

Lancaster University Management School

**An Exploration of Possible  
Reasons Why Chinese  
Management Fails in  
Internationalisation**

A Cultural Perspective on Conflict Management

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## **Abstract**

This dissertation explores the possible reasons why Chinese management fails in internationalisation. Although many Chinese corporations have showed great power in the last few years, not many of them expanded successfully compared to western multinational corporations. Cultural differences are examined based on Hofstede's cultural framework, also considering Chinese perspective. These differences are linked to Ruble and Thomas's conflict management model in order to find out the difference in preferred approaches used in conflict management and how they influence the performance of Chinese corporations in internationalisation.

Findings from this research show that the differences between Chinese culture and western culture lead to a different preference in terms of the approaches used in conflict management. Moreover, the different approaches have some negative impact on the internationalisation of Chinese corporations. However, the lack of Cultural Intelligence is also concerned as a negative factor in the discussion. This research provides some implications which could be helpful to understand and resolve the issue within Chinese multinationals.

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# Chapter 1: Introduction

This chapter will explain the context behind this research, and illustrate the objectives and the structure of this research project.

## 1.1 Research Background

The last three decades has witnessed the rapid development of China's economy; and considerable attention has been paid to the influence of Chinese firms (Child & Rodrigues, 2005). Since late 1970s, China has been putting enormous effort in its economic reform, shifting centrally-planned economic system to market-oriented economy (Warner, 1993). Many Chinese corporations have gained huge profits either from domestic market or through exporting cheap products to global market. However, not much research has been done in investigating international activities of Chinese companies (Liu & Li, 2002). Admittedly, the global market is dependent on products made in China because Chinese firms have competitive advantages in labour, resources, policies etc. On the other hand, not many Chinese multinationals are widely known globally compared to those in western countries, e.g. Britain. In fact, many Chinese firms failed in internationalisation (Zhang & Filippov, 2009).

The reasons could be various. Yet from the experience of western multinationals, cultural difference could be a significant factor that results in the failure of cross-boundaries business (Steers, et al., 2010). In a dynamic and diverse environment, an inappropriate management style might cause cultural issues and conflicts. In other words, the way in which multinationals manage under an international environment is regarded as a critical determinant of success of internationalisation (Shen & Darby, 2006). Consequently, this paper will attempt to explore to what extent management style potentially influences Chinese corporations in terms of global expansion.

Much research has been done on management styles (Purcell, 1987), such as Poole and his colleagues' (1982) research on the attitudes and behaviours of managers in Great Britain. Specifically, there have been attempts to measure the difference

between cultures, Hofstede's (1980) work for instance; and several frameworks, such as Ross and DeWine's (1984) three-style conflict management (namely focus on self, focus on issue, and focus on other) and Ruble and Thomas's (1976) two-dimension model (assertiveness and cooperativeness), have been developed in order to evaluate conflict management. However, most of the existing research is based on western countries and therefore might not necessarily be representative for Chinese corporations. Hence, this paper will try to transfer western theories with considering Chinese cultural perspective.

## **1.2 Aims and Objectives of the Research**

The objective of this research project is to investigate possible reasons why Chinese corporations are viewed as less successful than those in the western countries, e.g. the UK, in terms of internationalisation. Since the complexity of this issue, this paper will discuss from the perspective of management style, especially in relation to cultural issues and conflict management.

The differences between Chinese management style and western management style will be explored. Then, this will be linked to the research statement in order to determine an explanation. An integration of theoretical perspective and a variety of approaches, such as interviews, case studies and observations, will be conducted in this research.

## **1.3 Research Overview**

This paper contains six sections.

*Chapter 1 Introduction* gives a general introduction on the background of the research, and the aims and objectives of this research.

*Chapter 2 Literature Review* introduces related theories which help to explore the key issues. Theories from cultural perspective and some research on conflict management will be discussed in this section, covering both western views and Chinese heritage.

*Chapter 3 Methodology* describes the research hypothesis and the research methods used in this dissertation. The process of both primary research and secondary research will be given in this chapter.

*Chapter 4 Discussion* presents the research findings from the primary data. Also, these findings will be linked to academic theories in order to further the understanding of the research question.

*Chapter 5 Conclusion* concludes this research with research conclusion, implications and limitations.

*Chapter 6 Critical Reflection* demonstrates the critical thinking on this research by taking both academic theories and practice into consideration.

## **Chapter 2: Literature Review**

In this chapter, the related theories will be discussed. Firstly, a brief historical background of cultural research will be presented, followed by an overview of academic thinking on organisational effectiveness. Cultural theories and conflict management will be introduced afterwards. Chinese heritage will be taken into account as well.

### **2.1 Historical Background of Cultural Research**

Considerable research on cultures has been done since early 20th century. Geert Hofstede, a renowned professor for his achievement in cultural fields, conducted a research on more than 116,000 IBM employees across 40 countries all over the world to measure different cultures (Hofstede, 1980). In his later work, the four dimensions used in his initial research were expanded by adding a fifth dimension in order to fulfil a holistic measurement of national cultures. This will be discussed in the cultural perspective section of this chapter. Although other academics, for instance, Fons Trompenaars (1993), Edward T. Hall (1976), also established several frameworks to evaluate cultures, Hofstede's framework is solely the most dominant theory in cross-cultural research. As such, many cross-cultural management as well as conflict management literatures are based on Hofstede's (2010) dimensions.

