



CROSS-CULTURAL COLLABORATION FOR INTERNATIONAL TRADE, AND MARKETS. CASE OF INDIGENOUS MANAGEMENT CONCEPTS

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ABSTRACT: The economic developments in the 21st century that are happening within the context of globalisation have increasingly set the focus on emerging markets. Moreover, it is expected that within the next twenty years, most of the world's growth will occur in the emerging markets (Cavusgil et al., 2013). Within this background, one market that particularly seems to gain increasing importance in the context of international trade is the People's Republic of China. Today, it is the world's second largest trading nation, and has emerged as the most important bilateral trade partner for many countries (Riccardi, 2016). Despite the unprecedented growth rates, and bi-lateral trade agreements, the importance and understanding of indigenous management practices unique to China remain largely unknown (Garg and Berning, 2017). The objective, therefore, of this paper is two-fold; the first objective is to explore the nature of culture and its role in the society. The second objective is to explore and investigate whether and how German companies' understanding of Chinese culture facilitates the trade negotiations. The paper seeks to contribute to the growing indigenous management research.

Keywords: *China; Cross-cultural collaboration; Indigenous management*

1. INTRODUCTION

The economic developments in the 21st century that are happening within the context of globalisation have increasingly set the focus on emerging markets. These markets are countries in a transition phase from developing to developed markets that are fostered by globalisation and, hence, have a rapid potential of growth. There is no specified list of

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countries that belong to emerging markets since growth indicators vary by year. In this context, the popular term 'BRIC' countries is used: Brazil, Russia, India and China - an association of major emerging markets, economically as well as politically (Cavusgil et al., 2013). Emerging markets provide many opportunities for investors of foreign countries. Since more than 80% of the world's population are located in emerging economies, they hold a massive market potential. Moreover, many emerging markets have promoted foreign investments by increased infrastructure de-velopment, the access to new technologies and support by the respective government. Within the next twenty years, it is expected that the majority of the world's growth will occur in emerging markets (Cavusgil et al., 2013). One market that particularly seems to gain increasing importance in the context of international trade is the People's Republic of China. Today, China is the world's second largest trading nation, following the United States of America, and also the world's leader in exports as well as the second in imports. It has always gained a high growth rate every year, as it is the most important bilateral trade partner for many countries (Riccardi, 2016). The Chinese market offers many chances and possibilities for foreign investors. In order to take those opportunities, it is essential to gain an understanding of the Chinese mindset (Granier, 2004).

2. STATE OF RESEARCH

Numerous publications have investigated the impact of culture on international business, especially in the context of emerging markets. There are several well-known models that measure various cultural dimensions in order to determine commonalities as well as differences between cultures. The most popular concepts include Hall's 3-Dimension model, Hofstede's 5-Dimension model, the GLOBE Study with its 9-Dimensions and Trompenaars' model with 7 Dimensions. The research will take selected dimensions of Hofstede's and Hall's models into account (Rothlauf, 2012).

In addition to concepts that merely identify cultural dimensions, there is also a vast selection of publications that consider the impact of culture on business. Many studies have investigated the impact of cultural characteristics and their implications for cross-cultural management and have covered the issue of intercultural problems in regard to Sino-German relationships in their respective publications, giving implications for German managers in regard to intercultural competence. Publications in the field of international management have also considered cultural factors and their impact on international business. In this context, several research have described the influence of culture on negotiation styles as well as customs in regard to social interactions with partners from other cultural areas.

This research builds not only on the existing models, but also incorporates two case studies to highlight the holistic perspective in this context. And after the analysis it was found that both practical cases indicate the strong influence of cultural differences on business. The behavioural patterns shown by the Chinese managers and employees allow conclusions to be drawn regarding the impact of Confucianism and the concepts of *guanxi* and *mianzi*. Also, the findings of Hofstede et al. (2010) and Hall (1976) regarding the cultural dimensions can be identified to have practical relevance that is reflected in the behaviour of Chinese. As having examined in the theoretical frame as well as in the analysis, Hofstede's dimensions power distance, collectivism vs. individualism and long-term vs. short-term orientation were found to have a considerable connection to Confucianism. The same finding applies to Hall's cultural factor of high-context vs. low-context communication. In consideration of the results, it can be confirmed that Confucianism exerts influence on the behaviour of Chinese managers and employees, and, hence, contributes to cross-cultural problems in regard to intercultural business activities.

3. RESULTS & DISCUSSION

The aim of this research was to investigate the impact of cultural differences on business between Chinese and German companies. In that regard, several sources of problems and their cultural background have been detected. The results are in accordance with the cultural dimensions that were identified in the researches of Hofstede et al. (2010) and Hall (1976). Also, a strong impact of Confucianism and its concepts *guanxi* and *mianzi* could have been demonstrated. In the analysis, not every aspect of the theoretical frame was covered due to the limited extent of the practical cases and the research project. Nevertheless, it has been found that culture has had a strong impact on the way business between Chinese and German partners had been conducted.

Furthermore, several characteristics and problems resulting from cultural differences have been examined in regard to the two practical cases. The most common problems that have been reported by the German managers particularly refer to differences in communication, conflict behaviour, decision-making as well as organising and planning. For differences in communication, the most frequent problems refer to disparities in high-context and low-context communication. Practical evidence for the preference of Chinese to use indirect and implicit communication rather than direct and explicit communication can be found. Additionally, the Chinese tendency to avoid conflicts and open criticism becomes apparent in the practical cases. In that respect, differences concerning the conflict behaviour of Chinese and German managers are demonstrated. Regarding the fields of decision-making as well as organising and

planning, the sources of conflict mainly regard the different ways of allocation of responsibilities.

In this research, practical evidence for the influence of cultural differences on business has been found. The cultural differences that have been examined in the practical cases mostly resulted in conflict situations or misunderstandings between the Chinese and German partners. It can therefore be assumed that the cultural characteristics that have been presented have a practical relevance in the Chinese business environment. Confucianism, in particular, can be examined as a cultural factor with strong impact on the way Chinese do business. In that regard, the paper can confirm the assumption that culture has a significant impact on business activities between partners from different cultural areas. As having investigated in the two practical examples, there exists a practical relevance of understanding the characteristics of the partner's culture. Disregarding those cultural characteristics can lead to problems and misunderstandings between business partners, as the two practical cases confirm. Moreover, both business sides have stressed the importance of cross-cultural understanding in order to achieve successful business co-operations with Chinese partners. In this context, the importance of cultural sensitivity can be emphasised once again.

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