helps local managers to learn in a more international context. Local managers are expected to be actively involved in the process rather than in a passive way. During the



teaching process a student-oriented classroom teaching strategy is emphasised. It is the most common teaching practice in Western countries and is supported by mature adult learning theories prevailing in Western enterprises (reference back to pp. 85-86, Chapter Three). By using Western teaching methods local managers get opportunities to change their behaviours. Attending seminars and conferences as well as visiting and learning in the foreign parent company or the headquarters enhance the understanding of these management concepts and values. Attending courses for diplomas or degrees is equally meaningful in mastering management skills. However, a company is not a business school, in which students are supposed to have more opportunities to make mistakes and to correct the mistakes. An enterprise is basically a profits-earning unit. Learning in workplaces, based on this study, is anticipated to produce a more productive result rather than learning from mistakes. Both education and training aim to generate more productive business benefits, based on which individual needs and desires might be cautiously interwoven into the realisation of the purposes or goals of the company.

The understanding of these concepts and values alone is by no means enough to assure proper management behaviours. Considerable effort is required to practise them in general management. The new competencies need strengthening over an extended period of time in order to enhance their attitudes and abilities in their workplaces. Business trips and international assignments in the foreign parent companies, the headquarters or other overseas subsidiaries are valuable to the improvement of modern managerial knowledge and skills. 'Increasing international experiences' enables local managers to learn in practice in an international context. Exposure to overseas assignments and training is assisting in understanding the ways of doing things outside China. They may get the knowledge about how these management concepts and values work in particular situations and how culture affects the interpretation of them, thus helping them enhance those modern management traits and develop such coping measures as 'assertive management', 'compromise', and 'flexibility'.

'Career development' is the extension of training to 'on-the-job training' and 'increasing international experience' for the sake of promoting these local managers with potential. It



helps these qualified local managers enlarge their business skills through the similar training methods demonstrated in the above two kinds of formal training. It needs to be pointed out that the training focusing on career development is designed and applied in a systematic way in light of the developmental strategies of the company such as localisation. In other words, the requirements for the education and training are higher than these general training programmes on management. The learning can happen both in China and abroad, enhancing the effect of international experience and practice on the knowledge gained.

‘Entrance orientation’ is a necessary part of local managers’ training, although it is not the main part. It gives local managers the chance to have an overview of the company and the corporate culture at the outset of their work. Local managers need to own a better mastery of company missions or credos, regulations and rules in order to set models for their subordinates. Their first impression of corporate culture is used to guide their management behaviour, and such an impression, in turn, is enhanced during the later management practice.

It might seem that training for improvement in management behaviour mainly happens in a formal way, because this improvement is tangible. In fact, informal training, which is intangible, provides almost as much an opportunity for managerial formation in a complementary way in routine management. It usually happens in an unconscious rather than in an intended way. Most opportunities exist during day-to-day management in the forms of ‘casual coaching’, ‘behaviour modelling’ and ‘social activities’. ‘Casual coaching’ takes the forms of meetings, discussions, and talks that happen almost every day. It can be seen from the analysis on this part (reference back to pp. 221-222, the current chapter) that, for local managers, these meetings, discussions and talks, especially with their immediate superiors or expatriates, might exhibit positive effects in a consistent way in terms of ways of thinking and doing things, thus helping local managers develop appropriate behaviours. People can share experience and transfer the knowledge through constructive conversations. Such conversation is associated with the change of our attitudes and behaviour (Wolfe, 2001). In a similar sense, ‘behaviour

modelling' might promote appropriate managerial behaviour of new local managers preferred by the company. The new ways of doing things can be learned through careful observation of line superior managers, especially expatriates. 'Social activities' are another form of informal training that happens during company celebrations and ceremonies. However, in this case, management behaviour is formed in reference to signals mainly from non-work related topics compared with the other two kinds of informal training illustrated above.

In summary, the education and training of local managers is not considered as an event, but as a process, engaging cultural adaptation. A foreign company attempts to enhance the competencies of local managers in different situations and on different occasions through applying multiple methods in workplaces. The competencies acquired from training need time to develop and become strong in practice. The right or appropriate application of the knowledge in local environment requires a period of time for practice. The delivery of local managers' education and training in management skills needs to make sure the new knowledge and values are accessed and rewarded during their work, yielding an effect in the change of their behaviour. In this sense, the company could get the benefits in terms of long-term development.

## **Summary**

In this chapter, an in-depth analysis of literature based on empirical data was carried out dependent upon the findings presented and discussed in Chapter Six and the current chapter in order to augment our understanding of the education and training of local managers in terms of its impact on corporate culture in foreign companies in China. The outcomes generated from the qualitative findings were discussed via comparison or contrast to other studies both in theory and in practice in the following three aspects.

First, the chapter depicted the experience of adaptation of those targeted companies from the individual perspectives of both expatriates and local managers when coping with these cross-cultural differences or conflicts. The evaluation focuses on the adaptation of



management strategies and behaviour during the implementation of the core values of the company. The analysis indicates that effective adaptation measures have the ability to facilitate the operation in practice, and at the same time to keep the corporate identity.

Second, education and training in general provided to local managers was evaluated. The general training is classified as formal and informal training or coaching in accordance with the training purposes. The formal training refers to the training designed with certain purposes in relation to the survival and development of the company, while the informal training is concerned with the training happening without deliberate design or purposes. The two kinds of training can develop local managers in a complementary way.

Last, this chapter provides an integrated illustration about the results derived from all the studies about core values, cross-cultural issues, adaptation, and local managers' education and training. The results are internally integrated by the exploration of the implications of local managers' education and training for the development of a corporate culture. This part examines the reciprocal relationships in light of the conceptual review in Chapter Three between common values and adaptation, reflecting the management of cultural differences in the Chinese context. The potential of local managers' education and training is perceived as a support to the formation of desired behaviour and the orientation towards desired values. The training is seen as a useful tool for mastering the core values and beliefs of the company and integrating international standards into the local practice as well. The two aspects are closely linked to the development of a corporate culture in a foreign company in China.

On the one hand, Chinese culture affects the operation of an international corporation to an extent, sometimes to a large extent. On the other hand, there is bigger space for the application of international operations and potential for the enhancement of international operations in the local environment. Such effects can be achieved through those cultural adaptation measures demonstrated in the present chapter. These measures are evaluated with specific reference to the development of an appropriate culture in a foreign company in the particular Chinese environment. Local managers' training might be used as a

supportive instrument to these adaptation measures, bearing in mind that informal measures seem just as powerful and effective as formal ones.



## **Chapter Eight: Conclusions**

This chapter presents what can be concluded regarding the research purpose and aims from the literature review, the design of methodology and methods, and discussion and analysis of the findings in the previous chapters. The implications of the study are emphasised and demonstrated in terms of the practice of foreign companies in China. Furthermore, in order to evaluate the validity of the application of the proposed theoretical framework, both strengths and limitations of the findings and methods are discussed. Recommendations for further research are also addressed. Before the discussion of the above subjects, a summary of the findings in light of the three research aims is given below as a review of the highlights of the current research.

### **Summary of the Findings**

The study set out to provide insight into the possible effects of local managers' education and training on corporate culture in foreign companies in China. Three corresponding research aims were set up in order to achieve the purpose. Thus three principal research questions were raised for exploration: (1) What are the basic values in general and the corresponding cross-cultural issues in foreign companies? (2) What is the adaptation of foreign companies from the perspective of both expatriates and local managers with respect to their attitudes, experience and management conflicts? (3) What has been the outcome of local managers' education and training in terms of the impact upon the cultivation of corporate culture? The first two questions are aimed at investigating the corporate culture in terms of the implementation of core values in foreign companies in China. The last question focuses on exploring the possible support of local managers' education and training to the development of corporate culture. Guided by the three principle questions, the current study reviewed the concept of corporate culture as the focus during the literature review, reviewed previous empirical studies related to the cross-cultural differences and corresponding adaptation of foreign companies in the

Chinese context, and conducted the fieldwork through adopting a qualitative methodology.

### **Company Values in General and Corresponding Cross-cultural Issues**

The first research aim sought to identify core values in general and cross-cultural issues during the implementation of these core values in foreign companies. The question is formed on the deep level of organisational culture, which underpins the entire study. Such an identification is necessary for two reasons. Firstly, it is important to inform appropriate adaptation measures targeted towards specific cross-cultural issues. Secondly, it is crucial to provide an integration by unifying and presenting the results generated from the findings of cross-cultural issues, adaptation and training.

The findings related to the first research question comprise three factors labelled as ‘core values’, ‘the significance of keeping those core values’, and ‘the cross-cultural issues in management and interpersonal interaction’. These core values targeted four aspects:

- The people-based principles
- Ethical ways of management
- Customer-focus
- Technology innovation

The four aspects incorporated a big range of company principles that one manager may need to comply with or oblige in routine management. The significance of these core values lay in the three aspects:

- Keeping international standards and procedures
- Supporting systematic ways of doing things
- Enhancing the image of the company

Cross-cultural issues were identified, ranging from management forms to interpersonal interaction forms. The issues regarding management were:

- Lack of modern management traits of local managers
- Performance based appraisal
- Hierarchical influence among local managers



- Ethical management
- Teamwork

These issues are likely to appear due to the specific Chinese culture and management style, and can become problematic if they are not dealt with. The codes relating to international interaction included:

- Lack of knowledge of background information
- Expatriates' improper attitudes towards local managers
- Language

These issues tend to appear due to combined aspects such as cultural knowledge and personal attitudes. Getting on the wrong side of each other generally diminishes the effectiveness of personal interaction. Communicating difficulties stemming from cultural differences reflect how foreign and local managers perceive the cultures of each other (Liu, 2000).

The study of corporate values provides the confirmation that cultural issues mainly stem from the influence of the traditional Chinese culture and corresponding management style when implementing company principles. It implies it is mainly the Chinese management that needs to make modification to the foreign management. In a cohesive culture rituals need to reflect company values (Deal and Kennedy, 1982). Company values are integrated in the management strategies that are applied in the routine management. Company values exhibit a direct effect on the level of rituals in the company. In this sense, cross-cultural issues decide the appropriate measures for adaptation on this level. This study suggests that for local managers it is necessary to make adaptation in routine management for they generally lack modern management traits and international work experience. An understanding of core values can help them make an effective adaptation and vice versa. For expatriates, there is a need to adopt coping measures crucial to the maintenance of corporate values, which are fundamental to the operation of the company. The study also shows that lack of an open mind and respectful attitudes towards local managers cause problems that can hinder effective communication.

## **Adaptation of Foreign Companies**

The second research aim was to examine the forms of adaptation that are likely to be applied in a foreign company. The adaptation measures were taken at the level of rituals of corporate culture as a result of implementation of company values. The investigation of these coping measures shed light on the 'action' of a corporate culture on routine management in terms of handling cross-cultural differences or conflicts.

The findings covering this topic provide evidence of the outcome of the application of core values and yielded some common adaptation patterns experienced by both expatriates and local managers. These common patterns were termed as:

- Performance appraisal
- Compromise
- Flexibility
- Localisation

These common patterns suggest that cross-cultural differences can be dealt with through applying foreign management measures, making compromises for the sake of realising company goals, being sensitive to local culture and habits during day-to-day management, and making use of local personnel. Thus the conflicts caused by cultural differences can be greatly reduced. The study also produced two patterns termed as:

- Assertive management
- Cultivating modern management traits among local managers

These patterns target expatriates and local managers respectively. 'Assertive management' shows it is crucial for expatriates to stick to core values when applying the measures of 'compromise' and 'flexibility'. 'Cultivating modern management traits among local managers' might be a useful measure in changing management values and the behaviour of local managers. As far as the international interaction is concerned, it is worth mentioning that 'knowledge of each other's culture' and 'expatriates' proper attitudes towards local managers' help to build trust between expatriates and local managers.



Undoubtedly, local managers in an international company are more or less affected by traditional Chinese management values because they have grown up in the typical Chinese environment. However, the working environment of a foreign company is substantially different to that of a state-owned enterprise (SOE). Local managers are greatly exposed to Western management concepts and systems. Western companies hold some basic management assumptions which are more or less similar, such as respect for individuals, pursuit of achievement and contribution, persistent integrity and honesty in business dealing, teamwork, and encouragement in flexibility and creativity. Local managers are learning to take more responsibility for their results. Likewise, they emphasise self-achievement and attempt to value individual performance. They begin to appreciate and apply systematic and ethical ways of doing things, thus increasing their competitive capacity in the long run. Furthermore, they have the intention to fight old local values and practice and to struggle to achieve something new. They are at the stage of learning to gain those modern attributes from the management practice. Thus some traditional Chinese management values are slowly eroded by Western management concepts and values. The result indicates the ongoing evolution of Chinese management during the industrialisation process. Furthermore, shaped through Chinese culture, some elements, such as 'teamwork', might be applied in the modern management if they are redefined in accordance to the new business environment. The result shows that expatriates and local managers might capitalise on the possibilities offered by different cultures to create a dynamic cultural environment.

