

**CULTURAL INFLUENCE ON INTEGRATION OF SINO-FOREIGN JOINT  
VENTURES — A CASE STUDY OF INTEGRATION BETWEEN GUANGZHOU  
PHARMACEUTICALS CORPORATION AND ALLIANCE BOOTS**

**By**

**Deng Min**

**THESIS**

Submitted to  
KDI School of Public Policy and Management  
in partial fulfillment of the requirements  
for the degree of

**MASTER OF PUBLIC POLICY**

2008

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# **ABSTRACT**

## **CULTURAL INFLUENCE ON INTEGRATION OF SINO-FOREIGN JOINT VENTURES — A CASE STUDY OF INTEGRATION BETWEEN GUANGZHOU PHARMACEUTICALS CORPORATION AND ALLIANCE BOOTS**

**By  
Deng Min**

The rapid development of China's economy boosts the growth of Sino-foreign joint ventures. The big differences in both national culture and company culture have great influence on the Sino-foreign joint venture companies. At present, there is rising need of the solutions for the conflicts involved in joint venture integration program. Focusing on the case study of Sino-British Joint Venture – GP Corp, this research studies the cultural influence on the Sino-foreign joint venture integration program and the strategies for handling these conflicts. It is based on the Hofsted's five-dimension national culture model and Edgard Shein's three-layer corporate culture model. This longitudinal research covers three important events, launch celebration, the first board meeting and the integration project, with the last one as the focus. It uses three research methods, including participant and scenario observation, questionnaire survey and interview. The purpose is to examine the conflict patterns occurred in the integration program of GP Corp, the strategies used by GP Corp in face of each conflict pattern and the effect of these strategies in the integration process. The research found nine conflict patterns caused by cultural difference and five strategies for solving these conflicts. This research has both theoretical contribution and practical implication. It pointed out many directions for future study on the Sino-foreign joint ventures.

Key words: Sino-foreign joint venture, integration program, cultural influence

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# TABLE OF CONTENTS

<b>Chapter One INTRODUCTION</b> .....	1
1.1 Rationales for the Research .....	1
1.1.1 Personal interest and background in cross-cultural study.....	1
1.1.2 Personal experiences in GP Corp integration program.....	2
1.2 Goals and Significance of the Research .....	2
1.3 Background of the GP Corp Integration Program .....	3
1.3.1 Pharmaceutical industry in China and UK .....	3
1.3.2 Corporate profile of GP Corp .....	3
1.3.3 Corporate profile of Alliance Boots.....	4
1.3.4 Introduction about the GP Corp joint venture program .....	6
<b>Chapter Two LITERATURE REVIEW</b> .....	7
2.1 Study of Cross-cultural Management .....	7
2.2 Study of Cultural Influence on Cross-boarder Activities .....	8
2.3 Study of Cultural Integration in Sino-foreign Joint Ventures .....	9
<b>Chapter Three THEORY FRAMEWORK</b> .....	10
3.1 Hofsted’s Five-Dimension National Culture .....	10
3.2 Edgard Schein’s Three-layer Corporate Culture.....	12
3.3 Four Strategies for Cultural Integration in Joint Venture .....	12
<b>Chapter Four METHODOLOGY</b> .....	14
4.1 Participant and Scenario Observation.....	14
4.2 Questionnaire Survey .....	15
4.3 Interview.....	16
<b>Chapter Five RESEARCH FINDINGS</b> .....	18
5.1 Findings from Participant and Scenario Observation.....	18
5.1.1 Customs and habit .....	18
5.1.2 Personal relationship .....	19
5.1.3 Brand awareness.....	20
5.1.4 Public relation.....	21
5.1.5 Work language and terminologies .....	22
5.1.6 Thinking pattern and work style .....	23
5.1.7 Work process .....	25
5.1.8 Leadership style.....	27
5.1.9 Management methods.....	28
5.2 Results from Questionnaire Survey.....	30

5.2.1 Customs and habit .....	30
5.2.2 Personal relationship .....	31
5.2.3 Brand awareness.....	31
5.2.4 Public relation.....	31
5.2.5 Work language and terminologies .....	31
5.2.6 Thinking pattern and work style .....	31
5.2.7 Work process .....	31
5.2.8 Leadership style.....	32
5.2.9 Management methods.....	32
5.3 Result from Interviews with Managers and Experts of AB .....	32
<b>Chapter Six ANALYSIS OF THE RESULTS</b> .....	<b>34</b>
6.1 Analysis of the Nine Conflict Patterns .....	34
6.1.1 Influence of national cultural difference.....	34
6.1.2 Corporate culture difference.....	36
6.2 Analysis of the Questionnaire Results.....	36
6.3 Analysis of the Interview Results.....	38
<b>Chapter Seven CONCLUSION</b> .....	<b>39</b>
7.1 Conclusion and Recommendation .....	39
7.1.1 Nine conflict patterns .....	39
7.1.2 Different strategies for various conflicts .....	40
7.2 Theoretical and Practical Contribution.....	41
7.3 Limitations.....	41
7.4 Suggestions for Further Research.....	42
<b>BIBLIOGRAPHY</b> .....	<b>43</b>
<b>APPENDIX I CORPORATE STRUCTURE OF GP CORP</b> .....	<b>45</b>
<b>APPENDIX II CONFLICTS IN GP CORP INTEGRATION</b> .....	<b>46</b>
<b>APPENDIX III QUESTIONNAIRE SAMPLE</b> .....	<b>47</b>
<b>APPENDIX IV RESULTS OF QUESTIONNAIRE SURVEY</b> .....	<b>48</b>
<b>APPENDIX V INTERVIEW QUESTIONS</b> .....	<b>49</b>
<b>APPENDIX VI TEN INTERVIEWEES FROM AB</b> .....	<b>50</b>

# Chapter One

## INTRODUCTION

With the rapid development of Chinese economy, more and more foreign companies come to China to explore the big market through many ways including merge and acquisition, alliance, joint venture and so on. Joint venture is the most popular since it is the best way to combine and fulfill the strength of both sides. Moreover, it has relatively lower risk since both sides will share the benefits and risk in proportion to their capital contribution. During the recent years, there is rising need of solutions for the cultural clashes in Sino-foreign joint venture. This kind of need is within the scope of this research. The chapter of introduction explains the rationales, purpose and background of this research.