There were no systematic frameworks for cross-cultural research or management study in China before western perspectives were introduced into China ever since the "Reform and Opening Up" policy (Wang, 2011). Through inward and outward investment, modern management theories have been introduced into China in order to enhance efficiency in management practice. (Young, et al., 1996) However, national differences in cultures between China and western countries require modification in terms of management style. It is believed that managers in China are using hybrid styles which are highly influenced by Chinese culture (Alon, 2003). In this sense, understanding the differences in cultures seems to be the foundation of exploring

different management styles. Having given a brief introduction to culture, the research will continue by looking at organisational effectiveness.

## **2.2 Organisational Effectiveness**

Organisational effectiveness is an abstract concept. Different stakeholders have different accounts on effectiveness. For corporations, achieving profit is undoubtedly a dimension to measure effectiveness (Buchanan & Huczynski, 2010). Under this assumption, evidence shows that organisational culture has a close relationship to organisational effectiveness. Both quantitative data and qualitative research identify that there are internal differences between successful and not-so-successful corporations in terms of values and principles (Denison, 1990). In other words, organisational culture could influence the effectiveness of corporations directly. For example, “a sense of mission could provide a fundamental basis for coordinated action within an organisation” (Denison, 1990, p. 6). Thus, establishing a high-performance oriented culture could be essential because of the significance of people in business. In multinationals, many executives attempt to build up a synergy, which is known as corporate culture, beyond organisational culture globally, and this is widely accepted in mainstream business (Deal & Kennedy, 1999). It helps to improve the organisational effectiveness in many powerful multinational’s cases; however, this is mostly based on western cultures. Not much study shows the how it potentially influences the effectiveness of Chinese corporations.

The way in which culture stimulates effectiveness within an organisation derives from several aspects (Buchanan & Huczynski, 2010). Furthermore, all these factors, including context factors, individual factors, group factors, structural factors, process factors and management factors, are greatly based on national culture. In the case of multinationals, subsidiaries are embedded in local national cultures which would have a substantial impact on subsidiaries’ organisational culture (Schneider, 1988). In fact, the attempts to build up an effective corporate culture sometimes lead to negative effects because of cultural differences. The conflicting demands of employees are

difficult to be balanced (Deal & Kennedy, 1999). Therefore, understanding national cultures is extremely crucial for the success in global environment.

### 2.3 Cultural Perspective

Academics have established several theoretical frameworks to measure different cultures based on several dimensions. Nevertheless, some of these frameworks use similar dimensions to understand different elements of cultures (Morden, 1999). The most widely-used model is Hofstede's five-dimension model. The five-dimensions Hofstede used are shown in Table 1 (see next page). Moreover, Trompenaars (1993) developed a seven-dimensional model of national cultural differences. However, Hofstede (1996) questioned Trompenaars's model in terms of the validity of the correlation and factor analysis. "The only two dimensions that could be clearly confirmed statistically could be correlated with Hofstede's individualism dimension." (Hofstede, 1996, p. 189) Therefore, in this paper, cultural analysis will be mainly based on Hofstede's model. From the table, the PDI and IDV are the two main dimensions which will be discussed in this research. Power Distance Index is often associated with hierarchy, and Individualism Index is closely related to cooperativeness within an organisation. (Fernandez-Freercks, 2004)

For multinationals, it is necessary to distinguish the two concepts of organisational culture and national culture. "Organisational culture remains a controversial concept." (Buchanan & Huczynski, 2010, p. 100) As some writers claim, it is possible to understand organisational culture just in the same way of understanding national culture. Others recognise the unique identity. In Edgar Schein's (2004) model, organisational culture is defined in three levels (surface manifestation of culture, organisational values and basic assumptions), covering both visible and invisible concerns. For a certain corporation, it seems that organisational culture is the most noticeable part which could provide competitive advantage in organisational effectiveness. On the other hand, Hofstede (1993) argues that national culture could weaken the impact of organisational culture because the values and beliefs have been

deep-rooted in people's mind when growing up. These values and beliefs are unlikely to be changed because of the power of national culture. In addition, through Laurent's (1983) research, national differences among employees are not replaced or eliminated by corporate culture in the same multinational. As a result, corporations tend to meet the national cultures in which they operate. For example, Chinese corporations tend to neglect the individual development of employees as a result of collectivism in Chinese culture. When multinationals enter new countries, it is likely that the subsidiaries inherit cultures from their home countries. It then comes to a hypothesis that local management would be challenged by the local national culture if there is a huge difference between the two national cultures. Thus, the evaluation of the differences between cultures becomes tremendously important for global expansion.