With a history of five thousand years China has several sophisticated philosophical value systems operating at the same time, affecting the social, political and economic life of the Chinese people. The culture is very complex and some Chinese values might be integrated in the mainstream values in a cautious way. The Western culture and the Chinese culture have different heritages in light of the root and history of each culture. The corporate culture might not intend to avoid the cultural differences and conflicts, but it might possess mechanisms that can change the differences into benefits for the company and reduce or eliminate the conflicts.

## **The Outcome of Local Managers' Education and Training in terms of the Effects on the Cultivation of Corporate Culture**

The third and most important research aim sets out to investigate the patterns of the education and training of local managers, and examine the implications of these different patterns of training for the cultivation of corporate culture through adaptation measures. The different kinds of training were termed as 'formal training' and 'informal training' in light of training purposes and delivery. Formal training is considered as closely linked to the development of the company and an integrated part of developmental strategies. Formal training included four types:

- On-the-job training
- Developing international business experiences
- Career development
- Entrance orientation

These types were checked in detail in terms of their training content and delivery methods. As far as the content is concerned, the knowledge and skills gained through training cover a wide range from the specific job skills to the corporate culture. Enhancement of general management skills is manifested in both national and international assignments and training. Informal training refers to the training provided without defined motives and purposes. It usually happens in an unplanned way in forms of:

- Casual coaching
- Behaviour modelling
- Social activities

Both formal and informal training of local managers exert some effects on the adaptation of the company in terms of cultivating corporate values of local managers and behaviour formation.

The implications of local managers' education and training for corporate culture were examined through providing an integrated overview of all the results yielded from the studies on corporate values and cross-cultural issues, adaptation forms, and the patterns



of local managers' training. It is argued in the present study that local managers' training exhibits an indirect effect on the deeper level of values and the less deep level of rites and rituals of an organisational culture suggested by Deal and Kennedy (1982). The two kinds of effects were identified as interventions during 'the behaviour formation' and 'the value orientation'. Such interventions were examined in relation to the management of cultural differences reviewed in the conceptual framework of corporate culture (reference back to Chapter Three).

The general improvement of performance of the company could be achieved through adoption of these adaptation measures, which include the training of members of the management team in foreign companies. The training must be integrated into the overall process of culture change through supportive roles and responsibilities in the change efforts (Ferdman and Brody, 1996). The findings show that, for value orientation, formal training in the foreign parent companies or headquarters and subsidiaries in other countries is considered as valuable and effective in cultivating corporate values. The concepts of informal training were also generated from the data. Statistics showed that employees 'spent seventy percent of their total training time in informal activities' (Benson, 1997, p. 93). Therefore, informal training in the current study provides at least equal, if not more, valuable opportunities to learn new values during daily management. Foreign companies are paying increasing attention to value orientation in order to socialise and retain the local managers with high potential. For behaviour formation, formal training offers chances to learn Western management concepts through Western teaching methods and to practise in an international environment. Informal training mainly provides opportunities to learn, imitate or enhance their management skills during daily management or on non-work occasions.

## **Implications of the Study for the Practice of Foreign Companies**

The current research was mainly exploratory, employing a qualitative research methodology and aimed at investigating a field in which, up to now, few empirical studies have been conducted. The meaning of cultural awareness for local managers

through education and training remains largely unexplored. The study used a combination of in-depth interviews and a survey of documents, generating rich data. The study generates valuable insights for the practice of international companies in China. These insights augment the knowledge of the present state of local managers' education and training from an international corporate perspective.

### **Implications for the Development of Corporate Culture**

In the Chinese context the impact of the Chinese culture adds complexity to the values and rituals of a foreign company. In a foreign company, the Chinese culture belongs to the subculture, but it is a very strong subculture because the majority of staff possess it, although its influence is in decline. When the Chinese culture sometimes clashes with the company values and beliefs it can cause problems to the operation of the company. However, when a dynamic tension appears between the corporate values and the Chinese culture, the company can make use of both cultural differences and similarities during its operation, especially when a company does not consider cultural differences as a drawback.

The current study generates insights into the corporate culture for foreign companies in China in light of the theoretical framework. Both Chinese culture and Western culture have something to contribute to the business conducted in the company if these differences are acknowledged and mediated. The core values imported from the foreign parent company are usually retained in order to keep the same corporate identity with the parent company. At the same time, major modification in the routine management is made in order to manage the local staff and handle local customers as well as other external elements. It does not necessitate the use of local ways alone to deal with these factors, but a modification to the local culture and values to improve the overall business environment for the particular company. Such a culture does not simply aim to make compromise or balance between different cultures, but creates a kind of cultural novelty in practice. This kind of cultural novelty possesses a better mechanism to handle cross-cultural issues through paying attention to both similarities and differences rather than



sticking to one particular culture. Both similarities and differences need to be identified during the period of solving a cultural problem.

Based on the evidence presented in the current study an 'ideal' cultural environment can be formed through making use of both Chinese and Western values in foreign companies. A foreign company can make use of similarities of different values. Take similar concepts about 'teamwork' for example. Some Chinese concepts of management possess the similar meaning to the corresponding Western concept of 'teamwork' (e.g. '*Qun Ce Qun Li*' and '*Ji Si Guang Yi*'). Local managers learn this Western concept via the understanding of these Chinese concepts that are defined under the new circumstance of a foreign company. In many cases a foreign company can make use of cultural differences during routine management. Take *Guanxi* (personal relationship or network) as an example. It is a typical Chinese value and it can be used by identifying its positive meaning on the development of the company. Under the circumstance of a foreign company it is applied by emphasising its value in terms of the general benefit for the company rather than personal interests. Furthermore, *Guanxi* should be used in the ethical way without violating laws or principles. Performance-based assessment is another instance. It is a typical Western management value, which has been applied in the Chinese context for about twenty-five years. It is critical to management of employees in foreign companies. This value is accepted and even appreciated by local staff when they know core values of the company and understand the reasons for these core values. This Western value will continue to show its great potential in the Chinese context. These examples indicate that an optimal combination of Western and Chinese cultures might be achieved in foreign companies in future.

Suggestions in terms of the cultivation of corporate culture are provided in the four aspects. Firstly, understanding and showing respect to the Chinese culture could build trust with local managers, thus assisting the effective adaptation of local managers. Failure in taking the time to understand the Chinese culture and the Chinese people or a kind of arrogant manner tends to result in costly mistakes even if an expatriate means well (Liu and Vince (1999)). However, a good understanding of the Chinese culture or



showing proper respect to your Chinese partners or local managers does not mean an expatriate needs to change to Chinese ways of doing things.

Secondly, patience and persistence are needed in managing cultural differences. Chinese managers have substantially missed out on modern technology and management knowledge due to the limited contact between the Western and Eastern developed countries for a long time in the past. Chinese people and Chinese ways of doing things are special, but by no means will international principles not work well in China if they work well in other places in the world. According to Negandhi (1985) there is a similar process of industrialisation in different countries. The operation of a foreign corporation is supposed to show some similarities in different countries. That means it is possible for managers from different cultures to master the concepts and skills of international operation. Chinese businessmen are aware that the 'software' of a foreign company is a key advantage in the world market such as management style and market entry. They are keen to learn those new concepts and skills. Therefore, Chinese managers working in foreign companies could adapt to international operations after a period of time, provided these companies show 'a good culture sense'.

However, there is an expectation gap between expatriates and local managers in terms of international business and management experience and skills. There is a tendency that both sides underestimate the length of time, the effort and the amount of work involved to reach international standards. It needs a relatively long time to cultivate the international management skills and experience compatible to the implementation of those international standards. Local managers need time to internalise those modern management traits. This finding coincides with an empirical study on the effect of longevity on the management of cross-cultural differences in Western companies in a certain developing country (Meschi, 1997). The researcher argues that because corporate culture is supposed to be more influential and powerful in shaping the behaviour style of employees from different cultural backgrounds within one company, so cultural differences could become moderate during a relatively long period of time after the establishment of the international company. Therefore, it is of great importance for



expatriates to be patient and persistent in imposing the company culture and values. Patience should not be used passively in the hope that difference will just disappear in time, since allowing time to pass is merely a pre-condition for an active integration strategy.

Thirdly, developing younger and higher educated local managers as key managerial personnel might contribute to the management of cultural differences. Younger generations of local managers in China have usually grown up in a relatively market-oriented economic environment in which education is relatively emphasised. Some of them get degrees from overseas universities. They are more likely to accept modern management concepts and skills standards than older local managers shaped by decades of bureaucratic management and compliance to superior authorities in a centralised economy. A focus on the cultivation of younger local managers reflects the long-term commitment of the company. However, Chinese traditional culture and philosophy still exert influence on these younger local managers by shaping the Chinese mind, thought and behaviour. This influence sometimes prevents local managers from applying international principles in an effective way. Identifying the influence of the national culture and showing consideration to the development needs of the individuals could be beneficial in making an appropriate development plan. It is worth pointing out that expatriates can help local managers to make adaptations in a more effective way by acknowledging emotional differences in different cultures (Li, et. al 1999). The study shows that if an expatriate values the opinion of local managers, they will change their managerial behaviour in a willing way.

Lastly, applying education and training for local managers is seen as a possible support towards cultural adaptation. A foreign corporation needs local partners or local managers to operate. The strategy of localisation includes training and career development plans, which form a crucial part in change management and also reflect the long-term commitment of the company. The intention is to develop local managers with skills and experience to equal those of expatriates.

## **Implications for Local Managers' Education and Training**

The corporate values are not always apparent and are sometimes quite difficult to comprehend. The interpretation and mastery of company values and beliefs needs to be guided and enhanced repeatedly in the work practices of local managers. International managers contemplating the establishment of a cohesive culture need to note that the process of education and training is, in fact, a kind of cultural process. In other words, a kind of cultural adaptation is involved in the training process. The core values of the company indicate the direction for local managers' training through integrating them into the strategies of routine management. The change of values and attitudes in workplaces exerts direct impact on the change of behaviour and the training involves an attitudinal change (Berry, 1998). The overall improvement in technology and management skills enhances the change efforts in general management behaviour, which, in turn, reflects the main company values and beliefs.

The training is thus seen as 'a cultural practice' that incorporates the corporate goals and values in the learning process. It becomes a possible way to facilitate the process of socialising local managers into the relatively new corporate culture. The focus on improvement in management skills should be supported by the understanding of corporate values and the culture of the parent company's home country in order to achieve a satisfactory management performance. Improvement in management skills of local managers enables them to produce proper management behaviours at the level of rites and rituals.

As far as the long-term development of the company is concerned, the education and training of local managers needs to be provided in a continuous way. Once the company culture endeavours to form an environment of continuing education and learning among local managers, then education and training is no longer considered as an activity or event happening only for a particular use during a particular period of time, but as an ongoing process. Such a process could be beneficial to the corporate culture through generating continuing effects on the change of management attitudes and behaviour.



Education and training should benefit individuals as well. For example, managers' learning in the new century aims at improving their creativity in thinking and doing their jobs (Beckett, 1999). This point especially suits the particular Chinese situation in which Chinese managers are generally considered as especially weak in creativity in their jobs. Thus training can assist local managers to build modern management traits in their careers. Individual local managers not only develop their abilities of problem analysis and solution, but also improve their confidence in taking responsibility, their courage to face reality, and their competitive capacity. Training, especially of an informal nature, involves working to change attitudes, thoughts and emotions (Mahoney, 2001). Through such development local managers have gained more sense about self-control and self-development at work than they used to. They are not likely to avoid difficulties and challenges when facing new competition, frustration, and conflicts in their on-going career life. Consequently, the training, from the point of view of the individual development, helps local managers to develop or increase modern management traits that are valuable to the process of modern industrialisation in China.