### 1.1 Rationales for the Research

#### 1.1.1 Personal interest and background in cross-cultural study

The first reason I choose this topic is due to my strong interest in cross-cultural study. People from different countries have different thinking ways, behavior pattern, lifestyle, belief and value, attitude towards time, distance, religion, nature and society. It is meaningful to study other cultures and train cross-cultural awareness to facilitate effective communication with people from different background.

Before coming to Korea, I studied business English in China, specialized in cross-cultural business communication. I took many courses related with cross-culture and business management such as cross-cultural communication, corporate culture, cross-cultural management, cross-cultural negotiation and so on. In KDI School, I also took some courses on global business management. These educations taught me comprehensive frameworks for cross-cultural study as well as research skills and methods.

Besides, one-year study in Korea with 60 students from 25 countries helped me gain a deeper understanding of cross-cultural management. Personal interest and academic background in cross-culture study determined that my thesis would concentrate on studying the impact of cultural difference and cultural clashes in global business



management.

### **1.1.2 Personal experiences in GP Corp integration program**

Fortunately, after I came back to China from Korea. I got the chance to work in the Sino-British joint venture Guangzhou Pharmaceuticals Corporation (“GP Corp”). It was converted from a state owned company into a Sino-foreign equity joint venture at the end of 2007 after three-year tough negotiation. It was created by Guangzhou Pharmaceutical Company Limited and Alliance BMP Limited with each holding 50% shares. I began working as board secretary in the company at the beginning of 2008, when the past three-year negotiation just finished and the integration project was about to start. The four month work experience gave me the opportunity to contact and interview senior management in both AB and GP Corp. Besides, I attended all of the integration meetings as interpreter. A lot of conflicts related with cultural difference were found during the integration stage.

At the first month, I was responsible for preparing the first board meeting documents and helping the company organize celebration event. Later, I was listed in the integration project team, responsible for coordinating the whole project, facilitating communication between GP Corp’s employees and Alliance Boots experts. All of the work involved the communication with foreign colleagues. It provided many precious first-hand materials for me to study the cross-cultural influence on integration process of Sino-foreign joint venture.

## **1.2 Goals and Significance of the Research**

Even though many scholars have done abundant researches on cross-cultural management, there is limited research about cultural integration in Sino-foreign joint ventures. This thesis is to examine the influence of cross-cultural difference on the Sino-foreign joint venture integration program and the approach to handle these cultural conflicts, focusing on GP Corp integration program as a case study. This case study of the Sino-British joint venture company - GP Corp aims to answer four questions. Firstly, what conflicts were caused by the cross-cultural difference in the integration program of GP Corp? Secondly, what strategies were used by managers and staff in GP Corp in face of the conflicts? Thirdly, are these strategies effective in lessening the impact of the conflicts?

This thesis is expected to bring both theoretical and practical contribution. In terms of theoretical contribution, it tests to what extent the conflicts patterns already found in other researches fit the Sino-British joint venture - GP Corp. It also tests whether the

compromise strategy is preferred in the real integration process in GP Corp. In terms of practical contribution, the systematic summary of conflict patterns can be used to guide the cross-cultural training in GP Corp, which can promote the mutual understanding and communication between GP Corp and AB. Stronger cross-cultural awareness and cross-cultural management skills will result in good cooperation, high efficiency, stable progress and successful integration.

### **1.3 Background of the GP Corp Integration Program**

To understand this research better, it is necessary to know the pharmaceutical industry in China and in UK. It is also important to understand the company profile of GP Corp and AB.

#### **1.3.1 Pharmaceutical industry in China and UK**

There is big difference between China and UK in terms of pharmaceutical industry background as well as the national healthcare and welfare system. These differences have great impact on the entry model of AB into Chinese market. At the same time, the marketing and distribution models are also very different in China and in UK. Therefore, both sides of this Sino-British joint venture company encountered many clashes in the negotiation and integration process due to so different pharmaceutical industry background.

Secondly, the pharmaceutical industry in China is still at the beginning stage of industrial consolidation, while UK has finished consolidation almost 20 years ago. At present, there are too many pharmaceutical companies in China. They are at different development stage with various scales, scope and quality. At the same time, the Chinese pharmaceutical industry is full of provincial protection policy and regional restriction. However, the pharmaceutical industry in Europe, especially in UK is well-consolidated with few district restrictions and served by limited amount of big pharmaceutical companies. Therefore, the operation models, perspective, and strategic planning in Chinese pharmaceutical companies like GP Corp are very different from that of AB. These differences make the communication and cooperation between GP Corp and AB more complex and difficult.

