

# Analysis of Cultural Differences in China-Uk Joint Ventures

## -- Based on Hofstede's Theory of Cultural Dimensions

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**Abstract:** In the context of globalization, many international organisations are paying more attention on their corporate strategies to expand into different countries. Cultural differences between home country and host country are considered as the vital cause to enable the joint venture to succeed.[1] the research will discuss the hofstede's cultural dimensions theory, which are helpful to understand cultural differences and challenges between china and the uk. Further, the research would like to give recommendations for a china-uk joint venture in the process of corporate operation, which could enable the joint venture to succeed.

### 1. Introduction

Globalization creates a lot of business opportunities to the multinational companies, but it also brings threats to them in the global business environment.<sup>[2]</sup> For multinational companies, in order to survive in the competitive world, they have to expand overseas by using some market entry strategies.<sup>[3]</sup> During the process of expanding overseas, some factors of macro environment, multinational companies have to face huge challenges from cultural differences around the globe, especially for a joint venture which involves in two companies which come from different countries. The research will discuss about cultural challenges for a joint venture which is established between China and the UK (China-UK joint venture).

According Li et al., China is the largest receiver of Foreign Direct Investment among all developing countries. Some word leading multinational companies have established joint ventures with Chinese State-owned enterprises.<sup>[4]</sup> The UK is one of China's most important trading partners in Europe. According to the report,<sup>[5]</sup> the annual bilateral trade between China and the UK reached a record high (\$70 billion) and is now back on track towards the \$100 billion target by 2018. For a joint venture which is established between China and the UK, cultural challenges will be an important issue the company is likely to face as expanding its business into regional cities in China. In 2004, Tesco started to enter Chinese retailing market, it has opened 134 stores by 2016. In order to increase its profits, Tesco has confirmed it will form a joint venture with China Re-sources Enterprise, taking only a 20% stake in the merged firm.<sup>[5]</sup> However, it can hardly make profits in China. There are several reasons to explain its failure. One of the reasons is failed to understand cultural differences between two countries, as a result in embarrassing blunders, strain relationships, and drag down business performance.

The research will discuss the Hofstede's cultural dimensions theory, which are helpful to understand cultural differences and challenges between China and the UK; in order to success for a joint venture which is established between China and the UK. Corporate managers in a joint venture should have abilities to build a comprehensive knowledge to realize cultural benefits, difficulties and differences between them.

### 2. Cultural Differences in China-Uk Joint Ventures

International businesses are using various theoretical perspectives to analyze the differences in cultural value. One of the most popular frameworks for classifying national cultures is proposed by

a Dutch social psychologist and management scholar, Geert Hofstede. According to Hofstede, <sup>[6]</sup> He introduced major bipolar dimensions involving in "large versus small power distance, individualism versus collectivism, masculinity versus femininity, strong versus weak uncertainty avoidance, long versus short orientation". Furthermore, the author also explained cultural differences in national perspectives. Every cultural dimension indicates independent preferences of one country, which is distinguished from each other. <sup>[6]</sup> The scores of countries on the dimensions are relative and comparable. So culture can be only used meaningfully by comparison. Fig. 1 shows the comparison between China and the UK, it is a right overview of the deep drivers of Chinese culture relative to the UK's culture.

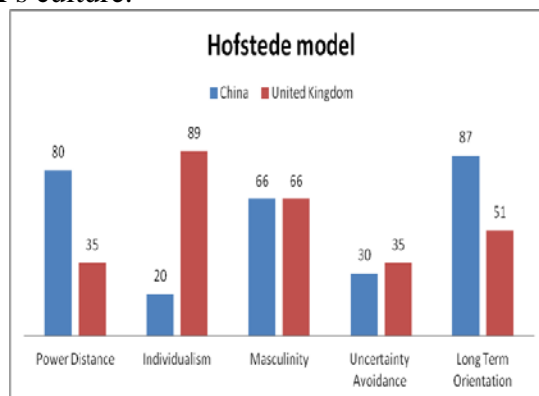


Fig.1<sup>[7]</sup>

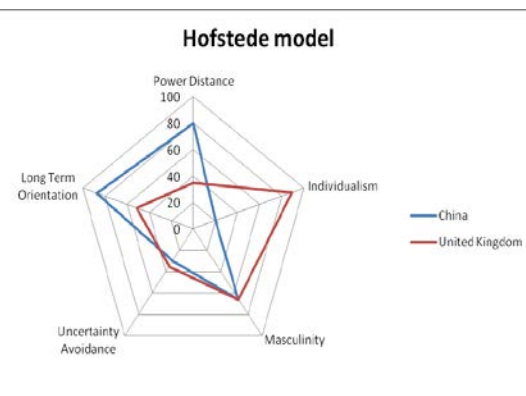


Fig. 2<sup>[7]</sup>

**Power distance**-The dimension indicates the fact that all individuals in societies are not equal. Power distance is explained the degree of accepting unequal distribution of power for these less powerful members and organisations. <sup>[6]</sup> China has a high score of 80, which means that most of Chinese people are acceptable for the situation of inequalities. It is beneficial for a company to develop leadership and initiative. However, Britain sits in the lower rankings at 35, which indicates that most of UK's people are not acceptable for the situation of inequalities. It means that a concept of fair will play a belief that people expect to be treated in some way as equals <sup>[6]</sup>. So for a China-UK joint venture, the different attitudes for the concept "equality" will be a cultural barrier in its daily communication and decision-making process.