## **Critical Reflection of the Study**

This is the first study of the reciprocal relationships between corporate culture and local managers' education training in foreign companies in China. The study adopted a theoretical framework tailored from the structural elements of corporate culture suggested by Deal and Kennedy (1982). The framework has two main levels: the level of company values and the level of rites and rituals. The level of values is considered as the 'core of culture', the level of rites and rituals as the 'culture in action'. The framework underpins the study for data collection and analysis. Two crucial reasons account for the application of such a framework. First, it provides guidance to the data collection. For example, company values are dominating elements of corporate culture and need to be gathered during fieldwork. Rites and rituals refer to the behaviour patterns and social exchange appearing during day-to-day practices within the organisation. Therefore, it is necessary to collect data about how people perceive these values and how people adapt to them in practice through their behaviour and communication during daily management. Second



and more importantly, it targets the exploration in light of the research purpose. The current research is exploratory, attempting to investigate the effects of local managers' training on corporate culture. It is not the purpose of this thesis to provide a comprehensive picture of corporate culture. The examination of main values and corresponding behavioural implementation aims at providing a corporate cultural environment in the Chinese context for the study of local managers' education and training. The analysis of the impact of the training is linked to the two levels, corporate values and 'culture in action', with a focus on management behaviour and communication.

For the first time the structure of corporate culture was applied in the investigation of the possible effects of training on the corporate culture in international companies. The cultural influences at these levels were identified and discussed. The analysis provides knowledge about managing cultural differences in the Chinese context, and thus gives a clear picture of cultural adaptation of local managers. An evaluation of training was achieved through examining the full range of training in light of the cultural environment, including the tangible training (formal training), and intangible training (informal training). The results show local managers' education and training is a complex phenomenon exerting indirect effects on different levels of a corporate culture. The evaluation was carried out around the training in terms of 'value orientation' and 'behaviour formation', which are related to the level of values and the level of rituals respectively. In this sense, local managers' education and training were evaluated on the basis of a consolidated analysis of the specific cultural environment of foreign companies in China.

The current study not only surveyed on-site managers (including both expatriates and local managers), but also the foreign managers working in foreign parent companies or headquarters and heads of outside training agencies as well. Therefore, different perspectives were viewed and weighed when discussing and evaluating the impact of the training. In this sense, the current study indicates some strong factors brought from the research design and process.



The first factor lies in the methods of data collection. The present study gathered data from the perspectives of both trainers and learners as they were manifested within the management population. Some of the local managers take a dual role in the process of training, both as the trainer and the learner. Furthermore, those trainers and learners come from different cultural backgrounds. Thus the subjects interviewed were representative of the spread of management functions in light of the research objectives. So the effectiveness of comparison of samples from different cultures was increased. In this sense, the reliability of the research is enhanced through different views focusing on the same topic.

Secondly, the current study defined the important roles of local managers in a foreign company situated in China (reference back to p.184; p. 197-199, Chapter Seven). This aspect was not explored much by previous empirical studies, especially in the Chinese context. Such exploration indicates the importance of the education and training of local managers to cultural adaptation. It implies that the study is timely owing to the economic development in China both at present and in future.

The last factor lies in the comparison between local managers' cultural adaptation to corporate culture and the cultural adaptation of expatriates to local culture and practices. Expatriates' training was interwoven into the discussion and analysis of local managers' education and training efforts. The comparison indicates the complementary roles of expatriates and local managers in building a proper corporate culture. Thus a detailed picture of the training in terms of possible effects on corporate culture was presented.

Like any other empirical research, the study is also limited by some factors, some of which can be addressed for further research. Understanding these limitations can be useful when comparing the findings of further research in the same or similar field. Firstly, the study mainly employs a cross-country survey design, although several samples were selected from the two countries, namely the United Kingdom and the United States. Due to the cultural differences in detail among Western countries, care should be taken when applying the findings and the implications to foreign companies set

up by a particular Western country. In other words, when applying the results of the research to a particular country some cautious analysis about the specific similarities and diversities between Chinese culture and the culture of the particular country might be needed.

Secondly, greater confidence in the findings could be attained if the method of observation was used although it would be very difficult to get such an opportunity in reality. The survey could include training events, meetings, informal talks about culture, and so on. In this case, the researcher could compare what people say and what people do. Therefore, the researcher could acquire a more concrete impression about the two levels of corporate culture, for the data could be collected in respect to a moving or changeable process of events, not just a static one. Nevertheless, because the major part of data was collected from the direct experience of interviewees, methodological congruence is achieved in the present study.

The final limitation lies in the lack of survey of the non-managerial staff, most of whom are local staff. The researcher did not have much data on corporate culture and education and training collected from those non-managerial staff, although there is some reported evidence from the samples of local managers, especially local Human Resource managers. The perspectives of the non-managerial local staff could be compared with those of the managerial staff. A fuller explanation regarding the cultural environment and the implications for local managers' education and training might have been achieved had interviews been conducted with non-managerial staff.

## **Suggestions for Further Research**

In spite of its limitations, this study has resulted in insights through a thorough exploration of the effects of local managers' training upon corporate culture. The exploration, in a critical manner, involves conducting the investigation equipped with an existing theoretical framework, checking the existing facts and ideas relevant to the topic,



discovering new facts, and achieving the research purpose. As an exploratory study, it provides potential areas for future research.

First, it provides the base for longitudinal studies on foreign companies investing in a particular foreign country or studies of a wider population about foreign companies in China from a variety of countries, including both managerial and non-managerial staff. A more balanced sample could improve the results. The method of observation might be applied given the conditions permitted.

Second, there should be further study focusing on the nature of culture change, for China appears to be adopting Western enterprise concepts and values at a rapid rate. The research indicates there is a general decline in management conflicts and confrontations caused by cultural differences in foreign companies in China. It implies that a more sophisticated stage might appear in local managers' education and training. The study sheds light on the corporate culture and offers a good start in this regard.

Finally, a few samples of foreign companies established by the developed Asian countries were selected during the fieldwork for benchmarking the data collected from the foreign companies set up by Western countries. The research model could therefore be extended to samples of developed Asian countries that conduct business in China such as Japan, Singapore, and South Korea.

## Bibliography

- Abdullah, S. R. S. and Keenoy, T. (1995). "Japanese management practices in the Malaysian electronics industry: Two case studies." *Journal of Management Studies*, 32(6), pp. 747-765.
- Abramson, N. R. and Ai, J. X. (1999). "Canadian companies doing business in China: Key success factors." *Management International Review*, First Quarter, pp. 7-35.
- Adler, N. J. (1980). "Cultural synergy: the management of cross-cultural organisations", in Burke, W. and Goodstein, L. (Ed.) *Current Theory and Practice*, San Diego: University Associates, pp. 163-184.
- Adler, N. J. (1981). "Re-entry managing cross-culture transitions." *Croup and Organisation Studies*, 6(3), pp. 341-356.
- Adler, N. J. (1986). *International Dimensions of Organisational Behaviour*, Boston: Lent Publishing Co.
- Albert, R. D. (1994). "Cultural diversity and international training in multinational organisations," in Wiseman R. L, and Shuter, R. (Ed.) *Communicating in Multinational Organisation*, London: Sage, pp. 153-165.
- Alvesson, M., and Berg, P. O. (1992). *Corporate Culture and Organisational Symbolism*, New York: Walter de Gruyter.
- Andrew, B. (1995). *Organisational Culture*, Cambridge: Pitman.
- Anon, (1993a). "Producing the right culture." *Business China*, 19 (5), pp. 12-13.
- Anon. (1993b). "Differences in managerial values: a study of U. S., Hong Kong." *Journal of International Business Studies*, 24 (2), pp. 249-275.
- Anon. (2001). "Population Census: Hong Kong President Population by Quinquennial Age Group, Sex and Broad Area." Available at: URL: <http://www.info.gov.hk/censtatd/eng/hkstat/fas/o1c/cd017200/e.htm> [Accessed 15 October 2002]
- Anon. (2002a). "Population in Macao SAR reaches 436,000." *People's Daily*, August (23).
- Anon. (2002b). "Developing people in line with corporate needs." *Human Resource Management International Digest*, 10 (3), pp. 12-15.



- Arnold, J., Cooper C. L. and Robertson, I. T. (1998). *Work Psychology*, (Third Edition), Harlow, London, New York, Reading, San Francisco, Toronto, Don Mills, Sydney, Tokyo, Singapore, Hong Kong, Taipei, Cape Town, Madrid, Milan, Mexico City, Amsterdam, Munich and Paris: Pearson Education.
- Awasthi, V. N., Chow, C. W. and Wu, A. (1998). "Performance measure and resource expenditure choices in a teamwork environment: the effects of national culture." *Management Accounting Research*, 9, pp. 119-138.
- Axtell, R. E. (1989). *The Do's and Taboos of International Trade: A Small Business Primer*, New York: John Wiley.
- Bamber, G. J., Shadur, M. A. and Howell, F. (1992). "The international transferability of Japanese management strategies: an Australian perspective." *Employee Relations*, 14(3), pp. 3-19.
- Baron, A. (1994). "Winning ways with culture." *Personnel Management*, 26(10), pp. 1-5.
- Bate, P. (1994). *Strategies for Cultural Change*, Bodmin: MPG Books.
- Baumgarten, K. (1995). "Training and development of international staff," in Harzing, A. W. and Ruysseveldt, J. V. (Ed.) *International Human Resource Management*, London, Thousand Oaks and New Delhi: Sage, pp. 205-228.
- Beamer, L. (1998). "Bridging business cultures." *The China Business Review*, 25 (3), pp. 54-58.
- Beamish, P.A. (1993). "The characteristics of joint ventures in developed and developing countries." *Columbia Journal of World Business*, No. 20, pp. 13-19.
- Beck, B. E. F. and Moore, L. F. (1985). "Linking the host culture to organisational variables," in Frost, P. J., Moore, F., Louis, M. R., Lundberg, C. C., and Martin, J. (Ed.) *Organisational Culture*, Newbury Park, London, New Delhi: London: Sage, pp. 355-372.
- Beckett, D. (1999). "Past the guru and up the garden path: the new organic management learning," in Bond, D. and Garrick, J. (Ed.) *Understanding Learning at Work*, London and New York: Routledge, pp. 83-97.
- Benson, G. (1997). "Informal training takes off." *Training & Development*, May, pp. 93-94.

- Bennette, R. H. (1999). "The relative effects of situational practices and culturally influenced values/beliefs on work attitudes." *International Journal of Commerce & Management*, 9 (1/2), pp. 84-102.
- Berdrow, I. and Lane, H. W. (2003). "International joint ventures: creating value through successful knowledge management." *Journal of World Business*, 38, pp. 15-30.
- Berry, L. M. (1998). *Psychology at Work*, (Second Edition), McGraw Hill: Boston, Massachusetts, Burr Ridge, Illinois Dubuque, Iowa Madison, Wisconsin, New York, San Francisco, California St. Louis and Missouri.
- Bhagat, R. S. and Prien, K. O. (1996). "Cross-cultural training in organisational contexts," in Landis, D. and Bhagat, R. S. (Ed.) (2<sup>nd</sup> Edition) *Handbook International Training*. London: Sage, pp. 216-230.
- Bhagat, R. S. and Prien, K. O. (1996). "Cross-cultural training in organisational contexts. developing countries." *Columbia Journal of World Business*, No. 20, pp. 13-19.
- Björkman, I. and Fan, X. (2002). "Human resource management and the performance of Western firms in China." *The International Journal of Human Resource Management*, 13 (6), pp. 853-864.
- Björkman, I. and Lu, Y. (1999). "A corporate perspective on the management of human resources in China." *Journal of World Business*, 34 (1), pp. 16-25.
- Björkman, I. and Schaap, A. (1994). "Outsiders in the middle kingdom: Expatriate managers in Chinese-Western joint ventures." *European Management Journal*, 12 (2), pp. 147-153.
- Black, J. S. and Gregersen, H. B. (2000). "Serving two masters: managing the dual allegiance of expatriate employees," in Henry, W. L et al. (Ed.) *International Management Behaviour*, (4th Edition) Oxford: Blackwell, pp. 282-299.
- Black, J. S. et al. (1991). "Toward a comprehensive model of international adjustment: An integration of multitheoretical perspectives." *Academy of Management Review*, 16, pp. 291-317.
- Black, S. and Mendenhall, M. (1995). "A practical but theory-based framework for selecting cross-cultural training methods," in Harzing, and Ruysseveldt, J. V. (Ed.) *International Human Resource Management*, London, Thousand Oaks and New Delhi: Sage, pp. 177-204.
- Bonache, F. and Fernández, Z. (1999). "Strategic staffing in multinational companies," in Brewster, C. and Harris, H. (Ed.) *International HRM*. London and New York: Routledge, pp. 163-182.