#### **1.3.2 Corporate profile of GP Corp**

Guangzhou Pharmaceuticals Corporation (“GP Corp”) was originally established in 1951 as a state-owned company. In December 2001, it became subsidiary of Guangzhou Pharmaceutical Company Limited. Today it is the largest distribution company in South

China with 1700 employees. On December 28, 2007, approved by Ministry of Commerce of People's Republic of China, GP Corp officially became the biggest Sino-foreign joint venture in the pharmaceutical distribution industry in China, with GPC and Alliance BMP holding 50% shares respectively. It is famous for reliable reputation, comprehensive distribution network and special service.

The vision of GP Corp is to become a company of stronger basis, more dynamism and higher international competitiveness that owns advanced management strategy and excellent corporate culture.<sup>1</sup>

The mission of GP Corp is as follows:

“-With our sense of integrity, we foster strong relations with all our suppliers and provide customers with products and services of the highest quality.

-With healthcare as our objective, we provide connections between upstream manufacturers and downstream customers including patients and hospitals. Our aim is to deliver benefits to all our stakeholders.

-With excellence as our objective, we aspire to become the top company in national pharmaceutical industry – through development of excellent products, management and service. We will catch every opportunity to stabilize our leading position.”<sup>2</sup>

The corporate value of GP Corp is: “Entrepreneurial, simplicity, Commitment, cooperation and challenge-taking”. The spirit drives all of the employees work hard towards the same objective. (www.gzmpc.com)

Its corporate management philosophy is:

“-To compete by strong ability

-To manage by high quality

-To improve by continuous leaning”<sup>3</sup>

### **1.3.3 Corporate profile of Alliance Boots**

Alliance Boots (“AB”) is a leading international pharmacy-led health and beauty group based in UK with two core business, pharmaceutical wholesale and retail pharmacy. The Alliance Boots was formed on 31 July 2006 through the merge of Alliance Unichem and Boots. The Alliance Unichem is big wholesale company with over 200-year history and Boots is famous retail company in Europe with over 200-year history. After merge, Alliance Boots has monopolistic position in Europe and even in international market. It is

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<sup>1</sup> www.gzmpc.com

<sup>2</sup> www.gzmpc.com

<sup>3</sup> www.gzmpc.com

privately owned and employs around 105, 000 people. It has a wholesale and distribution network serving more than 126, 000 pharmacies, hospitals and health centers via over 360 depots in 15 countries and a network of approximately 3100 outlets in nine countries, of which around 2800 have pharmacies. Alliance Boots operates over 500 pharmacies in Norway, The Netherlands, Thailand, Republic of Ireland, Italy and Switzerland.

The mission of Alliance Boots is to become the world's leading pharmacy-led health and beauty group with the following efforts.

“-We will seek to develop our core businesses of retail pharmacy and wholesale across the world and become a significant player in many major international markets.”

-Performance-driven, we aim to set high standards that are recognized as the benchmark by all our stakeholders, including employees, manufacturers, pharmacists, consumers and payers.

-We intend that our brand portfolio will lead the industry (Boots, Almus®, No7, Soltan, Alphega Pharmacy, Alvita™) and we aim to demonstrate unparalleled expertise in formulating, marketing, selling and distributing our own brands.

-We will create a strong shared culture and sense of identity and belonging for our team throughout the Group.”<sup>1</sup>

The purpose of Alliance Boots is to deliver products that help people look and feel their best. AB believes in making a difference and is proud of the contribution they make to the well-being of the communities they serve.

The core values at Alliance Boots are as follows:

Partnership - Includes respect, understanding and working together. We create and build value through partnerships and alliances, inside and outside the business. Together we can achieve more.

Trust - the essence of the way we do business. We are trusted because we deliver on our promises.

Service - We hold ourselves to a high standard of service that is authentic, expert and enthusiastic.

Entrepreneurship - We are innovators, seeking new challenges and having a winning spirit.

Simplicity - We're proud of being lean and efficient, uncomplicated and easy to do business with<sup>2</sup>

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<sup>1</sup> [www.allianceboots.com](http://www.allianceboots.com)

<sup>2</sup> [www.allianceboots.com](http://www.allianceboots.com)

### **1.3.4 Introduction about the GP Corp joint venture program**

This joint venture program resulted from three-year tough negotiation between GPC and Alliance BMP Limited. GPC used to own 96.99% equity in GP Corp. Alliance BMP Limited offered RMB545 million to buy 50% equity in GP Corp with AB contributing 80% and BMP Ltd. contributing 20%. The joint venture contract was signed on January 17, 2007. On December 27, 2007, it got the approval from Ministry of Commerce in China and the GP Corp became the largest Sino-foreign joint venture company in pharmaceutical distribution industry in China with total capital around RMB1.09billion.

There are eight board directors in GP Corp with two from GPC, two from GP Corp itself, three from AB and another one from BMP. The board of directors appoints the senior management in GP Corp, which composed of one president, three vice-presidents, one finance director, and one trade union chairman.

The press conference to launch the joint venture – GP Corp was held in the morning of 26 February, 2008. In the afternoon of the same date was the first board meeting of GP Corp. I took part in the whole event organization being responsible for all the communication activity with foreign delegates. At the same time, I was responsible for preparing documentation and interpretation for the first board meeting. All of the activities helped me gain better understanding about GP Corp joint venture and offered a lot of useful first-hand materials for this research on cultural influence on Sino-foreign joint venture integration.

Since the beginning of March 2008, the integration project has started with more detailed work to be done through both sides. It is the transition period when people from GP Corp and AB would have face to face contact in daily work. The corporate culture of GP Corp maybe changed due to the influence from AB. Integration Director from AB, Simon Edwards, and another project manager from GP Corp guide the whole integration project. There are eight integration teams, including corporate planning team, product introducing team, international sourcing team, logistics development team, retail support team, communications team, stock control team and finance governance team. Each team, led by the corresponding department manager in GP Corp composed of staff from GP Corp and one or two experts from AB.

