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Cross-Cultural Management in China

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Abstract

Purpose - This paper discusses cross-cultural management (CCM) in China and how its business students get prepared by university cross-cultural management courses for an international market.

Research design, data, and methodology – It was therefore decided to do an online content analysis looking at CCM courses offered by a number of Chinese universities first, and second to conduct a quantitative survey on CCM courses as well as topics among Chinese undergraduate business students at a large Eastern Chinese university.

Results - From fundamental aspects, seven Chinese cultural standards emerge which highly influence the behaviour of the Chinese. There is a tendency to imply the integration of not only local but also cross cultural issues in academic management courses. Besides Hong Kong, there are currently 17 Chinese universities and schools accredited by the Association to Advance Collegiate Schools of Business (AACSB) that explicitly requires cross-cultural management competencies in undergraduate and graduate degree programmes. In addition, the study confirmed that two-third of the sample (Chinese undergraduate business students) had taken cross-cultural management courses.

Conclusions - The results of this research have made it clear that Chinese universities and schools are aware of the importance of cross-cultural management competencies.

Keywords: Cross-Cultural Management, China, Cross-Cultural Management Courses.

JEL Classifications: Z10, M16, I23.

1. Introduction

Confronted with an external and internal diversity, companies acting globally have to respond adequately. The share of total foreign trade in Chinese GDP was 21.7% in 1980; reaching 70.6% in 2006 (Hye, Wizarat, & Lau, 2016). Chinese governments' FDI policies of promotional incentive, fiscal federalism, and value added tax create an investment friendly environment in China (Rao & Pathak, 2016). While globalization is one of the most significant trends in the 21st Century, numerous examples of failed international mergers and acquisitions show that difficulties can occur when individuals from different cultures work together (Maugain, 2003). Technical, financial and strategic issues account for only 30 percent of unsuccessful international corporate collaborations, yet in 70 percent of cases, cross-cultural

problems are critical (Fuchs & Apfelthaler, 2002). Misunderstandings often happen between partners due to a lack of culture awareness (Inkpen & Currall, 1998). Many companies rely on business concepts they assume to be sound when measured against their own cultural background, and then attempt to apply these to any consumer in any market worldwide. This is what eBay, the successful American C2C e-commerce enterprise, did when they copied the American model for a Chinese audience, and were completely defeated by the local competitor TaoBao. Shopping is a social and personal experience in China. Due to the culture of bargaining and establishing trust and relationships before making significant purchasing decisions, TaoBao added a chat option that allowed buyers and sellers to communicate with each other. eBay's standard user reviews lacked the personal connection (guanxi). That was one reason, why it failed (Ou, Pavlou, & Davison, 2014). Managers' ability to cope with cultural differences is seen as an example of a company's sustainable competitive advantage (Oliver, 1997).

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This paper aims to contribute to the debate on the importance of cross-cultural management (CCM) in China and how its business students get prepared by university cross-cultural management courses for an international market. The paper is organized as follows: In the next section the conceptual background is discussed. Then, specifics of Chinese culture will be pointed out, as well as the importance of CCM in China. Finally, it will be looked at how this is put across in Chinese business schools.

2. Background

2.1. Culture

There are many different concepts of culture, however, for this paper, culture is understood as "the collective programming of the mind, which distinguishes the members of one group or category of people from another," (Hofstede, 1991). Much of the theoretical discussions and empirical studies take the national culture as the basis. To classify nationality is a useful criterion (Hofstede, 2001; Schwartz, 1999) and it is, therefore, also used in this paper.

2.2. Cross-cultural management

Generally, the reference framework of international management does not differ from that of national management. Both are assigned as the main tasks of organization, leadership, controlling and human resources, in contrast to the national management the activities in international management are cross-border (Barsauskas & Schafir, 2003). In this considerably more complex planning and decision-making situation, culture is an important environmental factor that cannot be influenced by the company. As an external dimension, it affects all areas of the company and has therefore to be taken into account in all company-relevant international decision-making situations (Cramer, 2007).

3. Essences of Chinese Culture

There is a large body of literature on Chinese culture. Its characteristics, such as family orientation, guanxi, mianzi, face, favour, and harmony are found to have an influence on a company's relationship cultivation strategy (Hung, 2004; Paik & Tung, 1999). From these fundamental aspects, seven cultural standards emerge and are briefly explained in <Table 1>. A cultural standard is defined as the common set of characteristics in a given culture (Thomas, 2003).