- Bond, M. H. and Hwang, K. (1986). "The social psychology of the Chinese people," in Bond, M. H. (Ed.) *The Psychology of the Chinese People*, Hong Kong: Oxford University Press, pp. 213-266.
- Borg, M. (1988). *International Transfer of Managers in Multinational Corporations*, Uppsala: Acta University.
- Brewster, C. and Harris, H. (1999). *International HRM: Contemporary Issues in Europe*, London: Routledge.
- Brookfield, S. (1995). "Adult Learning: An Overview." *International Encyclopedia of Education*, Oxford: Pergamon Press.  
 URL:[http://www.digitalschool.net/edu/adult\\_learn\\_Brookfield.htm](http://www.digitalschool.net/edu/adult_learn_Brookfield.htm) [Accessed 27 October 2003]
- Brown, A. (1995). *Organisational Culture*, London: Pitman Publishing.
- Brunner, J. A., Koh, A. and Lou, X. (1992). "Chinese perceptions of issues and obstacles confronting joint ventures." *Journal of Global Marketing*, 6, pp. 97-127.
- Bryman, A. (1988). *Quality and Quantity in Social Research*, London: Unwin-Hyman.
- Buttery, E. A. and Leung, T. K. P. (1998). "The difference between Chinese and Western negotiations." *European Journal of Marketing*, 32 (3/4), pp. 374-389.
- Cannon, T. (1980). "Class struggle and foreign trade." *China Now*, 90, pp. 6-10.
- Cascio, W. F. (1991). *Applied Psychology in Personnel Management*, Prentice Hall: Englewood Cliffs and New Jersey.
- CED Research Projects, (2000). *The case for permanent normal trade relations with China* [on line]. Washington, DC: The Committee for Economic Development. Available at: [URL:http://www.ced.org/projects/china.htm](http://www.ced.org/projects/china.htm) [Accessed 07 November 2000]
- Chao, C. and Dubas, K. M. (1995). "A short-term training program for Chinese managers at an U. S. university." *Journal of Education for Business*, 70 (5), pp. 300-305.
- Chapel, W. B. (1998). "Effective management communication for China," in Selmer, J. (Ed.) *International Management in China*, London: Routledge, pp. 169-182.
- Charmaz, K. (2000). "Grounded theory: Objectivist and constructivist methods," in Denzin N. K. and Lincoln, Y. S. (Ed.) (2<sup>nd</sup> Edition) *Handbook of Qualitative Research*, London: Sage, pp. 509-536.

- Child, J. (1994). *Management in China during the Age of Reform*, Cambridge: Cambridge University Press.
- Child, J. and Faulkner, D. (1998). *Strategy of Co-operation: Managing Alliances*, Oxford: Oxford University Press.
- Child, J. and Tse, D. K. (2001). "China's transition and its implications for international business." *Journal of International Business Studies*, 32 (1), pp. 5-21.
- Chiu, R. K. and Kosinski, F. A. (1994). "Is Chinese conflict-handling behaviour influenced by Chinese values?" *Social behaviour & Personality*, 22 (1), pp. 81-90.
- Chow, C. W. Deng, F. J. and Ho, J. L. (2000). "The openness of knowledge sharing within organisations: a comparative study in the United States and the People's Republic of China." *Journal of management Academy Research*, 12, pp. 65-95.
- Chow, C. W. Harrison, P. Lindquist, T. et al. (1997). "Escalating commitment to unprofitable projects: Replication and cross-cultural extension." *Managerial Accounting Research*, 8, pp. 347-361.
- Christians, C. G. (2000). "Ethics and politics in qualitative research," in Denzin N. K. and Lincoln, Y. S. (Ed.) (2<sup>nd</sup> Edition) *Handbook of Qualitative Research*, London: Sage, pp. 133-155.
- Chu, C. N. (1988). *The Chinese Mind Game: The Best Kept Trade Secret of the East*, Beaverton, Oregon: AMC Publishing.
- Coffey, A. and Atkinson, P. (1996). *Making Sense of Qualitative Data*, London: Sage.
- Cohen, L. and Manion, L. (1994). *Research Methods in Education*, (4<sup>th</sup> Edition) London: Routledge.
- Copeland, L. and Griggs, L. (1985). *Going International*, New York: Random House.
- Correspondent, (1980). "Deng Xiaoping answers questions." *China Now*, No. 89, pp. 14-17.
- Correspondent, (1989). "China's foreign trade policy remains unchanged." *Beijing Review*, 32(30), pp. 13-15.
- Cui, C. C. Ball, D. F. and Coyne, J. (2002). "Working effectively in strategic alliances through managerial fit between partners: Some evidence from Sino-British joint ventures and the implications for R & D professionals." *R & D Management*, 32 (4), pp. 342-357.



- Dai, G. (1987). "Booming foreign ventures in Shanghai." *Beijing Review*, 30(51), p. 17.
- Dai, G. (1990). "Shanghai's Pudong project in full swing." *Beijing Review*, 33(43), pp.16-20.
- Dai, G. (1991). "Pudong construction in full swing." *Beijing Review*, 34 (29), pp. 19-22.
- Dalton, G. R. (1990). "Training China's business elite." *The China Business Review*, 17 (5), pp. 46-48.
- Deal, T. and Kennedy, A. (1982). *Corporate Cultures*, New York: Perseus.
- Deal, T. and Kennedy, A. (1999). *The New Corporate Cultures*, London: Texere.
- Denison, D. R. (1990). *Corporate Culture and Organisational Effectiveness*, New York: John Wiley & Sons.
- Denzin N. K. and Lincoln Y. S. ed. (1989b). *Handbook of Qualitative Research*, (2<sup>nd</sup> Edition) London: Sage.
- Denzin, N. K. (1989b). *The Research Act: A Theoretical Introduction to Sociological Methods*, (3<sup>rd</sup> Edition) Englewood Cliffs: Prentice – Hall.
- Dilthey, W. (1990). "The human studies," in Alexander, J. C. and Seidman, S. (Ed.) *Culture and Society*, Cambridge: University Press, pp. 31-38.
- Doktor, R. H. (1990). "Asian and American CEOs: a comparative study." *Organisational Dynamics*, 18, pp. 46-57.
- Domke-Damonte, D. (2001). "Language learning and international business." *S. A. M. Advanced Management Journal*, Winter, pp. 35-40.
- Dowling, P. Schuler, R. and Welch, D. (1994). *International Dimensions of Human Resource Management*, (2<sup>nd</sup> Edition)., Belmont (Cal.): Wadsworth.
- Drennan, D. (1992). *Transforming company culture*, London: McGraw-Hill.
- Dyer, W. G. (1985). *The Cycle of Culture Evolution in Organisations*. Unpublished paper, Sloan School of Management, Massachusetts institute of Technology.
- Earley, P. C. (1994). "Self or group? Cultural effects of training on self-efficacy and performance." *Administrative Science Quarterly*, 39 (1), pp. 89-117.
- Easterly-Smith, M., Malina, D. and Yuan, L. (1995). "How culture sensitive is HRM? A comparative analysis of practice in Chinese and UK companies." *International Journal of Human Resource Management*, 6(1), pp. 31-59.

- Ein-Dor, P. Segev, E. and Orgad, M. (1993). "The effect of national culture on IS: Implications for international information systems." *Journal of Global Information management*, 1(1), pp.33-44.
- Erick, G. R. (1998). "Lessons in leadership." *Asian Business*, 34 (2), pp. 53-55.
- Fairbank, J. K. and Goldman, M. (2001). *China: A New History*. Cambridge, Massachusetts, and London: The Belknap Press of Harvard University.
- Farh, J. L. Tsui, A. S. Xin, K. et al. (1998). "The influence of relational demography and Guanxi: the Chinese case." *Organisational Science*, 9(4), pp. 471-488.
- Fei, X. T. (1947). *From the Soil: The foundations of Chinese Society*. Translated by Hamilton, G. H. and Wang, Z. (1992), Berkeley: University of California Press.
- Ferdman, B. M. and Brody, S. E. (1996). "Models of diversity training," in Landis D. and Bhagat R. S. (Ed.) *Handbook of International Training*, (2<sup>nd</sup> Edition), London: Sage, pp. 283-303.
- Forster, N. (1994). "The analysis of company documentation", in Cassell C. and Symon, G. (Ed.) *Qualitative Methods in Organisational Research*, London, Thousand Oaks and New Delhi: Sage, pp. 147-166.
- Fu, P. P. and Yukl, G. (2000). "Perceived effectiveness of influence tactics in the United States and China." *The Leadership Quarterly*, 11(2), pp. 251-266.
- Gagliardi, P. (1986). "The Creation and Change of Organisational Cultures: A Conceptual Framework." *Organisation Studies*, 7(2), pp. 117-134.
- Geertz, C. (1973). *Interpretation of Cultures*, New York: Basic Books.
- Geertz, C. (1984). "From the native's point of view," in Shweder, R. A. and Levine, R. A. (Ed.) *Culture Theory*, Cambridge: University Press, pp. 123-136.
- Geriger, J. M. and Frayne, C. A. (1990). "Human resource management and international joint venture control: A parent company perspective." *Management International Review*, (special issues), pp. 103-120.
- Girard, A. (1972). *Cultural Development: experience and policies*, Paris: Unesco.
- Goodall, K. and Warner, M. (1998). "HRM dilemmas in China: the case of foreign-invested enterprises in Shanghai." *Asia Pacific Business Review*, 4 (4), pp. 1-21.
- Gorelick, D. (2002). "Creating customer focus with staff newsletters," *American Printer*, 230 (3), p. 44.



- Gubrium, J. F. and Holstein, J. A. (2000). "Analyzing interpretive practice," in Denzin, N. K. and Lincoln, Y. S. (Ed.) (2<sup>nd</sup> Edition) *Handbook of Qualitative Research*, London: Sage, pp. 487-508.
- Gudykunst, W. B., Guzley, R. M. and Hammer, M. R. (1996). "Designing intercultural training," in Landis, D. and Bhagat, R. S. (Ed.) *Handbook of International Training*, (2<sup>nd</sup> Edition), London: Sage, pp. 61-80.
- Guo, A. B. (2002). "China talks about sex, health, life." *China Daily*, July (12).
- Hall, K. (1995). "Worldwide vision in the workplace." *People Management*, 1(10), pp. 1-5.
- Hamel, G. (1991). "Competition for competence and inter-partner learning within international strategic alliances." *Strategic Management Journal*, 12, pp. 83-103.
- Harding, H. (1987). *China's Second Revolution*, Washington, D. C: The Brookings Institute.
- Harris, S. (1997). "China's role in the WTO and APEC," in Goodman, D. S. G. and Segal, G. (Ed.) *China Rising: Nationalism and Interdependence*, London and New York: Routledge, pp. 134-155.
- Harrison, R. (1995). *The Collected Papers of Roger Harrison*, London, New York, St Louis, San Francisco, Auckland, Bogotá, Caracas, Lisbon, Madrid, Milan, Montreal, New Delhi, Panama, Paris, San Juan, São Paulo, Singapore, Sydney, Tokyo and Toronto: McGraw-Hill.
- Harzing, Anne-Wil, Ruysseveldt and Joris, (1995). *International Human Resource Management*, ed. London: Sage.
- He, W. (2000). *The WTO and the Promotion of the Chinese Industry*, Beijing: Chinese Audition Publishing House.
- Hendry, C. (1994). *Human Resource Strategies for International Growth*, London and New York: Routledge.
- Herbig, P.A. and Miller, J.C. (1992). "Culture and technology: Does the traffic move in both directions?" *Journal of Global Marketing*, 6(3), pp. 569-576.
- Herndon, N. C. and Yeh, Q. J. (2001). "An investigation of moral values and the ethical content of the corporate culture: Taiwanese versus U. S. sales people." *Journal of Business Ethics*, 30 (1), pp. 73-85.
- Hickman, C. R. and Silva, M. A. (1985). *Creating Excellence: Managing Corporate culture, Strategy & Change* London: Unwin Hyman Ltd.