## **Chapter Two**

### **LITERATURE REVIEW**

Before starting the research, it is important to review the relevant literatures regarding cross-culture management and cultural influence on cross-business activities, especially on Sino-foreign joint ventures. Actually, the increasing diverse international business activities drove the research development in cross-cultural management, which became more complex, meaningful and multi-dimensional. Reviewing the related journals over last three decades, this chapter summarizes three important development stages of the cross-cultural management study. The end of this chapter points out the contribution of this thesis in developing the study on cultural integration in Sino-foreign joint ventures.

#### **2.1 Study of Cross-cultural Management**

At the initial period, the cross-cultural management studies focus on people who were sent to operate across different societies especially managers dispatched to other regions from headquarter of multi-national companies. At this stage, the cross-cultural management focused on helping those managers increase cross-culture awareness and provided much information of other cultures through comparison study. Hofsteds's works was one of the earliest attempts to use extensive statistical data to examine cultural values. He surveyed hundreds of workers in multinational organizations in fifty countries and three regions. He pointed out five value dimensions (individualism, uncertainty avoidance, power distance, masculinity-femininity, long-term/short-term orientation) and ranked each country and region in these five dimensions (Samovar & Porter, 2004). The rankings provided a good tool for cultural analysis and comparison.

Later, the cross-culture management study focused on the culture compromise activities in the multinational work teams. It involved more mutual reaction and cooperation among team-members from different cultural backgrounds. Earley and Masakowski proposed the theory of the hybrid culture as an attempt to capacitate transnational teams as facilitators of group interactions. The model of hybrid team culture represents a “pattern of intervening constructs”, which depends upon the individual and

mutual perceptions of the team members. The author tested the model through the homogeneity and heterogeneity of team members taking part in group decision making. They concluded that a highly heterogeneous team outperforms a moderately heterogeneous team over the long term (Earley & Masakowski 2000).

More recently, the study on cross-cultural management was developed to the organizational integration. There has been heated discussion about localization and globalization with the growing globalization activities. The explosion of various cross-boarder business activities generated another branch in cross-culture management, cultural integration in cross-boarder activities.

## **2.2 Study of Cultural Influence on Cross-boarder Activities**

Cross-border mergers and acquisition (M&A), Joint ventures (JVs) and alliances have grown explosively during the 1980s. These internationalization modes have grown most rapidly in Europe and in the US. Modern researchers have devoted a lot of time to the impact of company culture in M&A, JVs and alliances. The decision of entry mode appears to be significantly affected by both the country of origin and the culture of the firm. A number of studies have found that firms in Europe are most likely to engage in Joint Venture activity overseas than are American firms. A study was made by two Americans, Kogut and Singh, which proved that there is a clear link between national culture and entry mode (Morosini, 1998). In addition, many studies have demonstrated the culture's influence on the performance of M&A, JVs and alliances. According to Gancel, Rodgers and Raynaud, the authors of the book named *Successful mergers, acquisitions and strategic alliances-how to bridge corporate cultures* (2002), the culture issue is very complex to deal with. It is possible to mix culture at a person level, but when it comes to a bigger group of people, the cultural integration is much harder to cope with. That is why companies, which join and become global, may have problems with cultural difference.

As a result of research, the concept of cultural integration of M&A was put forward. Some companies benefit from cultural integration in cross-boarder M&A, such as GE. It is necessary to understand the mechanism of cultural integration of cross-boarder M&A. It is a fact that cultural differences are more likely to destroy an ongoing cooperation than are market issues. According to Morosini (1998), the most common reasons for merge failures are listed below:

- Lack of shared vision
- Leadership clash

- Inadequate integration planning
- Exclusive focus on cost savings
- Cultural mismatch
- Low management commitment
- Failure to manage customer attention
- Unclear financial case
- Poor communication

More and more enterprises pay much attention to these differences and conflicts.

### **2.3 Study of Cultural Integration in Sino-foreign Joint Ventures**

As early as 1990s, many Chinese scholars in cross-culture management have begun their research in the cross-culture management in Sino-foreign joint ventures. The model of Common Management Culture – CMC was put forward by Yu Wenzhao (Yu, 1996) and was applied to the Shanghai Volkswagen Company – The earliest Sino-foreign joint venture company in automobile industry. After entering the 21 century, more researchers study the cross-cultural influence in the Sino-foreign joint venture. It was encouraged to make use of the cultural difference to complement each other in the cross-boarder activities. It is important to have good communication, coordination, motivation, adaptation and reform (Wang, 2002). Wu Min and Li Wei established eight steps in cross-cultural management in the Sino-foreign joint ventures. Cultural analysis should be carried out to see what kind of management ways and company cultures are appropriate before starting cultural integration program. It is also necessary to have feedback system to keep track on the cultural integration program and improve continuously (Wu, 2002). Besides, some researchers analyzed the conflict in Sino-foreign joint ventures from values, systems, operation models, thinking way, etc. (Ye, 2004). Some researchers analyzed the different models in handling the cultural conflicts in the Sino-foreign joint ventures, including beyond, compromise and synergy (Tao, 2003).

These literatures related with cross-culture integration in Sino-foreign joint ventures analyzed the common conflict pattern and recommended strategies for joint venture enterprises, but it did not study how each strategy is used in respect of each conflict pattern. Therefore, this thesis will study the conflict patterns in the Sino-British joint venture – GP Corp and then analyze how each strategy is used for each conflict patter.