<Table 1> Central Chinese Cultural Standards

Central Cultural Standard	Quality
Social harmony	<ul style="list-style-type: none"> • Highest principle in interpersonal relationships • Avoiding of conflicts
Hierarchy	<ul style="list-style-type: none"> • Each Chinese is assigned a particular position following the principle of "equality in inequality"
Guanxi & Renqing	<ul style="list-style-type: none"> • Intensive design and maintenance of interpersonal relationships • Distinguishing between "insiders" and "outsiders" (family, friends, acquaintances versus strangers, foreigners)
Danwei	<ul style="list-style-type: none"> • Unity of life and work
Face (mianzi)	<ul style="list-style-type: none"> • To 'give face' is much more important than to save one's own face
Etiquette, modesty and politeness	<ul style="list-style-type: none"> • Concepts of "modesty" and "respect" in Chinese language is a pair of words ('qiangong xing') • Politeness is about building familiarity and warm relationships
Relative rules	<ul style="list-style-type: none"> • Rules must be interpreted in context and adapt to changing situations

Source: Yong and Kammhuber (2003).

Though all cultural standards are of importance, in terms of cultural awareness and intelligence guanxi might be of particular interest. Doing business in China is greatly influenced by guanxi since Chinese managers use their personal network more widely to exchange information, negotiate with planning authorities and accelerate the decision-making processes, than their Western counterparts do (Dong & Liu, 2010). Foreign entrants should, therefore, mount sustained efforts to build up guanxi to provide them with a competitive edge in their efforts for receiving an insider position (Buckley, Clegg, & Tan, 2006).

4. Cross-Cultural Management In China

Generally, the reference framework of international management does not differ from that of national management. Culture as an external dimension is an important factor though, which affects all sub-areas of the company and, therefore, must be taken into account in all company-relevant international decision-making situations. The research field cross-cultural management deals with all questions and problems arising from the diversity of the cultural environment and from the confrontation of persons and institutions with different cultural backgrounds for the management process (Hasenstab, 1999).

Many Chinese corporations obviously still lack long-term experience in international economic activities, due to China's long period of economic closeness. The Chinese literature on cross-cultural management regards China's access to the World Trade Organization in 2001 as a turning point in the importance of cross-cultural management for Chinese companies and researchers (Xi, 2004; Jungbluth,

2008). However, as can be seen in <Table 2>, which provides an overview of the academic discussion on the topic cross-cultural management in China, the acceptance of cross-cultural management had started before.

<Table 2> Academic discussion on the topic cross-cultural management (CCM) in China

Authors	Conclusions
Wei & Zu (1988), Jin & Jun (1989)	<ul style="list-style-type: none"> • CCM as priority for Western MNEs
Hu & Jun (1995)	<ul style="list-style-type: none"> • Key to establishing CCM in China lies in a management theory with Chinese characteristics
Zhao & Shuming (1997), Tang & Jie (1995)	<ul style="list-style-type: none"> • In e.g., Joint ventures, it is necessary on both sides to have basic knowledge about the other cultural background
Fu & Liyou (1996)	<ul style="list-style-type: none"> • CCM is relevant not only to Western MNEs, but to companies in general • Foreign investors should not impose their management style on the Chinese partner, but try to reconcile it with Chinese practices as far as possible • Need for CCM also with Chinese companies focusing on the domestic market in order to overcome regional differences • The increasing international expansion of Chinese companies increases the need for CCM research
Xi & Xudong(2004), He & Junhong (2002)	<ul style="list-style-type: none"> • WTO entry as a turning point in the importance of CCM for Chinese companies and their foreign operations
Xi & Xudong (2004)	<ul style="list-style-type: none"> • The very limited research in China, how to do business and management in a cross-cultural environment, leads to substantial restrictions on Chinese transnational business and trading activities
Chen & Xiaoping (2005)	<ul style="list-style-type: none"> • Many Chinese publications about CCM are based on culturally theoretical and culturally comparative approaches of established Western scientists, primarily that of Hofstede • Chinese-language publications are partly translations of Western publications
Li & Li (2003)	<ul style="list-style-type: none"> • Study "Cultural stages in managing companies" leads to five indices: Management Orientation, Risking Orientation, Responsibility Orientation, Thinking Habit, Accomplishment Orientation (MRRTA model)
Yang (2005)	<ul style="list-style-type: none"> • In Master Sun Tsu's treatise "The art of war" is the basis for a Chinese CCM approach: If you know both yourself and your enemy, you can win numerous (literally, "a hundred") battles without jeopardy.

Source: Jungbluth, 2015.

By the end of 2008, 70% of M&As by Chinese enterprises had failed (People's Daily Online, 2009), where as the volume of such M&As increased considerably, reaching a peak in 2016 (end of August), with 173 deals worth \$128.7 billion in the US, and 101 transactions worth \$76.5 billion, in Europe (Mergermarket Group, 2016). A study by the Boston Consulting Group found out that managerial and cultural differences between Chinese and Western corporations do not play a significant role for Chinese investors, they "face major cultural barriers when it comes to integrating a non-Chinese acquisition" and they "lack a deep understanding of customers, competitors, distribution structures, and the regulatory environment in their target markets" (Hemerling, Michael, & Michaelis, 2006).

5. Cross-Cultural Management at Chinese Business Schools

After a long period of economic isolation, many Chinese corporations still lack long-term experience in international economic activities. Therefore, it is questionable if possible future managers are (already) aware of soft factors, such as cultural differences, and if business schools are able to rely upon basic attitudes when conveying cross-cultural management competencies. It was, therefore, decided to do an online content analysis looking at CCM courses offered by a number of Chinese universities first, and second to conduct a survey on CCM courses as well as topics.