- Higgs, M. (1996). "Overcoming the problems of cultural differences to establish success for international management teams." *Team Performance Management*, 2(1), pp. 36-43.
- Hodder, I. (2000). "The interpretation of documents and material culture," in Denzin, N. K. and Lincoln, Y. S. (Ed.) (2<sup>nd</sup> Edition) *Handbook of Qualitative Research*, London: Sage, pp. 703-716.
- Hofstede G. and Bond, M.H., (1988). "The Confucian Connection: From Cultural Roots to Economic Growth." *Organisational Dynamics*, 16(4), pp. 5-21.
- Hofstede, G. (1980). *Culture's Consequences: International Differences in Work-Related Values*. London: Sage
- Hofstede, G. (1983). "Dimension of national cultures in fifty countries and three regions," in Deregowski, J. B., Dziurawiec, S. and Annis, R. C. (Ed.) *Explorations in Cross-cultural Psychology*, the Netherlands: Swets and Zeitlinger, Lisse, pp. 335-355.
- Hofstede, G. (1991). *Cultures and Organisations: Software of the Mind*, London: McGraw-Hill.
- Holloway, I. (1997). *Basic Concepts for Qualitative Research*, Oxford: Blackwell Science.
- Holt, D. H. (1997). "A comparative study of values among Chinese and U. S. entrepreneurs: Pragmatic convergence between contrasting cultures." *Journal of Business Venturing*, 12, pp. 483-505.
- Holy, D. H. (1997). "A comparative study of values among Chinese and U.S. entrepreneurs: Pragmatic convergence between contrasting cultures." *Journal of Business Venturing*, 12, pp. 483-505.
- Hoon-Halbauer, S. K. (1999). "Managing relationships within Sino-foreign joint ventures." *Journal of World Business*, 34 (4), pp. 344-369.
- Hopkins, D. (1993). *A Teacher's Guide to Classroom Research*, (2nd Edition), Buckingham and Philadelphia: Open University Press.
- Howell, J. (1992). "The myth of autonomy: The foreign enterprise in China," in Smith, C. and Thompson, P. (Ed.) *Labour in Transition*. London: Routledge, pp. 205-226.
- Hsu, D. (2001). *Population of Taiwan Tops 22.4 Million*. Available at: [URL:http://www.taipei.org/teco/cicc/news/english/c-03-12-02/c-03/-12-02-37.htm](http://www.taipei.org/teco/cicc/news/english/c-03-12-02/c-03/-12-02-37.htm) [Accessed 15 October 2002]



- Hu, C. and Graen, G. (1997). "Guanxi and professional leadership in contemporary Sino-American joint ventures in Mainland China." *Leadership Quarterly*, 8(4), pp. 451-465.
- Hu, M. Y. and Chen, H. (1996). "An empirical analysis of factors explaining foreign joint venture performance in China." *Journal of Business Research*, 35, pp. 165-173.
- Huang, T. H. (1991). "Development of China's SEZ." *Beijing Review*, 34(14), pp. 16-22.
- Jackson, T. and Bak, M. (1998). "Foreign companies and Chinese workers: Employee motivation in the People's Republic of China." *Journal of Organisational Change Management*, 11 (4), pp. 282-285.
- Jaeger, A. M. (1986). "Organisation development and national culture: Where's the fit?" *Academy of management Review*, 11(1), pp. 178-190.
- Janesick, V. (2000). "The choreography of qualitative research design: Minutes, improvisations, and crystallization, in Denzin N. K. and Lincoln, Y. S. (Ed.) (2<sup>nd</sup> Edition) *Handbook of Qualitative Research*, London: Sage, pp. 379-400.
- Jang, H. and Barnett, G. A. (1994). "Cultural differences in organisational communication: A semantic network analysis." *Bulletin De Methodologies Sociologique*, 44, pp.31-59.
- Ji, C. W. (1982). "Joint ventures with Chinese and foreign investment." *Beijing Review*, 25(17), pp. 19-22.
- Ji, C. W. (1984). "Why China opened special Economic Zones." *China Reconstructs*, 13(9), pp. 14-17.
- Johnson, H. (1991). "Cross-cultural differences: Implications for management education and training." *Journal of European Industrial training*, 15(6), pp.13-16.
- Johnson, D. W. and Johnson, R. T. (1989). *Co-operative and Competition: Theory and Research*, Edina. MN: Interaction.
- Kamis, T. L. (1996). "Education for PRC executive." *The China Business Review*, 23 (4), pp. 36-39.
- Kanter, R. M. (1984). *The Change Masters*, London: Allen & Unwin.
- Kaplan, D. (1972). *Culture Theory*, New Jersey: Englewood Cliffs.
- Karasek, R. A. (1979). "Job demands, job decision attitude, and mental strain: Implications for redesign." *Administrative Science Quarterly*, 24, pp. 285-310.

- Kerr, C. (1983). *The future of industrial societies: Convergence or continuing diversity*, Boston: Harvard Business School Press.
- Killing, P. (1983). *Strategies for Joint Venture Success*, New York: Praeger.
- Kilmann, M. J. et al., ed. (1985). *Gaining Control of the Corporate Culture*. San Francisco: Jossey Bass
- King, N. (1994). "The qualitative research interview", in Cassell C. and Symon, G. (Ed.) *Qualitative Methods in Organisational Research*, London, Thousand Oaks and New Delhi: Sage, pp. 14-36.
- Kluckhohn, F. and Strodtbeck, F. (1961). *Variations in value orientations*, New York: Row, Peterson.
- Kolb, D. A. (1996). "Management and the learning process," in Starkey, K. (Ed.) *How Organisations Learn*, London: International Thomson Business Press, pp. 270-287.
- Kotter, J. P. and Heskett, J. L. (1992). *Corporate culture and performance*, Oxford: Maxwell Macmillan International.
- Krone, K. J. and Chen, L. (1997). "Management emotionality in Chinese factors." *Management Communication Quarterly*, 11 (1), pp. 6-51.
- Kvale, S. (1996). *Interviews: An Introduction to Qualitative research Interviewing*, Thousand Oaks, London, and New Delhi: Sage.
- Lane, H. W. and Beamish, P. W. (1990). "Cross-cultural co-operative behaviour in joint ventures in LDCs." *Management International Review*, Special issue, pp. 87-102.
- Lane, H. W. and Distefano, J. J. (1988). *International management behaviour: From policy to practice*, Ontario: Nelson Canada.
- Laurent, A. (1985). *The cultural diversity of Western conceptions of management, managing in different cultures*, in Joynt, P. and Warner, M. (Ed.) Oslo: Universitetsforlaget, pp. 41-56.
- Lee, J. and Wah, S. S. (1994). "Chinese values and organisational practices: a study in Singapore." *International Journal of Management*, 11 (4), pp. 946-953.
- Leung, K. (1997). "Negotiation in and reward allocations across cultures," in Early, P. C. and Erez, M. (Ed.) *New Perspectives on Industrial/Organisational Psychology*. San Francisco: Jossey-Bass, pp. 640-675.



- Leung, K., Smith, P. B., Wang, Z. and Sun, H. (1996). "Job satisfaction in joint venture hotels in China: An organizational justice analysis." *Journal of International Business Studies*, 27(5), pp. 947-962.
- Levine, R. A. (1984). "Properties of culture." in Shweder, R. A. and Levine, R. A. (Ed.) *Culture Theory*, Cambridge: University Press, pp. 67-87.
- Li, D. R. (2002). *The China Road of Transnational Corporation*, Beijing: Jui Zhou Publisher.
- Li, H. F. (2000). *The key to success of International Joint Ventures in China: a case study of Rolls-Royce joint venture in Xian*, MBA dissertation, Nottingham University.
- Li, J. Lam, K. and Qian, G. (2001). "Does culture affect behaviour and performance of firms? The case of joint ventures in China." *Journal of International Business Studies*, 32 (1), pp. 115-131.
- Li, J. Xin, K. R. Tsui, A. et al. (1999). "Building effective international joint ventures leadership team in China." *Journal of World Business*, 34 (1), pp. 52-68.
- Li, Q. (1979). "Expanding China's foreign trade to speed up the Four Modernizations." *Beijing Review*, No. 17, pp. 15-16.
- Li, Z. (1991). "Shanghai takes a big step forward." *Beijing Review*, 34(24), pp. 19-23.
- Liao, Y. (1993). "Shanghai real estate industry flourishes." *Beijing Review*, 36(35), pp. 17-18.
- Lin, X. H. and Germain, R. (1998). "Sustaining satisfactory joint venture relationships: the role of conflict resolution strategy." *Journal of International Business Studies*, 29 (1), pp. 179-196.
- Lindholm, N. (1998). "Learning modes in international joint ventures in China," in Selmer, J. (Ed.) *International Management in China*, London: Routledge, pp. 45-56.
- Lindholm, N. Tahvanainen, M. and Björkman, I. (1999). "Performance appraisal of host country employees: Western MNEs in China," in Brewster, C. and Harris, H. (Ed.) *International HRM: Contemporary Issues in Europe*, London and New York: Routledge, pp. 143-160.
- Liu, C. and Yang, J. (2003). "A comparative analysis on technology innovation & diffusion system and industrial innovation between Taiwan and Mainland China", *International Journal of Innovation Management*, 7 (4), pp. 443-473.

- Liu, D. (2002). *The WTO and Enterprise Personnel*, Xian: Xian Tourism Publishing House.
- Liu, G. G. (1985). "Special Economic Zones: Merits, defects, and future." *China Reconstructs*, 34(12), pp. 24-27.
- Liu, G. G. (1998). "Review of several problems in the current economy," in Liu, G. G. et al., (Ed.) *Economic Blue Book: PRC 1998*, Hong Kong: Centre of Asian Studies, University of Hong Kong.
- Liu, G. G. et al. ed. (1998). *Economic Blue Book: PRC 1998*, Hong Kong: Centre of Asian Studies, University of Hong Kong.
- Liu, G. M. (2000). *Cultural Cases in Both Chinese and Foreign Enterprises*, Beijing: Economic Management Publisher.
- Liu, H. and Pak, K. (1999). "How important is marketing in China today to Sino-foreign joint ventures." *European Management Journal*, 17 (5), pp. 546-554.
- Liu, L. X. (1980). "On the use of foreign funds." *Beijing Review*, No. 34, pp. 23-25.
- Liu, S. and Vince, R. (1999). "The cultural context of learning in international joint ventures." *The Journal of Management Development*, 18 (8), pp. 666-675.
- Liu, S. M. (1999). "The cultural context of learning in international joint ventures." *The Journal of Management Development*, 18(8), pp. 66-67.
- Liu, X. and Li, Z. (2000). *The WTO and the Chinese Culture*, Cuangzhou: Guangdong Economy Publishing House.
- Liu, Y. (2000). "The Changes of the WTO to the Chinese Culture Industry." *People Daily*, 25<sup>th</sup>, February.
- Liu, Z. G. G. and Wu, Q. C. (1983). "How China employs foreign investment." *China Reconstructs*, 32(12), pp. 4-6.
- Locke, C. (1992). *Making Knowledge Pay*, Available at:  
[URL:http://www.panix.com/~clocke/whoknows.html](http://www.panix.com/~clocke/whoknows.html) [Accessed 01 March 2004]
- Lorsch, J. W. (1986). "Managing culture: The invisible barrier to strategic change." *California Management Review*, 28(2), pp. 95-109.
- Lu, X. H. (1999). "The globalisation of the economy and the value orientation of corporations in China." *On-line Journal of Ethics*, 2 (3), Available at:URL:  
<http://www.stthom.edu/cbes/global.htm/> [Accessed 14 August 2000]



- Luo, Y. (2000). *Partnering with Chinese Firms: Lessons for International Managers*, Aldershot: Ashgate Publishing Ltd.
- Luo, Y. (2001). "Antecedents and consequences of personal attachment in cross-cultural co-operative ventures." *Administrative Science Quarterly*, 46 (2), pp. 177-201.
- Mahoney, J. (2001). "What is informal education?" In: Richardson, L. D. and Wolfe, M. (Ed.) *Principles and Practice of Informal Education*, RoutledgeFalmer: London and New York, pp. 17-33.
- Mao, L. (1991). "Foreign trade strategies in the 90s." *Beijing Review*, 34 (34), pp. 12-14.
- Markoczy, L. (1998). "Us and them." *Across the Board*, 35(2), pp. 44-48.
- Markus, H. and Kitayama, S. (1991). "Culture and the self: Implications for cognition, emotion, and motivation." *Psychological Review*, No. 98, pp. 224-253.
- Marshall, C. and Rossman, G. B. (1999). *Designing Qualitative Research*, (3<sup>rd</sup> Edition) London: Sage.
- Martinsons, M.G. (1991). "Management philosophy and IT application: The East-West divide." *Journal of Technology Management*, 18, pp. 207-218.
- Martinsons, M.G. and Westwood, R.I. (1997). "Management information systems in the Chinese business culture: an explanatory theory." *Information & Management*, 32, pp.215-228.
- Mason, J. (1996). *Qualitative Researching*, London: Sage
- Matsumate, D. (1994). *Cultural Influences on Research Methods and Statistics*, California: Brooks/Cole.
- Matthews, C. H. Qin, X. D. and Franklin, G. M. (1996). "Stepping toward prosperity: the development of entrepreneurial ventures in China and Russia." *Journal of Small Business Management*, 34 (3), pp. 75-85.
- Mavondo, F. T. and Rodrigo, E. M. (2001). "The effect of relationship dimensions on interpersonal and interorganisational commitment in organisations conducting business between Australia and China." *Journal of Business Research*, 52(2), pp. 111-121.
- McDonald, G. and Pak, P. C. (1996). "It's all fair in love, war, and business: Cognitive philosophies in ethical decision making." *Journal of Business Ethics*, 15 (9), pp. 973-996.