## **Chapter Three**

# **THEORY FRAMEWORK**

The cultural differences, including national culture and corporate culture have influence on the integration program of the Sino-foreign joint ventures. Hofstede's Five-dimension National Culture Index Model analyzed the fundamental characteristics of Chinese and UK national culture and justifies the conflicts patterns in the GP Corp integration program. Edgard Shein's Three-layer Corporate Culture Model serves as framework to analyze the conflict patterns in different levels and justifies the difficulty degree in solving these conflicts. In addition, this research created five different strategies based on the four strategies for cultural integration in cross-boarder business activities raised by Zhanwen Zhu and Haifeng Huan. The five strategies were put in the questionnaires as choices. These cultural theories and cross-culture management theories constitute the theoretical framework for this research.

### **3.1 Hofsted's Five-Dimension National Culture**

Dutch anthropologist Geert Hofstede has conducted a comprehensive study on how values in the workplace are influenced by culture. From 1967 to 1973, while working at IBM as a psychologist, he collected and analyzed data from over 100,000 individuals from forty countries. From those data analysis results, and later with additions, Hofstede developed a model that identifies four primary dimensions to differentiate national cultural traits. He added the fifth (5th) dimension after conducting an additional international study using a survey instrument developed with Chinese employees and managers. That survey resulted in an addition of a new dimension--the Confucian dynamism (Samovar and Porter, 2004). Subsequently, Hofstede described that dimension as a culture's long-term orientation. Hofstede's five work-related cultural dimensions are:

Power Distance Index (PDI) focuses on the degree of equality, or inequality, between people in the country's society. A High Power Distance ranking indicates that inequalities of power and wealth have been allowed to grow within the society. These societies are more likely to follow a caste system that does not allow significant upward

mobility of its citizens. A Low Power Distance ranking indicates the society de-emphasizes the differences between citizen's power and wealth. In these societies equality and opportunity for everyone is stressed.

Individualism (IDV) focuses on the degree the society reinforces individual or collective, achievement and interpersonal relationships. A High Individualism ranking indicates that individuality and individual rights are paramount within the society. Individuals in these societies may tend to form a larger number of looser relationships. A Low Individualism ranking typifies societies of a more collectivist nature with close ties between individuals. These cultures reinforce extended families and collectives where everyone takes responsibility for fellow members of their group.

Masculinity (MAS) focuses on the degree the society reinforces, or does not reinforce, the traditional masculine work role model of male achievements, control, and power. A High Masculinity ranking indicates the country experiences a high degree of gender differentiation. In these cultures, males dominate a significant portion of the society and power structure, with females being controlled by male domination. A Low Masculinity ranking indicates the country has a low level of differentiation and discrimination between genders. In these cultures, females are treated equally to males in all aspects of the society.

Uncertainty Avoidance Index (UAI) focuses on the level of tolerance for uncertainty and ambiguity within the society - i.e. unstructured situations. A High Uncertainty Avoidance ranking indicates the country has a low tolerance for uncertainty and ambiguity. This creates a rule-oriented society that institutes laws, rules, regulations, and controls in order to reduce the amount of uncertainty. A Low Uncertainty Avoidance ranking indicates the country has less concern about ambiguity and uncertainty and has more tolerance for a variety of opinions. This is reflected in a society that is less rule-oriented, more readily accepts change, and takes more and greater risks.

Long-Term Orientation (LTO) focuses on the degree the society embraces, or does not embrace long-term devotion to traditional, forward thinking values. High Long-Term Orientation ranking indicates the country prescribes to the values of long-term commitments and respect for tradition. This is thought to support a strong work ethic where long-term rewards are expected as a result of today's hard work. However, business may take longer to develop in this society, particularly for an "outsider". A Low Long-Term Orientation ranking indicates the country does not reinforce the concept of long-term, traditional orientation. In this culture, change can occur more rapidly as

long-term traditions and commitments do not become impediments to change.

### **3.2 Edgard Schein's Three-layer Corporate Culture**

According to Edgard Schein, we cannot understand organizational learning, development and planned change, unless we consider culture as the primary source of resistance to change. Furthermore, if managers do not become conscious of the cultures in which they are embedded, those cultures will manage them. Cultural understanding is desirable for everybody, but it is essential for leaders if they are to lead. With his Three Levels of Culture, Edgard Schein has made an important contribution to defining what organizational culture actually is.

Schein divides organizational culture into three levels:

-Artifacts: those aspects (such as dress) which can be easily discerned such as dress, brand designs, architectures, etc.

-Espoused Values: conscious strategies, goals and philosophies, management procedures, systems, code of conduct, etc.

-Basic Underlying Assumption: core of corporate culture, values, the nature of humans, human relationships and activity, reality and truth.

In his 1992 classic book *Organizational Culture and Leadership*, Schein defined the culture of a group: "A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems".

In a more recent publication in 1996, Schein defined organizational culture as: "the basic tacit assumptions about how the world is and ought to be that a group of people are sharing and that determines their perceptions, thoughts, feelings, and their overt behavior".