Cross-cultural management is multidimensional because it is not only determined by the content design, but also by the composition of participants and lecturers as well as the learning methods and environment. The necessity of possessing cross-cultural management competencies in the workplace is explicitly required by the Association to Advance Collegiate Schools of Business (AACSB). As part of an accredited business school programme, challenges, such as "sensitivity toward, and greater understanding of cultural differences and global perspectives" and "students should be exposed to cultural practices different than their own" (AACSB, 2016a) should be tackled in undergraduate and graduate degree programmes.

There are currently 24 Chinese AACSB-accredited universities and schools, 7 of them in Hong Kong (AACSB, 2016b). A few examples of cross-cultural management programs will be discussed. Founded in 1985, Guanghua School of Management (Peking University) is one of the four best management schools in China (Les Echos, 2016). It claims for its MBA programme "A prerequisite to success in the Asia-Pacific region is to exhibit cross-cultural management skills" (Guanghua School of Management, 2017). There is a core module 'Eastern vs Western culture' and an elective course 'Managing across cultures' (Guanghua School of Management, 2014). The topic of

cross-cultural management is also part of undergraduate courses where, for example, the course "Organization and Management" comprises the learning objective "Our students are aware of cultural differences" (Guanghua School of Management, 2016). The Tsinghua University School of Economics and Management, another AACSB-accredited and highly ranked Chinese business school, offers 'International Management' as a graduate course that "introduces the challenges and responses of multi-cultural enterprises, under the context of globalization" (Tsinghua, 2015). Another Bachelor class ('Global business analysis team project') is about "the importance of cross-cultural management, multi-cultural teams and the 5-dimensional cultural management model" (Tsinghua, 2015). The importance of cross-cultural management is now being met, not only at the top universities, but the topic is also being taught at more regional business schools. As an example, the Shandong University of Finance and Economics offers the undergraduate core course 'International Management-culture, strategy and behavior' using the Chinese version of Luthans/Doh's textbook of the same name (2010).

A quantitative study was conducted on CCM courses at the above mentioned university. The study is based on a culturally homogeneous sample, comprised of Chinese students, with almost no level of international experience. The course focused on preparing undergraduate students, enrolled in a business administration programme, to cope with challenges that can occur in international management. 210 questionnaires were distributed to the participants in spring 2016. Two hundred and one (95.7%) participants returned this survey. After checking the completed questionnaires, one hundred and ninety five (92.9%) questionnaires were determined to be valid. Approximately 33% of participants were male, the average age was 21.3 (SD: 0.78). The vast majority (95.9%) were in their third year of study and had never been to a foreign country, neither in their free time, nor had they any foreign experience in study/job (93.9%). <Table 3> shows the number of students that studied CCM topics and which concrete subjects they dealt in the courses with.

<Table 3> Studied CCM topics

Number of students w/o CCM background	66
Number of students studied CCM topics	129
Models of culture	60
Cross-cultural communication	112
Multicultural teamwork	64
International negotiations and leadership	32
Diversity management	47

Two-third of the sample had taken CCM topics either as Bachelor's/Master's (as major or minor) or one or more separate courses in the field even prior to the course. The most common topic was cross-cultural communication, followed by multicultural teamwork, and models of culture.

Diversity management and international negotiation and leadership had been studied to a somewhat lesser extent.

6. Conclusions

The overarching goal of this paper is to explain the importance of cross-cultural management in China. In part, China is generally more aware of cross-cultural aspects than some Western countries, as awareness of intercultural differences in its own country, for example between different regions, can be identified (Jungbluth, 2015). A rising interest in cross-cultural aspects arose during the 1980s, the reform of the Chinese economy from heavy state intervention to market orientation as well as membership in the World Trade Organization intensified the significance of CCM. The growing number of Sino-foreign joint ventures and cooperation in China itself contributed further to this. The rapidly increasing international expansion of Chinese companies supports the process of dealing with cross-cultural aspects.

Concerning cross-cultural management, there is a tendency to imply the integration of cultural issues in academic management courses, not only in executive but also in undergraduate and graduate courses. Besides Hong Kong, there are currently 17 Chinese universities and schools accredited by AACSB which explicitly require the transfer of teaching cross-cultural management competencies in undergraduate and graduate degree programmes. A study was conducted which shows that Chinese undergraduate business students did attend CCM classes with cross-cultural communication as the most common topic being taught.

In general, academic CCM classes can be seen as a suitable instrument in preparing future international managers. Hence, a well-designed and taught CCM course at a business school could increase the ability of graduates to cope better with culturally diverse settings (Eisenberg et al., 2013; Sizoo, Serrie, & Shapero, 2007). Thus (Chinese) business schools should continue to expand their offers of cross-cultural management classes, at both undergraduate and graduate levels.

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