- McEllister, R. (1998). "Recruitment and retention of managerial staff in China," in Selmer, J. (Ed.) *International Management in China*, London: Routledge, pp. 98-114.
- McFarlin, D. B. and Sweeney, P. D. (1998). *International Management: Trends, Challenges and Opportunities*, Cincinnati, Ohio: South-Western College Publishing Company.
- McNamara, C. (2003). *Complete guide to ethics management: An ethics toolkit for managers*, Available at:URL: <http://www.mapnp.org/library/ethics> [Accessed 12 Feb., 2004]
- Media Report, (2003). "How customer focus is driving organisational change at Tata Telecom", *Financial Express*, Oct 4, Available at:URL: [http://www.tata.com/tata\\_telecom/media](http://www.tata.com/tata_telecom/media) [Accessed 25 Feb., 2004]
- Meier, J. Perez, J. and Woetzel, J. R. (1995). "Solving the puzzle: MNCs in China." *The McKinsey Quarterly*, 22, pp. 20-33.
- Mendenhall, M. and Oddou, G. (1985). "The dimensions of expatriate acculturation: A review." *Academy of Management Review*, 10, pp. 39-47.
- Mendenhall, M. and Oddou, G. (1986). "Acculturation profiles of expatriate managers: Implications for cross-cultural training programs." *Columbia Journal of World Business*, 21(4), pp. 73-79.
- Meschi, P. X. (1997). "Longevity and cultural differences of international joint ventures: toward time-based cultural management." *Human Relations*, 50(2), pp. 211-228.
- Mezirow, J. (1991). *Transformative Theory of Adult Learning*. San Francisco, CA: Jossey-Bass.
- Michael, J. (1997). "A cross-cultural comparison of Asian and American managers' dependency patterns." *Multinational Business Review*, 5 (1), pp. 46-52.
- Mills, R. and Chen, G. (1996). "Evaluating Chinese joint venture opportunities using strategic value analysis." *Journal of General Management*, 21 (4), pp. 31-43.
- Minami, R. (1994). *The Economic Development of China: A Comparison with the Japanese Experience*, London: Macmillan.
- Mo. T. (1999). *What Does the Entry of China into the WTO Mean? The Influence of the WTO on the Chinese Economy and People's Life in the Twenty-two Aspects*, Beijing: China Urban Publishing House.



- Mohrman, A., Mohrman, S., Ledford, G., Cummings, T. and Lawler, E. Ed. (1989). *Large Scale Organizational Change*, San Francisco: Jossey-Bass.
- Morosini, P. (2000). "Global executive: Have you forgotten what of management is all about," Lane, H. W. et al., (Ed.) *International Management Behaviour*. Oxford: Blackwell, pp. 218-224.
- Morris, M. W. Williams, K. Y. Leung, K. et al. (1998). "Conflict management style: Accounting for cross-national differences." *Journal of International Business Studies*, 29 (4), pp. 729-747.
- Mu, D. P. (1995). "Culture and business: Interacting effectively to achieve mut." *East Asian Executive Reports*, 17 (3), pp. 6-13.
- Münch, J. (1987). *Vocational Training in the People's Republic of China: Structures, Problems and Recommendations*, Luxembourg: Office for official Publications of the European Communities.
- Musyimi, C. (2000). *Expatriate management in an international joint venture: A case study of HAESL, a Rolls-Royce joint venture*, MBA dissertation, Nottingham University.
- Myrna, C. D. and Raffaele, D. (1994). "Cross-border co-operative agreements: the case of China." *Multinational Business Review*, 2 (2), pp. 1-7.
- Neelankavil, J. P. Mathur, A. and Zhang, Y. (2000). "Determinates of managerial performance: a cross-cultural comparison of the perceptions of middle-level managers in four countries." *Journal of International Business Studies*, 31 (1), pp. 121-140.
- Negandhi, A. R. (1985). "Management in the Third World," in Joynt P. and Warner, M. (Ed.) *Managing Different Cultures*, AS: Universitetsforlaget, pp. 69-97.
- Nelson, C., Treichler, P. A. and Crossberg, L. (1992). "Cultural studies: an introduction," in Crossbery, L., Nelson, C. C. and Treichler P. A. (Ed.) *Cultural Studies*, New York: Routledge, pp. 1-16.
- Nord, W. R. (1985). "Can organisational culture be managed? A synthesis," in Frost P. J. et al. (Ed.) *Intercultural difference between Chinese and Americans in business*. *Business Communication Quarterly*, 60 (1), pp. 115-123.
- Nowak, L. and Dong, D. (1997). "Intercultural differences between Chinese and Americans in Business". *Business Communication Quartly*, 60 (1), pp. 115-124.
- Nyaw, M. K. and Ng, I. (1994). "A comparative analysis of ethical beliefs: a four country study." *Journal of Business Ethics*, 13 (7), pp. 543-555.

- Oka, T. and Shaw, I. (2000). *Qualitative Research in Social Work* [on line]. Available at: [URL:http://pweb.sophia.ac.jp/~t-oka/pappers/2000/qrsq/qrsq.html](http://pweb.sophia.ac.jp/~t-oka/pappers/2000/qrsq/qrsq.html) [Accessed at March 07 2001]
- Okechuku, C. (1994). "The relationship of six managerial characteristics to the assessment of managerial effectiveness in Canada, Hong Kong and People's Republic of China." *Journal of Occupational and Organisational Psychology*, 67, pp. 79-86.
- Olins, W. (1994). *Corporate Identity*, Spain: Thames and Hudson.
- Oppenheim, A. N. (1992). *Questionnaire Design, Interviewing and Attitude Measurement*, (2<sup>nd</sup> edition) London: Pinter Publishers.
- Osland, G. E. (1990). "Doing business in China: a framework for cross-cultural understanding." *Marketing Intelligence & Planning*, 8 (4), pp. 4-15.
- Osland, G. E. and Cavusgil, S.T. (1996). "Performance issues in US-China joint ventures." *California Management Review*, 38(2), pp. 106-130.
- Ott, J. S. (1989). *The Organisational Culture Perspective*, California: Brooks/Cole.
- Paauwe, J. and Dewe, P. (1995). "Human resource management in multinational corporations: theories and models," in Harzing, A. W. and Ruysseveldt, J. V. (Ed.) *International Human Resource Management*, London, Thousand Oaks and New Delhi: Sage Publications, pp. 75-99.
- Pan, Y. G. (1994). "Features of European equity joint ventures in China: a longitudinal study." *Journal of Europe Marketing*, 4 (1), pp. 5-21.
- Parsons, T. and Shils, E. (1990). "Values and social systems," in Alexander, J. C. and Seidman, S. (Ed.) *Culture and Society*, Cambridge: University Press, pp. 39-46.
- Patrick, J. (1995). *Training: Research and Practice*, Boston, Sydney, Toronto and Tokyo: Academic Press.
- Peräkylä, A. (1997). "Reliability and validity in research based on transcripts," in Silverman, D. (Ed.) *Qualitative Research : Theory Method and Practice*. London : Sage, pp. 201-220.
- Pheysey, D. C. (1993). *Organisational cultures*, London: Routledge.
- Phillips, D. (1985). "Fourteen cities opened up to foreign investment." *China Now*, No. 112, pp. 13-15.



- Presence of TNCs in Pudong, (1998). *Pudong New Area* [online]. Available at: [URL:http://www.pudong.shanghaichina.org/tnc.htm/](http://www.pudong.shanghaichina.org/tnc.htm/) Accessed at October 16 2000].
- Pun, A. S. L. (1990). "Managing the cultural differences in learning." *Journal of Management Development*, 9 (5), pp. 35-40.
- Quinn, R. E. and Mcgrath, M. R. (1985). "The transformation of organisational cultures: A competing values perspective," in Frost, P. J., Moore, F., Louis, M. R., Lundberg, C. C., and Martin, J. (Ed.) *Organisational Culture*, Newbury Park, London, New Delhi: London: Sage, pp. 315-334.
- Ralston, D. A. Giacalone, R. A. and Terpstra, R. H. (1994). "Ethical perceptions of organisational politics: a comparative evaluation of American and Hong Kong managers." *Journal of Business Ethics*, 13 (12), pp. 989-999.
- Ren, J. Z. (1987). "What Shanghai can offer joint ventures." *Beijing Review*, 30 (51), pp. 14-17.
- Ren, T. (1983). "Reform holds the key to success." *Beijing Review*, 26(20), pp. 15-20.
- Richeux, C. (1993). "Shanghai's new bound." *China Now*, No. 144, pp. 24-25.
- Roberts, H. and Brown, A. D. (1992). *Cognitive and social dimensions of IT Implementation*. Paper presented at the British Academy of Management Sixth Annual Conference, Bradford
- Robson, C. (1993). *Real World Research*, Oxford: Blackwell.
- Rogers, A. (2000). "Cultural transfer in adult education: the case of the folk development colleges in Tanzania." *International Review of Education*, 46 (1/2), pp. 67-92.
- Rosaldo, M. Z. (1984). "Toward an anthropology of self and feeling." *Culture Theory*, Cambridge: University Press, pp. 137-157.
- Sapsford, R. and Jupp, V. (1996). *Data Collection and Analysis*, London: Sage.
- Satow, J. and Wang, Z. M. (1998). "Cultural and organisational factors in human resource management in China and Japan: a cross-cultural and socio-economic perspective." *Journal of Managerial Psychology*, 9 (4), pp. 3-11.
- Satow, T. and Wang, Z.M. (1994). "Cultural and organisational factors in Human Resource Management in China and Japan." *Journal of Managerial Psychology*, 9(4), pp. 3-11.

- Schein, C. (1987). "Corporate culture and strategy: The problem of strategic fit." *Long Range Planning*, 20 (4), pp. 78-87.
- Schein, E. H. (1985, 1993a). *Organisational Culture and Leadership*, San Francisco: Jossey-Bass.
- Schein, E. H. (1992). *Organisational Culture and Leadership*, San Francisco: Jossey-Bass.
- Scholz, C. (1987). "Corporate culture and strategy – the problems of strategic fit." *Long Range Planning*, 20 (4), pp. 78-87.
- Schwartz, S. H. (1994). "Beyond individualism/collectivism: New cultural dimensions of values," in Kim, U. et al., (Ed.) *Individualism and Collectivism*. London: Sage, pp. 85-119.
- Selmer, J. (1999). "Effects of coping strategies on sociocultural and psychological adjustment of Western expatriate managers in the PRC." *Journal of World Business*, 34 (1), pp. 41-51.
- Shenkar, O. and Von-Glinow, M. A. (1994). "Paradoxes of organisational theory and research: Using the case of China to illustrate national contingency." *Management Science*, 40, pp. 56-71.
- Shuter, R. and Wiseman, R. L. (1994). "Communication in Multinational Organisations: Conceptual, Theoretical and Practical Issues", in Wiseman, R. L. and Shuter, R. (Ed.) *Communication in Multinational Organisations*, Thousand Oaks, London, and New Delhi, Sage, pp. 3-11.
- Shweder, R. A. and Bourne, E. J. (1984). "Does the concept of the person vary cross-culturally?" in Shweder, R. A. and Lavine, R. A. (Ed.) *Culture Theory*, Cambridge: University Press, pp. 158-199.
- Shweder, R. A. and Levine, R. A. ed. (1984). *Culture Theory*, Cambridge: University Press.
- Si, S. X. and Cullen, J. B. (1998). "Response categories and potential cultural bias: Effects of an explicit middle point in cross-cultural surveys." *International Journal of Organisational Analysis*, 6 (3), pp. 218-230.
- Silverman, D. (2000). "Analysing talk and text," in Denzin, N. K. and Lincoln, Y. S. (Ed.) (2<sup>nd</sup> Edition) *Handbook of Qualitative Research*, London: Sage, pp. 821-834.
- Silverman, D. (2000). *Doing Qualitative Research: A Practical Handbook*, London: Sage