### **3.3 Four Strategies for Cultural Integration in Joint Venture**

The Chinese scholar Zhu Zhanwen and Huang Haifeng put forward four strategies for cultural integration in the cross-border business activity. According to them, cross-boarder business activity is a process to coordinate diverse cultures and make them mutually exist and develop within an enterprise (Zhu, Huang, 2007). However, cultural integration is not as simple as merging all the different cultures into one, but a process to form a new multi-national corporate model by selecting, absorbing, and integrating cultures. Cross-cultural management is an effective method of realizing the cultural

integration of cross-board business activities including M&A, JVs and alliance. Establishing new culture after M&A or JV is the amalgamation of different cultures and need not have the cultural imprint of a certain country or nationality. There are four models of cross-culture integration to resolve cultural difference. (Zhan, Huang, 2007)

Localization strategy: It refers to when each subsidiary of the company located in other regions or nations is regarded as an independent entity so that the strategy and decision of the subsidiary can be made according to the local conditions. The parent company's operating model is not imposed on the subsidiary. Rather, the management policy is made according to local conditions. When the company is recruiting managers or other staff, there is little consideration given to their nationality or where they come from. The parent company respects the local culture and benefits from the localization strategy

Transplanting culture of the parent company: In this model, parent company appoints people managers for this target company in order to guarantee communication between parent and subsidiary. The parent company supervises and controls the subsidiary. As a result, the former can transplant its culture into the later and gradually get the local staff to accept its culture.

Cultural innovation by integration: In this model, the culture of parent and subsidiary company coexist; a new culture and management patterns are formed through the integration of the two cultures. Culture innovation can maximize the cross-cultural advantage.

Evasion tactics: In this model, when there is a tremendous cultural gap between the parent and subsidiary companies, it is necessary for the manager appointed by parent company to avoid the key cultural difference. Under this circumstance, the third party shall be asked to bridge the gap between two the cultures. However, this model does not address the problem and has considerable limitations.

Based on the above-mentioned four strategies, this thesis created five strategies in the questionnaire survey. The localization strategy was correspondent with "to keep Chinese way"; the transplanting strategy was replaced with "to learn from AB"; the cultural innovation strategy was split to "mutual adaptation" and "cultural compromise"; the evasion strategy was equivalent with "to avoid". These new terms for the five strategies were used in the questionnaire survey of this research.

## **Chapter Four**

### **METHODOLOGY**

This case study is based on author's work experience in GP Corp when the company is going through a joint venture integration process. On one hand, it is a longitudinal research by participant and scenario observation during the whole integration process of the Sino-British Joint Venture - GP Corp for four months, on the other hand, it is a cross-sectional research by doing a questionnaire survey and interviews to get people's opinions on conflicts patterns and solutions. Participant and scenario observations were used to find out the conflict patterns involved in the integration program of GP Corp. Questionnaire survey was used to confirm these conflicts and reflect how managers and staff in GP Corp reacted to these conflicts pattern. Interviews with managers and experts from AB were used to get their opinion about the integration progress and their comments on the action of GP Corp.

#### **4.1 Participant and Scenario Observation**

Working as board secretary and being the only employee majored in business English, I had the chance to be an important member of the integration program of GP Corp. The observation mainly covers three activities, namely, celebration event, the first board meeting and integration project. The conflicts or clashes reflected in these occasions are typical and representative for the conflicts in the whole joint venture program of GP Corp. Actually, GP Corp and AB needed to have pre-discussion and agreement before starting the three activities. The author worked as interpreter in all of the meeting and activities, so it was easy to observe the conflicts when both sides were talking with each other face to face.

The first activity was to arrange celebration ceremony for the JV launch held on Feb. 26th, 2008. The brand manager from AB came to China to discuss with counterpart in GP Corp about the event preparation and schedule. I was the interpreter during that meeting. It could be found that national culture difference exerted great influence on their opinion for venue decoration, company brochure design, timetable setting and communication strategy

with media.

The second activity was the first board meeting. I was responsible for preparing and translating board meeting documents. I also attended the first board meeting as interpreter. During the meeting, it could be found that Chinese and westerners really had big difference in meeting schema, communication skills, presentation manner and thinking patterns.

The last activity is the integration project, which needs people from GP Corp and AB to work together for the same objective. During the integration period many clashes happened between the experts from AB and Chinese counterpart due to the differences in national culture and corporate culture.

Throughout the whole observation process, I followed the principle to make sure the observation and the record as objective, reliable and valid as possible. All of these observation results will be elaborated and analyzed later in the thesis.

## **4.2 Questionnaire Survey**

The questionnaire survey was used in this research to confirm these conflicts and reflect how managers and staff in GP Corp reacted to these conflict patterns found by the author's observation. The questionnaire was designed for three purposes. Firstly, it was to check whether GP Corp staffs felt the conflicts during integration work with experts from AB. The questionnaires included the nine conflicts patterns, which are based on the participant and scenario observation. The survey respondents needed to confirm which conflicts happened in their integration work. Secondly, it was to get their opinion on the difficulty level of solving these conflicts. The surveyed people were asked to rank the nine conflicts patterns in the order of difficulty level. The result showed which conflict pattern was the most difficult to be solved and which could be solved very easily. Thirdly, it was to see what kind of strategy was adopted when GP Corp staff encountered each conflict pattern and to confirm whether the compromise theory was applicable to all integration clashes? The surveyed needed to tell what strategy they used in respect of each clash.

To realize the three purposes, the survey population was limited to 40 GP Corp staffs, who were members of 8 integration teams respectively. All of them are the most experienced staff in each department and were selected to be responsible for the integration team correspondingly. In each integration team, one or two experts from AB were designated for helping GP Corp. Therefore, during the integration work, these staffs had personal experience of the integration clashes and cultural influence on the integration

program. The questionnaire questions included nine conflict patterns, four variables and five strategies, which are displayed in the Excel format in appendix III. The surveyed were required to choose whether or not he has encountered any conflict patterns and to prioritize the conflict patterns according to the difficulties level of being solved. A rank result will be filled at “Rank Result” column. Finally, the survey respondents were required to fill in the strategy they used in respect of each conflict pattern. The questionnaires were distributed in printed version and were collected after three days. Number of people and percentage were counted for each measurement index.