Dimension	Definition
<i>Power Distance (PDI)</i> : Degree of tolerance for hierarchical or unequal relationships	<i>High</i> – Large degree of tolerance for unequal relationships
	<i>Low</i> – Small degree of tolerance for unequal relationships
<i>Individualism/Collectivism (IDV)</i> : Degree of emphasis placed on individual accomplishment	<i>Individualism</i> – Large degree of emphasis on individual accomplishment
	<i>Collectivism</i> – Large degree of emphasis on group accomplishment
<i>Masculinity (MAS)</i> : Degree of stress placed on materialism	<i>Masculinity</i> – Large degree of stress on materialism and wealth
	<i>Femininity</i> – Large degree of stress on harmony and relationships
<i>Uncertainty Avoidance (UAI)</i> : Degree of acceptance for uncertainty or willingness to take risk	<i>Strong</i> – Little acceptance for uncertainty or risk
	<i>Weak</i> – Generally accepting for uncertainty and risk
<i>Long-term Orientation (LTO)</i> : Degree of stress placed on virtuous living in this world	<i>Long-term</i> – Associated with thrift and perseverance
	<i>Short-term</i> – Associated with respect for tradition, fulfilling social obligations, and protecting one's 'face'

**Table 1 Adapted from Hofstede, et al. (2010)**

In order to draw a clear picture of the differences in national cultures, British culture is chosen as opposed to Chinese culture. (Figure 1) It can be recognised that the

differences in PDI, IDV and LTO are high while no apparent difference shown in MAS and UAI. With the differences in the three dimensions, it could be deduced that these differences might be the source of management issue if it happens between Chinese and British employees within a multinational corporation. For example, the different preference in individualism might cause severe conflicts in teamwork. However, cultural differences exist in every multinational. It is how cultural differences are managed matters rather than the presence of potential conflicts (Fernandez-Freercks, 2004). Furthermore, conflict does not harm under every circumstance, but when it is not well managed (Buchanan & Huczynski, 2010). As examined above, management styles are largely influenced by culture. Therefore, in the case of Chinese multinationals, it might be how conflict management are shaped by Chinese culture that causes the dilemma rather than the cultural differences directly do. The next section will try to explore the relationship between culture and conflict management styles.

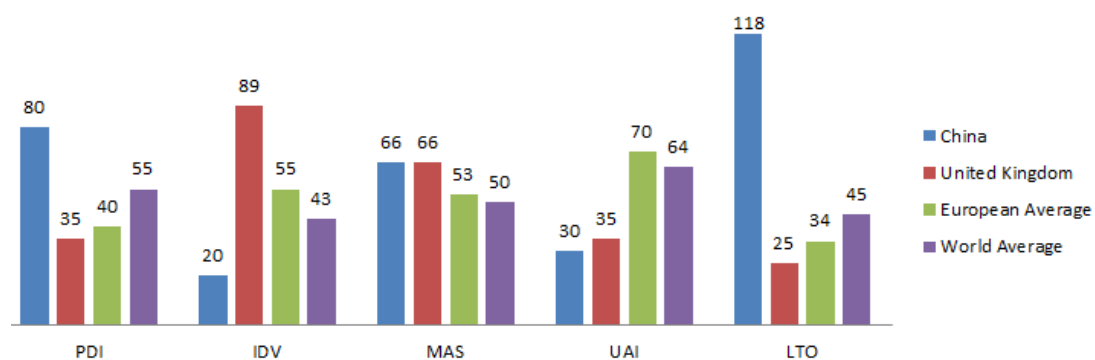
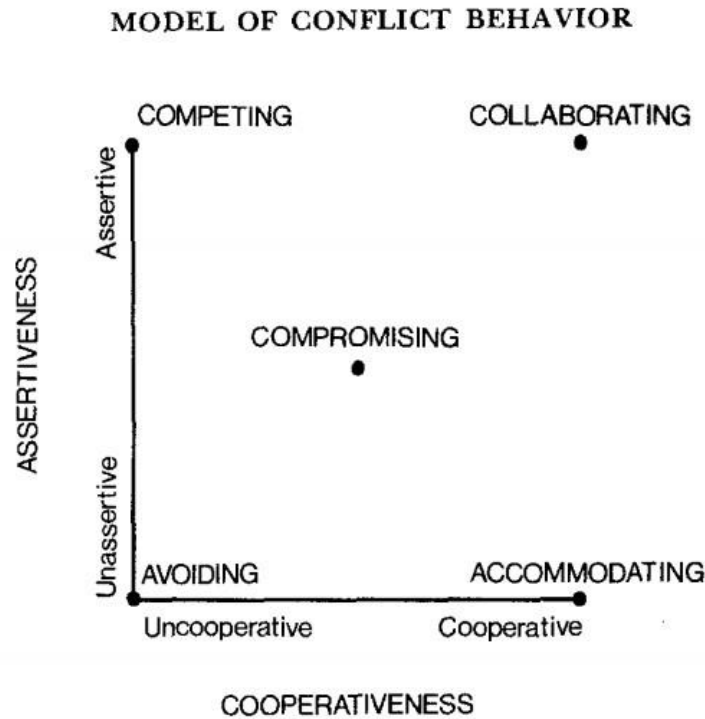


Figure 1 Adapted from Hofstede, et al. (2010)

## 2.4 Conflict Management

In this section, conflict management model will be linked to the cultural perspective. Differences in interests and values are the root of conflicts between individuals, groups and departments. Conflict is an inevitable aspect of all organisations because of diverse propositions of stakeholders (Buchanan & Huczynski, 2010). There are several types of conflicts. In multinationals, conflicts are more likely to occur between people and groups with different cultural backgrounds. For example, when a

corporation enters a new country, the top management from home country will probably have different ideas with the people from host country. Consequently, conflict management needs to be raised in order to prevent the turbulence within the organisation. Ruble and Thomas (1976) suggested a five-approach conflict resolution model based upon two dimensions of assertiveness and cooperativeness. (See Figure 2 and Table 2)



**Figure 2 Adapted from Ruble & Thomas (1976)**

Depending on the degree to which a party is interested in satisfying its own (Assertiveness) or the others’ needs (cooperativeness), the approaches matched are presented as Competing, Avoiding, Compromising, Accommodating and Collaborating. The characteristics of different approaches could be reflected from the terms used in describing those. Competing and Avoiding stand for two extreme levels of concerning about the party’s own needs while both tend to ignore others’ opinions. In contrast, Accommodating cares others much while hiding the party’s own ideas. Collaborating tries to integrate the two parties’ satisfactions together, and Compromising is just supposed to be expedient.

