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## Cross-Cultural Understanding

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Cross-Cultural Understanding

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### **Abstract**

This case-study is about the cross-cultural management and how it affects the employee relations and ultimately impacts their performance, if not handled properly. The case delves into different situations where understanding of the other cultural values, norms, work practices and human behavior is critical for foreign managers to succeed.

The case entails how a foreign FMCG company faced with the difficult and challenging situation in China. In order to fix the problems, the corporate headquarter sent three of their bright personnel; Janet, Peter and William to China. They were tasked to improve the HR, marketing & sales and distributions channels. Nonetheless, when they landed in the host country, they grappled with a number of challenges arising out of cultural, communication and situational differences. This case talks about these challenges and how to handle them.

**Key words:** cross-cultural management, employee relations, China and the USA, cultural differences, human resource management

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## **SECTION 1                      CASE DESCRIPTION**

### **1.1    Description of the situation**

Janet Fisher, a Stanford graduate, joined a large multinational FMCG as Assistant Manager HR after going through rigorous and competitive interview process. She was a smart and dynamic person, with an amicable personality. Based on her outclass performance, she swiftly climbed the success ladder as none other could have imagined in that company. In just one year and so, she got promoted to the position of Manager HR, and in subsequent next 3 years she reached to the illustrious position of Assistant Director HR, a lucrative and responsible position one could dreamed of in her company.

As part of the expansion plan, the company ventured into the vast Chinese market a year ago, by opening a country office with a huge sales team, distribution, administrative and other personnel to reach to the retail shops and supermarkets across mainland China. They were recruited by the Country Manager, a native person whom the company has inducted through a telephonic interview from the headquarters (HQ).

The initial one year of the venture in China went smooth, but not a robust beginning and the company's dream of capturing a significant market share couldn't be materialized. The management at the HQ, though satisfied with the initial return of the company, nonetheless; the company's shareholders and the board of directors wanted more revenue from densely populated middle kingdom (China).

The company went through successive meetings to craft a strategic revitalization plan to further expand into Chinese markets. One of the important ingredients of the strategic plan was

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to improve the capacity of human resources in Chinese venture, train the existing staff to enhance their performance and hire some additional personnel to efficiently carry forward the expansion plan. To this end, the top management started an internal search at the HQ to find out the most suitable persons to send over to the overseas subsidiary to execute the plan. The strategic plan outlined three main areas of improvement (i.e.) sales & marketing, supply chain management and human resource management (HRM). For sales and marketing, Peter Branson was selected and for distribution William Cook. Whereas for HR, the company picked Janet, seeing her passion and outstanding performance in past. They were assigned the task to create a difference in six months' time period.

The team reached the bustling city of Shanghai where their subsidiary was located. They were warmly greeted by senior management team and given them a flavor of traditional Chinese hospitality. They went through a series of meetings with their host country managers to better understand the market and strategize to further expand into unreached areas. One of the first issues they came across in initial meetings was that the local managers, though rich in experience, having plenty of ideas and understanding of local market dynamics; were less expressive and communicative. The team from HQ was very straightforward and direct, sometimes aggressive in pursuing and getting the things done in sharper and firmer way; which reflects their North American style of management.

Based on input from their local managers, each of the three section heads (i.e. sales & marketing, supply-chain and HR) came up with their own plan of intervention. Janet introduced a comprehensive plan of employee training focusing on core business values, performance improvement, cooperation and coordination among employees and ways to increase the productivity and ultimately boost up the company's revenue. Janet designed the contents of the

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training together with two of her counterparts, Peter and William. They made their best effort to make the training program as comprehensive and effective as possible. Once the training design completed; they invited the representative sample of employees from each section for initial phase of training.

They begin their training in an enthusiastic western style and intended to keep it more interactive in order to their unique experiences and insights. But what's that...? They hardly got any input and answer of the questions they posed in the training sessions; even the simplest questions like what's their job responsibility is and what segment of customers they are currently dealing with? At times the trainers got frustrated as the audience remained dead silent, and even not nodding their heads whether they understood what is delivered to them or they need any additional explanation.