### **4.3 Interview**

In order to see whether these strategies taken by GP Corp were effective, the author interviewed managers or experts from AB to get their opinion about the cultural integration progress and their comments on the reaction of GP Corp side. The interviewees from AB include the Executive Chairman, General Counsel, Finance Director, Integration Director, Corporate Development Director, Financial Analyst Far East Asia Outsourcing Director, Manufacturer Relationship Director, Brand Manager and Communication Director (See Appendix VI).

All of the interviewees have worked in AB for over 10 years and have done many other cross-cultural integration projects in AB, so they have good understanding about corporate culture and cross-culture management. They were the witnesses of the joint venture program and core members for designing the future development plan of GP Corp, so they also had personal feeling towards the conflicts patterns in the integration program in GP Corp. The interview with these key people could examine whether GP Corp did well in handling the conflict patterns and whether GP Corp adopted right strategy in face of these conflicts.

The interview included 6 questions, all of which were open questions. The first question was “Did you encounter any cross-cultural conflicts during the GP Corp integration program?” The second question was “Which conflicts are the most difficult to be solved?” The third question was “What do you think of the role of GP Corp and AB in the whole integration program?” The fourth question was “How do you think of the strategies used by GP Corp in face of these conflicts?” The fifth question was “How do you view the progress of the integration program?” The sixth question was “What are your suggestion and expectation for the integration program?” (See Appendix V)

I worked as interpreter for all of the related work meetings with these managers and

experts from AB. Therefore, I had the chance to have face-to-face interviews with them and each interview took around 20 minutes to 30 minutes. All of the interviewees were very happy to share with me their experience and gave their opinions on this cross-cultural integration program in GP Corp.



## **Chapter Five**

### **RESEARCH FINDINGS**

This research covered three important activities of the joint venture: celebration event, the first board meeting and integration project. Three research methods used in this research, namely, the observation, questionnaires and interview, had obtained the expected result respectively. This chapter contains three parts. Part 1 describes the nine conflicts patterns in the GP Corp integration that were identified through participant and scenario observation. In part 2, the result of the questionnaire survey confirmed these conflicts and reflected how managers and staff in GP Corp reacted to these conflicts. Part 3 describes the findings of the interviews with managers and experts from AB, which were their opinion about the cultural integration progress and their comments on the reaction of GP Corp side. The results and findings from the three research methods are elaborated in detail one by one.

#### **5.1 Findings from Participant and Scenario Observation**

According to Edgard Schein's three level of corporate culture model, out of the nine conflicts patterns the artifacts are the easiest to be solved and clashes related with management methods and values are the most difficult to be solved. The conflicts patterns are listed in the order of difficulty level in solving these conflicts.

##### **5.1.1 Customs and habit**

###### ***5.1.1.1 Meal arrangement***

In China, there is a famous saying that it is good for health to fix the time, place and amount of three meals every day. Therefore, it is natural to think of having a good lunch or dinner after work. Usually, Chinese people have lunch in the company's cafeteria. Besides, if there is business dinner to be arranged, usually the hosts and guests will go together to restaurant after one day meeting. However, in UK, it is totally different. Therefore, both people from GP Corp and from AB experienced cultural shock when they visited each other. When managers of GP Corp visited AB headquarter in UK during JV negotiation

period in 2006, only Sandwiches were provided as lunch in the company and there was no time for noon nap at all. The business dinner was arranged at 8:00pm, although the whole day negotiation had already finished at 6:00pm. The Chinese managers were not used to this kind of arrangement at all. Staff from AB also experienced similar shock when they visited GP Corp. They told me that usually in UK, they had no big lunch but just sandwiches in the company. Besides, it is popular to give guests two hours before dinner gathering so that guests have time to arrange the notes taken during meeting in day time.

#### ***5.1.1.2 Greeting ways***

Another difference is in greeting ways. According to my real experience in GP Corp, it is customs of British people to shake hands with business partners no matter it is in business meeting or meeting in airport, no matter it is first meeting or second meeting, no matter it is handshaking with woman or man, no matter this person is leaders or subordinates. If meeting in the morning, they would like to say “good morning” but not just simple “hello”. After the meeting finished, they would like to say “Thank you very much” while shaking hands. However, it is not a habitual etiquette in China, except in the first formal meeting. Usually, in China, handshaking only happen in formal occasions between people not so familiar with each other. Therefore, in almost all of the meetings, it was people from AB to initiate handshaking. As far as managers from GP Corp are concerned, they think they already know well people from AB after so many meetings and handshaking makes them feel very formal but not personal.

### **5.1.2 Personal relationship**

#### ***5.1.2.1 Way of being addressed***

People in AB like to be addressed with first name after the first meeting, no matter between leaders and subordinates or between colleagues at the same level or between business partners. If *Mr/Mrs/Miss* is needed, *Ms* is preferred for ladies when the age and marital status is not clear. However, in GP Corp, it is accepted way to address leaders with Title or Family name plus Title. If between colleagues at the same level, the way to be addressed is decided by seniority. The elder addresses the younger with 小 (“little”) plus the family name or sometimes plus given name. The younger call the elder given name plus 姐 (“sister”). If at the similar age, they address each other with 阿 (Similar to case in Hongkong) plus given name or just given name. People from AB can not understand why the younger can call the elder “sister” in office, since they are just colleagues. GP Corp staff also feels impolite to call elder colleagues with full name or just given name.