Approach	Objective	Your Posture	Supporting Rationale	Likely Outcome
1. <i>Competing</i>	Get your way	'I know what's right. Don't question my judgement or authority'	It is better to risk causing a few hard feelings than to abandon the issue	You feel vindicated, but the other party feels defeated and possibly humiliated
2. <i>Avoiding</i>	Avoid having to deal with conflict	'I'm neutral on that issue. Let me think about it. That's someone else's problem'	Disagreements are inherently bad because they create tension	Interpersonal problems don't get resolved, causing long-term frustration manifested in a variety of ways
3. <i>Compromising</i>	Reach an agreement quickly	'Let's search for a solution we can both live with so we can get on with our work'	Prolonged conflicts distract people from their work and cause bitter feelings	Participants go for the expedient rather than effective solutions
4. <i>Accommodating</i>	Don't upset the other person	'How can I help you feel good about this? My position isn't so important that it is worth risking bad feelings between us'	Maintaining harmonious relationships should be our top priority	The other person is likely to take advantage
5. <i>Collaborating</i>	Solve the problem together	'This is my position, what's yours? I'm committed to finding the best possible solution. What do the facts suggest?'	Each position is important though not necessarily equally valid. Emphasis should be placed on the quality of the outcome and the fairness of the decision-making process	The problem is most likely to be resolved. Also both parties are committed to the solution and satisfied that they have been treated fairly

**Table 2 Adapted from Whetton et al. (2002, p. 361)**

Through Friedman et al.'s (2000) study of a clinical hospital department, collaborating seems to be more efficient in terms of lowering levels of conflict. Accordingly, this is how conflict resolution should be conducted from western management theories. In this situation, conflicts could be resolved in a win-win or mutually satisfying way (Fisher & Ury, 1981). However, unlike the idea from western culture that conflicts should be resolved, Chinese culture states that conflicts are not supposed to happen, and even expedient solutions should be implemented in order to keep the harmony between each party (Yum, 1988). The harmony in Chinese culture focuses more on the seemingly agreement rather than the fundamentally cohesion (Hamburger, 1959). As such, in Chinese management style, the inequality in hierarchical culture and the chase for harmony make the case become rather complicated (Augsburger, 1992). As addressing the issues explicitly is viewed as rude in Chinese culture, collaborating does not work here while other approaches become alternatives to resolve conflicts.

## 2.5 Chinese Heritage

Some Chinese heritage will be discussed in order to better the understanding of Chinese management style. Confucianism is the core part of Chinese culture. Within Confucianism, the five relationships are the basic principles, and the whole Chinese society is based on the five relationships (Yum, 1988). The five relationships are:

- “1. Ruler and subject,
2. Father and son,
3. Husband and wife,
4. Elder brother and younger brother,
5. Friend and friend.” (Yum, 1988, p. 80)

And the five relationships should be:

- “1. Benevolence in rulers, loyalty in ministers and subjects,
2. Kindness in the father, filial piety in the son,
3. Righteous behaviour in the husband, obedience in the wife,
4. Gentility in the elder brother, humility and respect in the younger,
5. Credibility in friendship.” (Hamburger, 1959, p. 246)

It can be seen the hierarchy in Chinese culture, and there will be harmony among all if all these attitudes are practiced. When conflicts occur between people from the same level, they tend to accommodate or compromise with each other. If conflicts happen in between different levels, high hierarchy has a tendency to compete while the low are supposed to avoid. After integrating Chinese culture and the conflict management model (See Figure 2) together, it can be seen that only people from higher hierarchy could be assertive and cooperativeness happens only when people are in the same hierarchy. This explains why collaborating approach rarely works in Chinese management style. Also, in Hofstede’s scoring, the high score in PDI indicates this feature of Chinese culture. However, the low IDV could be confusing due to the lack

of the same-hierarchy context. In addition, from Chinese cultural research, Chinese culture is short-term orientation rather than long-term orientation. This might be the limitations of Hofstede's framework because of the incomplete comprehension of the context. Since "behaviourists focus on the smallest unit of behaviour and learned stimulus-response link" (Wilson, 2004, p. 224), some internal factors might be ignored. Generally, it is impossible to find out the thinking and reasoning behind the behavioural aspects without actually engaging into the certain culture. Also, the variances within a national culture are neglected in Hofstede's (1980) framework (Williamson, 2002). Hence, the cultural framework should be discussed critically by considering the realistic factors.