**Individualism**-In an individualist society, people have more attention on looking after themselves and their home only. However, in a collectivist society, people have a deeper recognition for groups or teams <sup>[6]</sup>. China has a score of 20, it means that China has a highly collectivist culture, Chinese people act in the interests of the group and not necessarily of themselves. However, the UK is the highest one of the individualistic scores, at 89 <sup>[6]</sup>. It means that British are a highly individualistic people. So the big gap of the scores shows that the different cultural value for individualist and collectivist will be another challenge during the process of group work in the China-UK joint venture.

**Masculinity**-For this dimension, a high score means the society is driven by some forces, such as competition and achievement. And a low score indicates that the society is caring for others factors, for example, quality of life. China and Britain have the same score of 66, they are both masculine society. For many Chinese, they prefer to spending time on working, rather than leisure or family. There is a popular situation in China in recent years. The migrated farmer workers chose to leave their families to find better work and payment in the cities. Meanwhile, in comparison to feminine cultures such as the Scandinavian countries, people in the UK have a clear performance ambition for work and live.

**Uncertainty avoidance**-Uncertainty Avoidance means the fact that the future of a society is not easy to control and predict. This ambiguity can result in anxiety for people. China and Britain have close score, 30 and 35 respectively. It is a low score on uncertainty avoidance, which Chinese and UK's people are comfortable with in ambiguous situations.

**Long Term Orientation**-The dimension indicates how a society keeps relations with its past, when dealing with the challenges of the present and future. China has a score of 87, which shows

that it is a high pragmatic culture, Chinese people prefer to believe the truth depends very much on situation, context and time. The UK has an intermediate score of 51 in this dimension, a dominant preference in British culture cannot be determined.

From the analysis and comparison about the five dimensions of national culture. As the polar diagram (fig. 2) shows that the essay finds two big gaps from the scores between China and the UK. It indicates that there exists obvious cultural differences from the two aspects. In China, because Chinese people are acceptable for the situation of inequalities, as a result, the relationship between subordinate and superior tends to be polarized and there is no barrier against power abuse by superiors. But people are not acceptable for the situation of inequalities in the UK. On the other hand, China has a highly collectivist culture, it is a popular situation that during the process of hiring and promotions in a company, a closer in-groups relationship will get a preferential treatment. Individual relationships prevail over company and task. However, the UK has a highly individualistic culture. People try to achieve happiness through personal fulfillment. As a result, the cultural differences between China and the UK will lead to the cultural challenges for a joint venture.

### 3. Recommendations

*Training*-In a China-UK joint venture, it is easy to find that a department could be consisted of employees who are from two countries.<sup>[5]</sup> In order to have an effective cooperation, company should provide the specific training programs for its employees. The specific training programs should separate into two parts. One is cultural training, which is related to help employees to better understand these cultural differences between China and the UK, which involving in values, norms, and behaviours. Although personal cultural value of employee is not easy to be changed, organisational culture in a joint venture should encourage employees to understand different national cultures of each other. Another is language training, because for organizational communication, people are mainly to express himself through language to express ideas, concepts and facts. Language is the foundation of effective communication.<sup>[8]</sup> So it is necessary to keep a common language to communicate among the employees. English is considered as the most common language in the world. So company should encourage and train Chinese employees to study English in order to improve the communication and share information with British employees, which will lead them to success in the joint venture.

*Communication*-In a China-UK joint venture, an effective communication mechanism is important for the process of company operation. Generally, an effective communication mechanism is based on the good understanding for each culture in a joint venture. Chinese employees will always not express their individual opinions in meetings, which is different with British employees. In China, communication of information across departments is considered to be very poor, and subordinates are rarely informed by their managers of what occurs in the organisation. Senior managers have also been known to provide inappropriate information.<sup>[4]</sup> As a result, it is not beneficial for a China-UK joint venture to do smooth-running business. So company has to be very careful for these potential issues during designing the effective communication mechanism to avoid the communication of inappropriate information.

### 4. Conclusion

With the fast development of globalization, multinational companies speed up their process of internationalization with some market enter strategies. Multinationals have to face huge challenges from cultural differences around the globe, especially for a joint venture. The research discussed about cultural challenges for a joint venture which is established between China and the UK. Using the theoretical model of national cultures to analyze cultural differences and challenges between China and the UK. In addition, it is important for a joint venture to understand the relationship between national and organisational cultures. Two recommendations involving in training and communication are put forward, in order to help a China-UK joint venture to succeed.

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