- Smith, M. (1982). *Introducing Organisational Behaviour*, London: Macmillan Education.
- Smith, P. B., Peterson, M. F. and Wang, Z. M. (1996). "The managers as mediator of alternative meanings: a pilot study from China, the U. S. A. and U. K." *Journal of International Business Studies*, 27 (1), pp. 115-140.
- Smith, P. B. Wang, Z. M. and Leung, K. (1997). "Leadership, decision-making, and cultural context: Event management within Chinese joint ventures." *Leadership Quarterly*, 8(4), pp. 413-431.
- Solomon, N. (1999). "Culture and difference in workplace learning," in Bond, D. and Garrick, J. (Ed.) *Understanding Learning at Work*, London and New York: Routledge, pp. 119-131.
- Sparrow, P. R. (1999). "International rewards systems: to converge or not to converge," in Brewster, C. and Harris, H. (Ed.) *International HRM*, London and New York: Routledge, pp. 102-119.
- Spiro, M. E. (1984). "Some reflections on cultural determinism and relativism with special reference to emotion and reason," in Shweder, R. A. and Levine, R. A. (Ed.) *Culture Theory*, Cambridge: University Press, pp. 323-346.
- State Statistical Bureau, People's Republic of China (1998). *China Statistical Yearbook, 1997*, Beijing: China Statistics Press.
- Stone, R. (2001). "Improving the effectiveness of trade negotiations in China: an interview study." *International Journal of Management*, 18 (4), pp. 465-472.
- Strauss, A. and Corbin, J. (1998). *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory*, (2<sup>nd</sup> Edition) London: Sage.
- Stringer, D. M. and Lusardo, L. (2001). "Bridging cultural gaps in mediation." *Dispute Resolution Journal*, Aug-Oct, pp. 29-39.
- Stuttard, J. B. (2000). *The New Silk Road*, New York: John Wiley & Sons.
- Su, Z. (1999). "Successful managers in international joint ventures in China." *The International Scope Review*, 1(2), pp. 1-19.
- Tabak, F. Stem-Solomon, J. and Nielson, C. (1998). "Managerial success: a profile of future managers in China." *S. A. M. Advanced Management Journal*, 63 (4), pp. 18-25.
- Tan, L. B. (2002). "Researching managerial values: a cross-cultural comparison." *Journal of Business Research*, 55, pp. 815-821.

- Taormina, R. J. (1998). "Employee attitudes toward organisational socialisation in the People's Republic of China, Hong Kong, and Singapore." *Journal of Applied Behavioural Science*, 34 (4), pp. 468-486.
- Taylor, B. (2001). "The management of labour in Japanese manufacturing plants in China." *The International Journal of human Resource Management*, June, pp. 601-620.
- Teboul, B., Chen, L. and Fritz, L. M. (1994). "Intercultural organisational communication research in multinational organisations," in Wiseman, R. L. and Shuter, R.(Ed.) *Communicating in Multinational Organisation*, London: Sage, pp. 12-29.
- Tinsley, C. H. and Brett, J. M. (2001). "Managing workplace conflict in the United States and Hong Kong." *Organisational Behaviour and Human Decision Processes*, 85 (2), pp. 360-381.
- Triandis, H. (1988). "Collectivism vs. individualism: a reconceptualization of a basic concept in cross-cultural psychology," in Bagley, G. K. and Berma, C. (Ed.) *Personality, Cognition, and Values: Cross-cultural Perspectives of Childhood and Adolescence*, London: Macmillan, pp. 60-95.
- Tricker, R. I. (1988). "Information resource management – a cross-cultural perspective." *Information and Management*, 15, pp. 37-46.
- Tricker, R. I. (1990). "The corporate concept: Redesigning a successful system." *Human Systems Management*, No. 9, pp. 65-76.
- Tsui, A. S. and Farh, L.J. (1997). "Where Guanxi matters: Relational demography and guanxi in the Chinese context." *Work and Occupations*, No. 24, pp. 56-79.
- Tung, R. (1981). "Selection and training of personal for overseas assignment." *Columbia Journal of World business*, 16(1), pp. 68-78.
- Tung, R. and Miller, E. L. (1990). "Managing in the twenty-first century: the need for global orientation." *Management International Review*, 30 (1), pp. 5-18.
- Tung, R. and Worm, V. (2001). "Network capitalism: the role of human resources in penetrating the China market." *International Journal of Human Resource management*, 12 (4), pp. 517-534.
- Valentine, S. and Godkin, L. (2001). "United States expatriates in China: the impact of cultural and managerial differences." *International Journal of Management*, 18 (4), pp. 482-488.
- Vanhonacker, W. (1997). "Entering China: An unconventional approach." *Harvard Business Review*, 75(2), pp. 130-140.



- Velasquez, M. G. (1992). *Business Ethics: Concepts and Cases*, Prentice-Hall: NJ.
- Verburg, R. (1996). "Developing HRM in foreign-Chinese joint ventures." *European Management Journal*, 14 (5), pp. 518-525.
- Vertinsky, D.K., Tse, D.A., Wehrung, and Lee, K.H. (1990). "Organisational design and management norms: A comparative study of managers' perceptions in the People's Republic of China, Hong Kong and Canada." *Journal of Management*, 16, pp. 853-867.
- Walker, A., Levett, D., and Flangan, R. (1998). *China: Building for Joint Ventures*, (2<sup>nd</sup> Edition) Hong Kong: Hong Kong University Press.
- Walsh, P. J. Wang, E. and Xin, R. K. (1999). "Same bed, different dreams: working relationships in Sino-American joint ventures." *Journal of world Business*, 34(1), pp. 69-93.
- Wang, X. (1996). "SEZ: China's future prosperity." *Beijing Review*, 39(21), pp. 12-16.
- Wang, Z. M. (1998). "Team conflict management," in Selmer, J. (Ed.) *International Management in China*, London: Routledge, pp. 29-44.
- Wang, Z. M. and Heller, F.A. (1993). "Patterns of power distribution in managerial decision making in Chinese and British industrial organisations." *International Journal of Human Resource Management*, 4(1), pp. 113-128.
- Warner, M. (1993). "Human resource management with Chinese characteristics." *International Journal of human Resource Management*, 4 (1), pp. 45-65.
- Warner, M. (1998). "Human resource management practice in international joint ventures versus state-owned enterprises in China," in Selmer, J. (Ed.) *International Management in China*, London: Routledge, pp. 83-97.
- Warner, M. and Ying, Z. (1998). "Re-assessing Chinese management: the influence of indigenous versus exogenous models." *Human System Management*, 17(4), pp. 245-256.
- Water, G. A. (1985). "Culture collisions in mergers and acquisitions," in Frost, P. J. et al. (Ed.) *Organisational Culture*, London: Sage, pp. 301-314.
- Weaver, G. R. (1993). "Understanding and coping with cross-cultural adjustment stress," in Paige, R. M. (Ed.) *Education for the International Experience*. Maine: Intercultural Press, pp. 137-168.

- Weber, E. U. and Hsee, C. (1998). "Cross-cultural differences in risk perception, but cross-cultural similarities in attitudes towards perceived risk." *Management Science*, 44 (9), pp. 1205-1217.
- Weldon, E. and Vanhonacker, W. (1999). "Operating a foreign-invested enterprise in China: Challenges for managers and management researchers." *Journal of World Business*, 34 (1), pp. 94-107.
- Westwood, R. I. (1995). "Culture, information and MIS: The United States and East Asia compared." *Journal of Management Systems*, 7(1), pp. 29-44.
- Willams, A. Dobson, P. and Walter, M. (1993). *Changing Culture: New Organisational Approaches*, (2<sup>nd</sup> Edition), London: Institute of Personnel Management.
- Willams, G. and Bent, R. (1996). "Developing expatriate managers for Southeast Asia," in Landis, D. and Bhagat, R. S. (Ed.) *Handbook of Intercultural Training*, (2<sup>nd</sup> Edition) London: Sage, pp. 383-399.
- Wolfe, M. (2001). "Conversation," In: Richardson, L. D. and Wolfe, M. (Ed.) *Principles and Practice of Informal Education*, RoutledgeFalmer: London and New York, pp. 124-137.
- Wong, C. S. and Kung, H. L. (1999). "An exploratory investigation on commitment to specific constituencies in Taiwan." *Chinese Journal of Psychology*, 40 (1), pp. 1-13.
- Wong, C. S. and Law, K. S. (1999). "Managing localisation of human resources in PRC: a practical model." *Journal of World Business*, 34 (1), pp. 26-40.
- Wong, Y. Y., Maher, T. E., Jenner, R. A., Appell, A. L. and Hebert, L. G. (1999). "Are joint ventures losing their appeal in China?" *S. A. M. Advanced Management Journal*, 64 (1), pp. 4-20.
- Worm, V. and Frankenstein, J. (2000). "The dilemma of managerial co-operation in Sino-Western business operations." *Thunderbird International Business Review*, 42 (3), pp. 261-283.
- Wu, F. L. (1995a). "Urban process in the face of China's transition to a socialist market economic." *Environment and Planning C: Government and Policy*, 13, pp. 159-177.
- Wu, F. M. (1991). "Shanghai's development plan for the 1990s." *Beijing Review*, 34(24), pp. 16-18.
- Wu, S. and Wu. F. Ed. (2001). *The WTO and Development of Chinese Education*, Beijing: Beijing Engineering and Industrial University Press.



- Xia, Z. and Jian, C. (1982). "Shanghai leads in modernisation march." *Beijing Review*, 25(1), pp. 19-27.
- Xiao, J. and Lo, L. (2003). "Human capital development in Shanghai: Lessons and prospects." *International Journal of Educational Development*, 23(4), pp. 411-427.
- Xie, J. L. (1996). "Karasek's model in the People's Republic of China: Effects of job demands, control, and individual differences." *Academy of Management Journal*, 39 (6), pp. 1594-1618.
- Xie, J. L. and Johns, G. (2000). "Interactive effects of absence culture salience and group cohesiveness: A multi-level and cross-level analysis of work absenteeism in the Chinese context." *Journal of Occupational and Organisational Psychology*, 73 (1), pp. 31-52.
- Xin, K. R. Zhao, K. R. and Tsui, A. S. (1997). "Current status of demand, supply, and development of executives and middle managers in China." *China Business Forum*, Hong Kong.
- Xing, F. (1995). "The Chinese cultural system: Implications for cross-cultural management." *S. A. M. Advanced Management Journal*, 60 (1), pp. 14-20.
- Xu, D.X. (1981). "China's Special Economic Zones." *Beijing Review*, No. 50, pp. 14-17.
- Yan, O. H. M. (1988). "Chinese cultural values: their dimensions marketing implications." *European Journal of Marketing*, 22(5), pp. 44-57.
- Yang, J. Z. (1998). "Key success factors of multinational firms in China." *Thunderbird International Business Review*, 40(6), pp. 633-668.
- Yeh, G.O. and Wu, F.L. (1999). "The transformation of the urban planning system in China from a centrally-planned to transitional economy." *Progress in Planning*, 51(3), 167-247.
- Yu, A. B. (1996). "Ultimate life concerns, self, and Chinese achievement motivation," in Bond, M. (Ed.) *The Handbook of Chinese Psychology*, (2<sup>nd</sup> Edition) Hong Kong: Oxford University Press.
- Yuan, Z. M. (1986). "China adopts law on foreign enterprises." *Beijing Review*, 29(18), pp. 14-18.
- Yum, J. O. (1988). "Network theory in intercultural communication," in Kim, Y. Y. and Gudykunst, W. B. (Ed.) *Theories in Intercultural Communication*, Newbury Park: Sage, pp. 239-258.

- Zhang, M. (1989). "Beijing continues to open the door." *Beijing Review*, 32(30), pp. 15-16.
- Zhang, Q. (1985). "Foreign capital speeds modernisation." *China Reconstructs*, 34 (6), pp. 18-21.
- Zhao, Z. Y. (1988). "Zhao on coastal area's development strategy." *Beijing Review*, 31(6), pp. 14-19.
- Zhou, D. and Hua, X. (1999). *Entry into the WTO: Chances and Challenges*, Beijing: People Publishing House.
- Zhu, C. and Dowling, P. J. (1998). "Performance appraisal in China," in Selmer, J. (Ed.) *International Management in China*, London: Routledge, , pp. 115-136.
- Zhu, G. Speece, M. W. and So, S. L. M. (1998). "Conflict in Sino-European joint ventures," in Selmer, J. (Ed.) *International Management in China*, London: Routledge, pp. 13-28.