Where the problem lies... at the trainee's side of not getting the contents of the training OR the trainers part of not making the things more clear, understandable and simplified??? The training program concluded with dismal response from the participants and disappointing and disgruntled feelings by the trainers. The expectation of Janet and her team was to get to know more localized insights from various backgrounds of the employees and transfer modern western insights to make a blend of both Chinese and western management practices to capture a significant chunk of market share; couldn't work in the first phase of training.

Dejected by the outcome of the first training, Janet went to adopt the second phase of her proposed plan, (i.e.) meeting with employees personally and in groups to get to know more from them and in return inculcating what the headquarter wants from them. Language turned out to be one of the bottlenecks in understanding what actually each party want to say; though she used the

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services of translators, nonetheless, the actual essence of the matter couldn't be conveyed as of difference in way of communication. She was very friendly, approachable and frank while communicating with the employees, nonetheless difference of culture, approach and context, made it difficult for both the parties to understand each other.

Another problem Janet and her team came across in their initial days of work experience in host country was the difference of organizational culture and work practices. Whereas in the USA, the delegation of tasks to subordinates and letting them accomplish the task in a flexible way is a common norm and is appreciated; the employees and middle level managers in China were accustomed to take orders from the top and obey them without any friction in orders given by the boss; and this commonly desired behavior. They were also used to be closely monitored and guided in their day-to-day matters. Groomed and nurtured in the western society and experienced in the western style of management, Janet tried to promote a flexible, open and flat-structure of organization which was resisted from all quarters as the host country managers were habitual to hierarchical structures in organization.

This phenomenon was reflected in the recruitment of employees too, as the Manager HR in host country hired employees who could be loyal, committed and dedicated to follow the orders from the boss. Nevertheless, Janet was looking for smart and young people with creative and sometimes crazy and wild ideas; to distinctly promote their products as their competitors have never done before. She was looking for some street-smart kind of people to sell the products of their company in a unique and novel way. Whereas the existing employees were typical experienced guys; not willing to accept change.



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### 1.2 Key Questions

- Q 1: While working in a cross-cultural environment, what are the important things expats need to consider in a foreign country?
- Q 2: How Chinese culture is different from that of the USA, and why the western management theories and philosophies sometime not applicable in Chinese context?
- Q 3: Do you think western management approaches and practices couldn't work in East?
- Q 4: What could be the repercussions of not adopting the country-specific approaches and strategies for the multinational companies (MNCs) operating in China?
- Q 5: Put yourself in shoes of Janet, William and Peter; your company's corporate headquarter has sent you to China for market expansion, penetration and earning more profits for the company; what would have been your strategy and approach towards achieving the assigned goals?

## SECTION 2 TEACHING NOTES

### 2.1 Learning Objectives

- Students will be able to understand the important of cross-cultural understanding and sensitization in managing across the boundaries.
- It will help understand that “no culture is superior or inferior vis-à-vis others and every culture has its own context, specific needs, pros & cons, strengths and weaknesses”.

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- Appreciation of diversity goes beyond just accepting it, it should be looking into its unique cultural and organizational settings; and difference is a way of learning.

## 2.2 Analysis

According to the Economist magazine, nearly half of the 572 senior executives interviewed admitted that misunderstandings and "messages lost in translation" have halted major international business deals for their companies" (Giang, 2016).

The host country team invited their visiting home country bosses for dinners and wished to have lunch together in company's cafeterias, but the bosses preferred grab their lunch and get to their offices; finish their projects first and keep leisure for a later time period. However, this resulted in creating a vacuum in communication and mutual understanding, which lead them confusion at both sides. Janet and her team missed the opportunity of understanding their host country team and employees through informal chats and having meals together; this was a good chance to develop the rapport.