## 2.6 Summary

This chapter has discussed how cultures will influence organisational effectiveness, which is seen as an important indicator of the success for multinationals. Academics have developed several cultural theoretical models to understand cultures. Among those, Hofstede's (1996) five-dimension framework seems to be dominant in cultural studies. Conflict management is another area which is generally influenced by culture. This chapter has incorporated the characteristics of Chinese culture with Ruble and Thomas's conflict model in order to explore the management style of Chinese corporations. Some Chinese perspectives are given in order to deepen the understanding of underlying factors which affect Chinese management style. Besides, the limitations of western perspective could also be amended by applying Chinese viewpoints. From this chapter, it should be acknowledged that culture has a considerable impact on management styles. However, whether the Chinese management style really disrupts the internationalisation of Chinese corporations is still unsure. This will be explored in the following section.

## Chapter 3 Methodology

This chapter will explain the research hypothesis and the methodology used to explore the potential factors which cause management issues in Chinese multinationals in this research project. This research is divided into primary research and secondary research. Primary research mainly includes semi-structured interviews and personal observation. In secondary research, some theories and case studies are examined in order to determine an appropriate framework for this research.

### 3.1 Research Hypothesis

As examined above, national culture seems to be a critical factor which determines the approaches implemented in conflict management. Previous research mainly focused on how western cultures affect management styles. In order to evaluate the conflict management styles correspond to Chinese culture, this research chooses managers from Chinese corporations to investigate the issue. Based on the literature review, the research hypotheses are:

*Hypothesis 1:* The Chinese management tends not to use collaborating approach in conflict management.

*Hypothesis 2:* The inappropriate management style causes the poor performance in internationalisation of Chinese multinationals.

### 3.2 Primary Research

The primary research mainly uses qualitative method which involves collecting data in the form of natural language (Easterby-Smith, et al., 2008). This aims to “discover the views, perceptions and opinions from both individuals and groups” (Easterby-Smith, et al., 2008, p. 142). However, some quantitative data will be applied as additional reference. In order to explore Chinese management style practically, research was conducted on two managers from Chinese corporations. Both of these corporations have overseas business, and they are large enough to

ensure distinct hierarchical levels within the corporations. Manager A is from China Railway Construction Corporation (CRCC), which is one of the largest construction corporations in the world. Manager B is from Rizhao Port Group, which is a one of the top 15 seaports globally. Each of the participants conducted a semi-structured interview via video telephone. The interviews contained three parts. The first part is a general introduction about the interviewee's corporation. Information related to overseas business was presented in this part. The questions of the second part mainly focused on the management styles in typical works in those corporations in order to deepen the understanding of Chinese management in real work. Finally, Critical Incident Technique (CIT) was used in the last part to determine the participant's perceptions on the issues related to corporation's internationalisation. Critical Incident Technique is "often used alongside interviews for teasing out the information" (Easterby-Smith, et al., 2008, p. 150). This helps to identify the heart of an issue through the observation of human behaviour rather than analysing large quantities of data that might not be directly relevant (Easterby-Smith, et al., 2008). The interpretation of data would provide empirical evidence for this research (Flanagan, 1954). The answers of those questions will be analysed by considering the theoretical frameworks in order to identify the critical factors which could influence the performance of the corporations.

Another source of primary data is from the researcher's observation. Since observation is often seen as lack of objective accounts, here it is carefully used in conjunction with other methods such as interviews in order to provide accurate pictures of the issue (Easterby-Smith, et al., 2008). This is a reflection based on the experience of this study's researcher. Since I have experienced both Chinese and British cultures, the differences from my own perception could be helpful to investigate this issue. Moreover, through several projects which I worked in a western environment, some situations related to cultural difference could probably happen in Chinese multinationals. During the sessions I had in both the UK and Vienna, some cultural-related issues were discussed among a diverse group of people. Thus, the data

generated from this section is an integration of my colleagues' insights and my observations, covering incidents happened in my working experience and discussions on these issues. Therefore, the critical incidents from this part could be linked to the situations in Chinese multinationals as well as the theoretical frameworks.

### **3.3 Secondary Research**

The secondary research covers academic theories and frameworks as well as several case studies on similar issues. Several theories related this research, such as Hofstede's cultural framework and conflict resolution model, have been reviewed. The design of primary research is based on theoretical frameworks. Those theories help to determine the questions asked in the interviews. To be specific, Hofstede's cultural dimensions and the conflict management model help to focus the interviews and observations on several possible aspects which could be crucial. For example, the conflict resolution model provides a benchmark to evaluate different management styles. Then, the interviews investigated which approaches were preferred according to Ruble and Thomas's (1976) model. The objective of this secondary research is to integrate the theories and the raw data together in order to find out the correlations between those two.

### **3.4 Strengths and Limitations**

This research provides an international perspective which is not restricted to Western insights. The case from Chinese managers would be helpful to explore the issues that might be ignored in previous research. However, in terms of reliability, the size of sample seems to be not enough to comprehensively discover all the related issues. Also, bias might happen because of cultural differences in this research which might cause problems with validity. The lack of quantitative method is another limitation of this research. Further study could take a larger sample of Chinese managers to improve the generalizability, and quantitative approach could be applied in order to improve the rigour of the research.

## Chapter 4 Discussion

In this chapter, the data will be analysed in order to generate the findings. Hypotheses will be tested firstly, followed by analysing process as well as a presentation of the findings. The findings then will be discussed and associated with the literature review.