# Appendices

## **Appendix One: Schedule of Questions Designing for Interviews with Expatriates Assigned for Top Management Tasks in Foreign Companies in China**

**Facts or information about the foreign company and the foreign parent company as well**

### *(1) The goals or objectives of establishing the company in China*

- Would you tell me why you feel the company had undertaken the project in China?
- Up to now, to what extent do you feel the company is achieving those goals or objectives?
- Would you outline what you consider the causes of the difficulties?

### *(2) The ownership (if it is a joint venture)*

- Could you tell me the way in which the JV in China differs in term of ownership?
- Would you describe how the partnership operates?
- Are there ways you feel would be improved?

## **Information focusing on the research questions**

### *(1) Cross-cultural issues*

- Could you tell me the core values and beliefs of your company?
- Would you tell me about any specific issues that have arisen in management in general in terms of management concepts and behaviour?
- Could you tell me why you feel these issues have arisen?
- Would you tell me to what extent you reel these issues are specific to your Chinese location? (Alternative question: In which aspects do you think your management practices differ from the established Chinese management practices?)

*(2) Adaptation of foreign companies in terms of handling those differences*

- Would you tell me how your company or you have dealt with these issues?
- Would you suggest any ways that might improve the current ways of working?

*(3) Education and training*

- Would you tell me about any preparation you were given before coming to work in China? (Alternative question: Does your company apply any cross-cultural awareness training as a strategy to reduce conflicts or mismanagement before an entry to China? or Does the parent company think it important to apply the universalistic management practice in most management areas rather than make adaptation to the particular Chinese situation?)
- Would you tell me how well you feel you were prepared before you came to China?
- Are there areas of skill that you feel were excluded or not adequately addressed? Would you give me an example?
- Could you tell me what requirements for recruitment of local managers that the company employs?
- Would you describe any education and training offered to local managers? (including technical skills, management know-how, country-specific knowledge, cultural adaptation skills, and etc.)
- What kind of teaching methods and curriculum do you apply to deliver those education and training?
- Do you have any informal training forms?
- Would you suggest in which way the current practice could be improved?

**Concluding questions**

*(1) In terms of these questions are there any other comments you would like to make?*

*(2) To what extent will the Chinese accession to WTO affect the company's training?*



**Personal Profile**

Please tick (/) in the appropriate box.

<b>What is your age?</b>	30 or younger	<input type="checkbox"/>
	31-39	<input type="checkbox"/>
	40-49	<input type="checkbox"/>
	50 or older	<input type="checkbox"/>
<b>What is your gender?</b>	Male	<input type="checkbox"/>
	Female	<input type="checkbox"/>
<b>What is your position?</b>	General Manager	<input type="checkbox"/>
	Vice-general Manager	<input type="checkbox"/>
	Manager	<input type="checkbox"/>
<b>How many years have you been working in the current post?</b>	1 year or less	<input type="checkbox"/>
	2-5 years	<input type="checkbox"/>
	6-9 years	<input type="checkbox"/>
	10 years or over	<input type="checkbox"/>
<b>Have you worked in China before?</b>	Yes	<input type="checkbox"/>
	No	<input type="checkbox"/>
<b>Have you worked in other Asian countries before?</b>	Yes	<input type="checkbox"/>
	No	<input type="checkbox"/>

**Appendix Two: Schedule of Questions Designing for Interviews with Local Managers (including HR managers and other functional managers) in Foreign Companies in China**

**Facts or information about the company and the foreign parent company**

*(1) The goals or objectives of establishing the company in China*

- Would you tell me the objectives of the establishment of the company?
- Up to now, to what extent do you feel the company is achieving those goals or objectives?
- Would you outline what you consider the causes of the difficulties?

*(2) The ownership (if it is a joint venture)*

- Could you tell me the way in which the JV in China differs in term of ownership?
- Would you describe how the partnership operates?
- Are there ways you feel would be improved?

**Information focusing on the research questions**

*(1) Cross-cultural issues*

- Could you tell me the core values and beliefs of your company?
- Would you tell me about any specific issues that have arisen in management in general in terms of management concepts and behaviour?
- Could you tell me why you feel these issues have arisen?
- Would you tell me to what extent you reel these issues are specific to your Chinese location? (Alternative question: In which aspects do you think your management practices differ from the established Chinese management practices?)

*(2) Adaptation of foreign companies in terms of handling those differences*

- Would you tell me how your company or you have dealt with these issues?
- Would you suggest any ways that might improve the current ways of working?



### ***(3) Education and training***

- **Could you tell me what kind of recruitment or pre-enter training as screening device does the company use?**
- **Could you describe any education and training offered? (including technical skills, management know-how, country –specific knowledge, cultural adaptation, and etc. )**
- **What kind of teaching methods and curriculum do you apply to deliver those education and training?**
- **Would you tell me about any preparation in terms of corporate culture you were given after coming to work in the company?**
- **Would you tell me how well you feel you were prepared for the current job?**
- **Do you feel and difference in dealing with your job after the training? Would you give me an example?**
- **Would you suggest in which way the current practice could be improved?**

### **Concluding questions**

***(1) In terms of these questions are there any other comments you would like to make?***

***(2) To what extent will the Chinese accession to WTO affect the company's training?***

**Personal Profile**

Please tick (/) in the appropriate box.

<b>What is your age?</b>	30 or younger	<input type="checkbox"/>
	31-39	<input type="checkbox"/>
	40-49	<input type="checkbox"/>
	50 or older	<input type="checkbox"/>
<b>What is your gender?</b>	Male	<input type="checkbox"/>
	Female	<input type="checkbox"/>
<b>What is your position?</b>	General Manager	<input type="checkbox"/>
	Vice-general Manager	<input type="checkbox"/>
	Manager	<input type="checkbox"/>
<b>How many years have you been working in the current post?</b>	1 year or less	<input type="checkbox"/>
	2-5 years	<input type="checkbox"/>
	6-9 years	<input type="checkbox"/>
	10 years or over	<input type="checkbox"/>
<b>Have you worked in China before?</b>	Yes	<input type="checkbox"/>
	No	<input type="checkbox"/>
<b>Have you worked in other Asian countries before?</b>	Yes	<input type="checkbox"/>
	No	<input type="checkbox"/>



### **Appendix Three: Schedule of Questions Designing for Interviews with People in Charge of Human Resource Management of Foreign Parent Companies in the United Kingdom**

**Facts or information about the foreign company and the foreign parent company as well**

#### ***(1) The goals or objectives of establishing the company in China***

- Would you tell why you feel the company had undertaken the project in China?
- Up to now, to what extent do you feel the company is achieving those goals or objectives?
- Would you outline what you consider the causes of the difficulties?

#### ***(2) The ownership (if it is a joint venture)***

- Could you tell me the way in which the JV in China differs in term of ownership?
- Would you describe how the partnership operates?
- Are there ways you feel would be improved?

**Information focusing on the research questions**

#### ***(1) Cross-cultural issues***

- Would you tell me about any specific issues that have arisen in management in general in terms of management concepts and behaviour?
- Could you tell me why you feel these issues have arisen?
- Would you tell me to what extent you feel these issues are specific to your Chinese location? (Alternative question: In which aspects do you think your management practices differ from the established Chinese management practices?)

#### ***(2) Adaptation of foreign companies in terms of handling those differences***

- Would you tell me how your company or you have dealt with these issues?
- Would you suggest any ways that might improve the current ways of working?

### ***(3) Education and Training***

- **Could you tell me about any preparation and training expatriates were given before coming to work in China? (Alternative questions: Does your company apply any cross-cultural awareness training as a strategy to reduce conflicts or mismanagement before an entry to China? or Does the parent company think it important to apply the universalistic management practice in most management areas rather than making adaptation to the particular Chinese situation?)**
- **Would you tell me how well you feel they were prepared before they came to China?**
- **Are there areas of skill that you feel were excluded or not adequately addressed? Would you give me an example?**
- **Could you tell me what requirements for recruitment of expatriates the company employs?**
- **Would you describe any education and training offered to local managers by the foreign parent company? (including technical skills, management know-how, country-specific knowledge, cultural adaptation skills, and etc.)**
- **What kind of teaching methods and curriculum do you apply to deliver those education and training?**
- **Would you suggest in which way the current practice could be improved?**

### **Concluding questions**

- (1) In terms of these questions are there any other comments you would like to make?***
- (2) To what extent will the Chinese accession to WTO affect the company's training?***



## **Appendix Four: Schedule of Questions Designing for Interviews with People in Charge of Local Training Agencies in China**

**Facts or information focusing on education and training provided to managers working in foreign companies in China**

- Could you describe any management courses or training offered to managers working in foreign companies?
- What teaching methods and curriculum do you apply to deliver those courses?
- Could you suggest in which way the current practice would be improved in terms of developing managers working in foreign companies?

## **Appendix Five: Letter for Individual Interviewees in terms of Brief Introduction to the Research**

Dear XXX:

I was given your name by XXX (or somewhere else). Thank you for letting me to contact you. I am a research student in the U.K. I plan to conduct my data collection in foreign companies in Shanghai. I sincerely hope I can do part of fieldwork in your company. The following is a brief introduction of the research.

### ***The purpose and aims of the research:***

A foreign company is not only a transmitter of the new technology, but also a carrier of different culture and values. Some management difficulties and conflicts, according to many empirical studies, are caused by cultural differences. For the management team in international enterprises, it is a challenging task to manage a culture change and cultural differences. Education and training provided to local managers might be one of the important solutions. Therefore, the main and direct purpose of the current study aims at filling this gap through exploring the effects of local managers' education and training on corporate culture in foreign companies in China. Three corresponding aims are formed in light of the research purpose. The first refers to the exploration of the core values and the implementation of these values in foreign companies in China. The second points to the investigation of adaptation of foreign companies. The third, and the most important, is to examine the effects of local managers' education and training in terms of cultivating a corporate culture suitable to the development of the foreign company in the Chinese context.

### ***The principal research questions:***

Three principal research questions are formulated to realise the research aims below:

1. What are the basic values in general and the corresponding cross-cultural issues in foreign companies?



2. What is the adaptation of foreign companies from perspectives of both expatriates and local managers in respect to their attitudes, experience, management styles, and management conflicts?
3. What has been the outcome of local managers' education and training programs in terms of impact upon the cultivation of corporate culture?

*Research Methodology:*

The study employs a qualitative methodology for the exploration. The main method is interviews, which involves face-to-face conversations happening between the interviewees and the researcher. The questions are open-ended. Each interview is anticipated to last between forty-five minutes and one hour.

*Confidentiality:*

In order to protect the confidentiality of you and your company, I promise that the names of both of you and your company are not mentioned to the public or in the thesis.

I would be very appreciative if you could permit me to carry out the interview or interviews. If you have any inquiries, do not hesitate to contact me.

Look forwards to your reply.

Best wishes,

Li Zhao

**Appendix Six: Summary of the Perspectives of both Foreign and Local Managers about the Identified Issues Relating to Cross-cultural Issues and Corresponding Adaptations**

	Cross-cultural Issues Pertaining to Management						Cross-cultural Issues Pertaining to Interpersonal Interaction			Adaptation Relating to Management						Adaptation Relating to Interpersonal Interaction		
	Type One	Type Two	Type Three	Type Four	Type Five		Type One	Type Two	Type Three	Type One	Type Two	Type Three	Type Four	Type Five	Type Six	Type One	Type Two	Type Three
F1	☹	☹	☹				☹		☹	☹					☹			☹
F2							☹		☹						☹		☹	
F3	☹		☹	☹			☹		☹			☹	☹	☹	☹	☹		
F4	☹		☹	☹								☹		☹	☹	☹		
F5							☹											
F6	☹		☹	☹					☹			☹	☹	☹	☹			☹
F7			☹	☹	☹				☹			☹	☹	☹	☹	☹		☹
F8	☹		☹	☹					☹					☹	☹			☹
F9															☹			
L1	☹						☹	☹					☹	☹	☹			
L2	☹				☹									☹	☹			
L3																☹	☹	
L4	☹												☹	☹	☹			☹
L5							☹							☹	☹	☹	☹	
L6	☹													☹	☹			
L7	☹												☹	☹	☹			
L8	☹												☹	☹	☹			



[illegible]

**F → Foreign Managers**

**L → Local Managers**

☺ — ➡ Issues Related to Cross-cultural Issues

➡ Issues Related to Adaptation of Foreign Companies