Geert Hofstede (1980, 1993) in his seminal study asserted that the management theories and approaches developed in American society cannot be exactly applicable to other countries that are quite different in terms of cultural and political system, like China, Russia and others. Describing the Chinese cultural context, Hofstede (1993) postulated that it is high in power distance index (PDI 80); low in individualism (20) and rather very near to collectivism; moderately low in uncertainty avoidance (40) and masculinity (score 66; highest Masculinity score goes to Japan as 95 whereas Sweden is feminine country with score as 5); high in long-term orientation (LTO score 118).

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Whereas the USA, low in power distance (PDI 40), and largely an individualistic society (IDV 91; Hofstede, 1993). This means that the hierarchies are discouraged, communication is open and upfront in some cases.

In order to embrace success and long term profit in global marketplace in the throat-cutting competition, every company, either bigger or smaller, have to be culturally sensitized. It is also critical to have a culturally diverse human capital capable and competent to give creative solutions of the problems faced by the organization. Unlike European or North American markets, the Chinese labor market is quite different from other countries, based on contrastingly different political, economic, cultural, socio-linguistic and many other factors. Hence, managing human resources is essentially quite different from other countries. The HR people need to bear in mind that the western management and employee motivation theories cannot be just replicated as it is in China; they need significant modifications and customization according to the needs for the local cultures. The foreign companies strategies must be tailor made with the distinctive culture of the area where it operates. Nonetheless, the companies certainly get the benefit of the management experience of their own countries, and building on that experience, they can make customized solutions of the HR issue in the host countries.

As per the recent survey, the biggest challenge for the foreign companies to operate in China is the cross-cultural and human resource management. In wake of the robust and fast past growth in last two to three decades, China has skipped some of the essential elements of development and advancement. Resultantly, though still high growth, impressive GDP and other positive economic indicators; lack some of the basic ingredients of the development, advancement and prosperity. One of the important elements of advancement is the human resource development, which is still at infancy in Chinese corporations.

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According to the Business Confidence Survey conducted by various chambers of commerce in China in 2013, astoundingly 49% indicated HR management and access to top talent as their main challenges (Wickertsheim, 2013, p.11).

One of the reasons of the foreign companies' failure in Chinese markets is that the field of human resources management is still at the infancy stages in China. Still in some corporations, the HR is confined only with the personnel functions like administrative and disciplinary matters of the organization; whereas real essence of HR like talent management, learning and development, new way of motivating and galvanizing employees for high performance are still rare.

### **2.3 Key findings and Recommendations**

1. Lack of Cross-cultural understanding costs companies millions and billions of dollars. Many companies very successful in their home country, couldn't get even perform on an average in Chinese markets, primarily of insufficient knowledge and understanding of the local market dynamics.
2. Prior to embarking on to manage employees in another culture, it is pertinent to learn more about the unique features of alien culture. Go through the literature about that the particular culture, audio-video materials, and more importantly talk with the local people and employees and try to learn from them; what works and what not in the specific culture.
3. Be patient and humble to learn new culture; it cannot be grasped at once like "software installation or download from a fast internet". Learning culture requires time,

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perseverance and more importantly acceptance of uniqueness and respect for other cultures and passion to learn.

4. Language was one of the main barriers that Janet was facing more rampantly in the day-to-day matters. It is useful to know a bit of language of the host country.
5. Familiarize yourself with the popular culture, festivals, norms, rituals, customs etc.
6. The boss-subordinate relationship is another point of difference in employee management between the two countries (i.e. the USA and China). Whereas in western companies, employees are assigned the task and they have some flexibility in accomplishing the task in an appropriate way they deem; in Chinese corporations the employees typically wait for the boss to give orders and the employees will follow them subsequently.

## 2.4 Conclusion

The case entails a real company situation that how the cross-cultural knowledge and understanding is critical in managing employees and operations abroad, especially in a culturally distinctive country like China. Without having a sound understanding of the people perceptions, like dislikes, prevailing trends, habits, communication patterns, social behavior to name a few; a foreign company may grapple with innumerable problems. For the time being, it may achieve some progress, but hard to gain the long term and sustained growth and success in a foreign country, especially in highly populated and culturally different country like China.

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