### 4.1 Hypothesis Testing

*Hypothesis 1:* The Chinese management tends not to use collaborating approach in conflict management.

As from the interviews, “most of the large corporations are bureaucratic in China, and the attitudes and behaviours of people are highly determined by which levels they are from”, it seems that the managing approach depends on the situations. In both corporations, they tend to divide the conflicts into two different types, conflicts across different levels and conflicts between the same levels. Furthermore, the approaches described in the interviews could match my observations. In terms of the conflicts between different levels, “in order to keep a stable job, employees tend not to have any argument with their managers, no matter the managers are right or wrong”. It can be deduced that employees from lower hierarchy tend to avoid or compromise because the power difference between different levels in both corporations. On the other hand, people from higher level are relatively aggressive. They rely upon their power in order to overtake their subordinates’ opinions. In a bureaucratic organisation, employees are more likely to be involved in class consciousness. As a result, the influence of conflicts still could be eliminated even though the conflicts are not fundamentally resolved.

Regarding the conflicts among the same department or between the same levels, people would choose to accommodate or compromise in order to avoid direct conflicts. As manager A said, “The employees tend to ignore these issues unless they become urgent.” Also, since explicitly addressing the issue is seen as ruining the harmony, people would make a concession unconsciously so that not to upset others.

Under this circumstance, people's dissatisfaction is hidden and the influence of conflicts is still under control. If the dissension is so implacable that they cannot manage themselves, the conflict would be reported to their manager. Since they tend not to challenge their manager's judgement, the conflict could still be resolved.

Since the two types of conflicts can be resolved by not using collaborating approach, it seems that Chinese corporations prefer Chinese management style in conflict management. Thus, the hypothesis should be accepted.

*Hypothesis 2:* The inappropriate management style causes the poor performance in internationalisation of Chinese multinationals.

The interviews do not show much evidence how Chinese management style works in other countries. Both corporations have overseas business; however, those are mostly operated by Chinese employees. "It was quite difficult and costly because all the communication needed to be via a translator," as from manager B. It seems that the language barrier is the most critical obstacle which impedes overseas operation of Chinese corporations. As the businesses are basically project-based, they tend to delegate Chinese employees in order to keep the efficiency. The motivation of hiring foreign employees does not necessarily exist because of the possible uncertainty. However, in the few cases where they cooperated with foreign employees, the team tended to be separated into Chinese group and foreign group uncontrollably. The efficiency cannot be guaranteed under this condition.

From my observations, even when language is not a problem, Chinese management style still does not work well because of cultural difference. In a workplace, western people typically do not have a strong sense of hierarchy. They tend to speak out whatever they do not agree with, but this is viewed as unacceptable in Chinese management. If the conflicts happen between different nationalities within the same management level, Chinese people will probably be dominated. If conflicts happen between a Chinese manager and foreign employees, the situation will be in dilemma since the employees may not give way as Chinese employees do. Nevertheless, this needs some empirical evidence to support.

Hence, it is uncertain that hypothesis 2 should be accepted or rejected. However, the incidents happened in these corporation could give some implications for this research. Further study is still needed in order to verify how Chinese multinationals manage foreign employees.

## **4.2 Analysis of Findings**

The findings above show that the differences between Chinese culture and western culture lead to a distinct management styles, especially in conflict management, of Chinese corporations. Although there seems not to be enough evidence to confirm to what extent does the difference in conflict management influence on the internationalisation of Chinese corporations, some incidents show the distinction potentially has negative impact on the global expansion. Since conflict is supposed to be avoided rather than resolved in Chinese culture, the conflict management of Chinese corporations follow the same way as Chinese culture does. Those approaches used by Chinese corporations work well in Chinese cultural context. However, as the cultural environment becomes different, the unresolved conflicts will probably be exaggerated rather than hidden in an overseas branch. Generally, the PDI of western culture is much lower than that of Chinese culture in Hofstede's (2010) framework. In other words, western employees are unlikely to tolerate the unequal relationships among them. Moreover, compromise does not often happen because of the individualism in western culture. In short, Chinese management style loses its cultural foundation of success in western cultural environment.

On the other hand, in western management, conflicts are supposed to be resolved through collaborating. As the outcome of this approach is likely to be fair for both parties, the efficiency of the organisation will not be diminished. In some sense, even though this approach might contradict to the host culture, it at least could ensure that the corporation functions well. Also, under a condition where both western culture and Chinese culture exist, as harmony is appreciated in Chinese culture, western culture seems to be more dominant. This makes the situation worse in terms of the

performance of Chinese management abroad. Since the development of western management focuses on a multicultural environment rather than just domestic market, western management has more advantage in dealing with internationalisation than Chinese management.

Another finding could be driven from the interviews, and this is probably another reason why Chinese corporations fail in internationalisation. Both of those corporations do not have much intention in building up a multicultural workplace. For example, CRCC does not have diverse groups of employees while it has so many overseas businesses. In contrast, ACS Group, which is another top construction corporation in the world, has nearly one-thirds foreign employees with huge success in over 50 countries (Groups ACS, 2012). For Chinese corporations, it seems the lack of motivational basis and cognitive basis leads to a low Cultural Intelligence (CQ) which causes a difficult position in internationalisation (Thomas & Inkson, 2005). Compared to the relatively long history of western multinationals, it is just the start point that Chinese corporations seek opportunities abroad. In cross-boundary business, the foreign environment tends to be uncontrollable, and corporations tend faces higher uncertainty (Boyacigiller, 1990). The uncertainty leads to Self-Reference Criterion (SRC), which means corporations would reference to their own cultural values unconsciously in an unfamiliar environment (Bhawuk & Brislin, 2000). Thus, the accumulation of cognition in Cultural Intelligence would help corporations to cope with Self-Reference Criterion in order to set the proper management style. With the development of education, this effect could be eliminated. However, further research needs to be conducted on the difference of Cultural Intelligence of between managers from successful Chinese multinationals and unsuccessful in order to explore the correlation.

### **4.3 Comparison of Theories and Findings**

From Ruble and Thomas's (1976) model, the approach used in conflict management is determined by assertiveness and cooperativeness, and the two factors are highly

influenced by culture. In this way, this model could be linked to Hofstede's (2010) cultural framework. The main cultural dimensions examined in are PDI and IDV. As shown above, Chinese culture is high in PDI while low in IDV. This corresponds to the hierarchy and harmony-orientation in Chinese culture as observed in the interviews and my experience. A high PDI is often associated with uncooperativeness between hierarchies while a low IDV leads to unassertiveness within the same level. The preferred conflict management styles vary from Chinese management and western perspective. However, during the last three decades, more western viewpoints have been brought into China due to the "opening up" policy, and many corporations, especially those located in big cities such as Beijing and Shanghai, are experiencing westernisation in terms of management style. This could balance different voice within the organisation in order to boost the efficiency. Also, the Chinese employees and managers who have worked in western multinationals have been adjusting to a westernised Chinese management. As the same time, their cultural dimensions have been changed through this process. This integrated management style helps some Chinese corporations succeed in a global context.

As illustrated in the literature review, it is unclear how MAS and UAI affect the difference between Chinese management and western management because there is no significant difference of those between China and the UK. In addition, there is still an argument in the score of LTO between Hofstede's (2010) dimension and Chinese perspective. Thus, these theories could provide a benchmark to partly understand Chinese culture as well as Chinese management. Yet as there is no universal theory, some contextual reference needs to be added in order to avoid bias. This research is mainly based on Hofstede's framework, but also demonstrating some adjustment by considering Chinese perspective.

## **Chapter 5 Conclusion**

This chapter concludes this research with implications for business, and it also points out the limitation of this research.

### **5.1 Research Conclusion**

This research aims to explore why Chinese management style, especially in conflict management, fails in the internationalisation of Chinese multinationals. Since the success of multinationals could be determined by many factors, organisational effectiveness was introduced in order to investigate how national culture influences multinationals. Then, attempts have been done to link cultural perspective and conflict management together. Hofstede's (2010) cultural framework and Ruble and Thomas's (1976) conflict management model help to distinguish cultures as well as management styles. By applying these theoretical frameworks, the features of cultures and management approaches could be identified. The outcome from this research shows that the differences of management styles between Chinese corporations and western corporations have a close relationship with cultural differences.

Furthermore, due to the core values of Chinese culture, the conflict management of Chinese corporations tends not to adapt to global context. The cultural differences cause Chinese management style not accepted by foreign environment. In contrast, western management style performs better because it resolves the fundamental factors of conflicts. Despite the difference in cultures; the lack of cultural cognition impedes the improvement of Chinese management system. Although some changes need to be implemented on Chinese corporations, the deficiency of cultural strategy makes the issue difficult to be resolved.

### **5.2 Implications for Business**

This research provides a reflective exploration on the issues related to the internationalisation of Chinese corporations. Since most of the previous research was

conducted on western multinationals, the purpose of this study is to initiate a general review on Chinese practice. As more and more Chinese firms get involved in international business, it is necessary to develop an efficient management style to meet the change. Cultural differences have been discussed in order to contribute some thoughts for Chinese corporations in terms of global expansion. Within an organisation, conflicts always arise because people will have different ideas or feeling when working together. The improvement in conflict management could ensure an increase in organisational effectiveness, and some unnecessary issues could be avoided at the same time. Proactively, this concern should be integrated into corporations' strategy so as to have better performance in long run. Although the last three decades has seen the rapid development of Chinese corporations, there is still a lot of effort to be done to fulfil the dynamic environment.

Besides, the findings from this research could give some inspirations for western multinationals as well. The development of China's economy not only boosts Chinese multinationals, but also encourages the cooperation between western corporations and Chinese partners. To ensure a well communication between different cultural backgrounds, western corporations should have a better understanding of Chinese management style. Only in this way can a win-win situation be achieved.

### **5.3 Areas for Further Research**

This research is restricted to the conflict management styles as well as related cultural issues of Chinese corporations. Regarding Hofstede's (2010) framework, PDI and IDV have been linked to the conflict management model while it is still unclear the implication of other three dimensions. Those three dimensions could be deeply explored in further research. Also, Hofstede's framework is sometimes criticised for the lack of contextual consideration. Other cultural insights might be introduced to make a comparison to critically examine this issue in further work. The findings from this research are mainly based on the two interviews and my own observation, which seem to be lack of rigour. Thus, further research could take a larger sample of more

Chinese corporations, covering some successful Chinese multinationals and not-so-successful ones to investigate the differences among those. In addition, the exploration on some western multinationals' branches in China will also provide interesting information for further research.

## Chapter 6 Critical Reflection

Through the process of this research, theories have been applied to the exploration of realistic issues. Since culture is very complicated, it is difficult to imagine other cultures without experiencing them. Even being involved in a certain culture, it is still challenging to split culture into different aspects. The extraordinary work academics have done helps investigate cultures step by step with several dimensions. However, every theory has its limitation. Thus, research has to be done by integrating theories and practical work together. During the discovery process, some unexpected results may be found, and these could be important findings which theories cannot tell. Particularly in such an undeveloped research field, some interesting outcomes are likely to be discovered.

This research uses the term “western” which is sometimes confusing. Although this research attempts to generalise western management style, there are still visible differences among western world as from my experience in the UK and Austria. These observations help me to critically understand western cultures in order to determine the most significant differences between Chinese and the western. Base on a better understanding of western insights, some implicit aspects of Chinese culture can be recognised through critical thinking.

By conducting this research, the writer has improved the understanding of not only the theories themselves but also the practice of academic findings. The link between academic study and practice has educated me about the meaning of academic research.

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# Appendices

## Appendix 1: Summary of Interview A

The participant is a vice-chief economist in a branch office of China Railway Construction Corporation (CRCC). CRCC is a large construction enterprise in the charge of State-owned Assets Supervision and Administration Committee. It was listed on March 10, 2008 in Shanghai, on March 13 in Hong Kong. The corporation is one of the world's largest integrated construction groups, ranking the 100<sup>th</sup> among the Fortune Global 500. It is also China's largest overseas engineering contractor, with business in more than 60 countries and regions around the world. However, the revenue from overseas business just accounted for 3.6% of the total revenue in 2012. Although CRCC operates quite well in China, it has lost enormous money in its overseas business. For example, it reported a £432 million loss in one single project in Saudi Arabia in 2010. The overseas business has been shrinking in recent years. Compared to a typical multinational from western country, CRCC does not have a diverse group of employees. Even the ethnic minorities just account for less than 3% of the whole employees while more than 96% of them are Han Chinese. Almost all the overseas employees are delegated from China.

In terms of the management style, employees from low hierarchical levels do not have many chances to claim their opinions. The power is concentrated among the top managers. As long as the overall performance of corporation is satisfactory, they do not want any change in terms of its management and managers. The income gap between each level is quite high and ordinary employees almost struggle for their lives. In order to keep a stable job, employees tend not to have any argument with their managers, no matter the managers are right or wrong. However, there are sometimes arguments between different departments. But in most cases, they tend to ignore these issues unless they become urgent. Even the arguments become troublesome, higher managers will ask each department to compromise in order to keep harmony.

The participant has been involved in several overseas projects. But these overseas projects are quite different from those of western multinationals. During the project, basically they only hired Chinese workers, doing everything according to the contract. They did not have much communication with locals, or even the owner of the project. As a result, they did not know how to manage foreign employees, and they did not care about it. Sometimes, the miscommunication could be an important reason for loss. In the cases where Chinese employees worked with local staff, the different working styles and management styles made the local people confused. From the participant's perspective, even if the corporation wins the bidding for a project in another country, the managers do not need to know much about the host country's culture because they just have a temporary office with no local employees. As a result, although CRCC is a multinational corporation, it does not necessarily have any experience in managing employees from other nationalities.

## Appendix 2: Summary of Interview B

The participant is a director in a department of Rizhao Port Group. Rizhao Port is a main coastal hub port under national key development with 46 productive berths and annual handling capacity of near 300 million tons. It was listed on September 26<sup>th</sup>, 2006 in Shanghai. It is one of the Top 10 ports in China and Top 15 seaports in the world. It connects to more than 70 main ports all over the world, importing and exporting ore, nickel ore, wood chips, soybean and cement etc. However, like most Chinese corporations, it does not employ any foreign people directly. In terms of the overseas business, basically it communicates through a third party. Sometimes, the corporation appoints some people for short-term work in another country. But since most managers do not speak English, they find it very difficult to trade with other countries directly. They prefer focusing on the handling section, and let the trade companies communicate with foreign countries.

The management style in Rizhao Port is bureaucratic, like most state-owned firms. The working environment for low-level employees is quite bad and most frontline workers cannot get a permanent contract from the corporation. The corporation treat temporary workers unfairly, no equal pay for equal work as permanent employees. However, in order to make a living, they have no choice but compromise. It is easy to understand why employees do not dare to complain about conflicts while they are still in poverty. The top managers are quite powerful. Generally, employees just do whatever the managers distribute. The conflicts between same levels are usually informed to higher managers. Then the higher managers will judge according their own perceptions. Basically, most employees work in state-owned corporation for stability because the corporation hardly fire any employee. People who do not want to work in a bureaucratic company sometimes will resign and start their own business. Yet the majority still enjoy the stability of the work.

The participant has been on several business trips to other countries. But usually it is just company visit rather than typical work or negotiation. The participant believes

that people in their generation do not have enough education on languages or foreign cultures. There was one time he worked with foreign people. But it was quite difficult and costly because all the communication needed to be via a translator. And not many foreign people could speak Chinese well even they live in China. This is not feasible for regular work. So in this case, language seems to be the most significant factor which blocks the communication between different cultures.