### ***5.1.2.2 Communication skills***

Apart from the different ways of being addressed, the communication skills are also different. As the interpreter for all of the integration work meetings between AB and GP Corp, I noticed that different communication skills affected the meeting result. People from AB are direct and open. When they are commenting the work result, they think it is only about work itself but not personal attack. The direct communication can solve the problems more efficiently. However, the Chinese staffs in GP Corp value “face” very much and use indirect way in communicating each other. They felt embarrassed when the foreign experts pointed out the problem in their work too directly. Some staff from AB told me that they always needed to guess the real purpose implied in the comments made by GP Corp representatives. A lot of the interviewees had the same comment that communication skill was an important factor in dealing with the conflicts incurred in the integration program.

### **5.1.3 Brand awareness**

#### ***5.1.3.1 Awareness of brand management***

AB, as a world leading pharmaceutical company, has complete brand management system and strategy, but GP Corp has relatively weaker brand awareness. It could be seen from the meeting about the design and arrangement of JV launch event. Before consulting with experts from AB, there was limited logo presence in the venue design proposal made by GP Corp. Experts from AB pointed out two important tips. Firstly, a lot of spaces in the venue decoration could be used to present the logo, such as the lecture table, the lower part on the platform board, the tools used on the entertainment performance platform, etc.. Secondly, it also effective to put the logo on the gifts prepared for guests, such as pen, mouse mat, notebooks, tea-containers, gift-bags, etc..

However, when GP Corp presented the logo as AB suggested, the designed products were rejected by AB again, because they did not comply with the AB Brand Management Guideline. It is stated in the guideline that its logo can not be presented on the red background, but it is Chinese customs to use red color in celebration ceremony. Therefore, there was a real conflict, which would need GP Corp to change the color of its gift-bag and venue decoration, otherwise, AB needs to change its brand promotion proposal. The final solution for this conflict is that GP Corp changed the color of gifts bag but keep the venue decoration color. AB put logo on the gift-bag and used another white vertical board besides the platform for logo presence.

#### ***5.1.3.2 Understanding of trademark license***

AB already registered the brands “Alliance Boots” and “Alliance Healthcare” in China, but only the brand “Alliance Healthcare” is licensed to be used by GP Corp. Therefore, it is illegal to have “alliance boots” appear on the stationary items of GP Corp or on the PPT templates, not to mention the other unauthorized use of the brand. However, the most impressive conflicts happened on the integration meeting held on March 18, 2008.

That meeting was about how to improve the operation of Jianmin Pharmacy (Subsidiary of GP Corp). The manager of jianmin pharmacy mentioned the proposal to sell Boots products to expand the business. According to his proposal, some pharmacies could be redecorated to sell Boots beauty-care products. He suggested to name the stores as 健民博姿 (“*Jianmin Boots*”) and showed his design of the new logo. Upon seeing the proposed design, the Integration Director from AB, Simon Edwards, got shocked and felt funny, immediately saying “Absolutely no”. He said: “It is definitely illegal to use the brand Boots in this way. I hope it will not be seen by the boss”. Then, he whispered to me “If I were him, I will burn it in case it will be seen by others.” The funny but serious scenario again reminded GP Corp as well as its subsidiaries the importance of brand awareness and brand management.

#### **5.1.4 Public relation**

##### ***5.1.4.1 Website design***

Website is one of the items that belong to first stage work of the integration project. The different understanding of website design turned to be another conflict between GP Corp and AB.

GP Corp undervalued the role of website for company development in the E-commerce business age and did not pay much attention to its design. GP Corp website is only in Chinese. It includes the simple information about company profile, corporate culture and contact ways. There are limited introductions about its product and services. Even the contact ways is without country code. This kind of website is not functional for developing business in world market.

The website of Alliance Boots is more informative, functional and comprehensive. It covered the company profile, business and service introduction, press release, company management policy and so on. It also provided the links to all of its subsidiaries, joint ventures, alliance, branches, etc.. AB also keeps the website style consistent with its company culture through color, pictures and design. According to expert from AB, website

is the most effective and low cost communication channel with stakeholders, including customers, manufacturers, media, etc. In the meeting about IT department improvement, AB experts pointed out “It is very important to think about the targeted visitors, purpose and effects of the website before you start changing the website.”

#### ***5.1.4.2 Public relation strategy***

In GP Corp, the Office Department is responsible for internal and external communication with more focus on internal communication. Actually there are only two staff in this office, whose main job is producing monthly company newspaper and updating company website. GP Corp was not so active in using media as effective PR channel. The external communication with media is still very traditional. It even had never thought about the communication strategy with media. This is also why AB, which has professional PR teams, arranged one seminar with GP Corp to discuss about PR strategy.

Compared with GP Corp, AB had strong PR awareness and is very professional in dealing with relationship with media. It had very good long-term relationship with a PR company in Hong Kong, who produced complete briefing book about PR strategy of the JV launch celebration event. It included PR strategy, key message, interview questions, overview of Chinese and foreign media landscape, media challenges and hints in dealing with Chinese media. The different understanding about communication strategy with media causes conflicts in the integration project, but GP Corp already realized its weakness in this aspect and decided to learn from AB.

### **5.1.5 Work language and terminologies**

#### ***5.1.5.1 English vs. Mandarin vs. Cantonese***

GP Corp is located in Guangzhou with majority of the employees coming from Guangdong Province. Therefore, Cantonese is the main working language in the company. Since I am not good at Cantonese, it is decided to use English and Mandarin during meeting with AB. However, when people from GP Corp have discussion with each other in the meeting, they would speak Cantonese naturally. They needed to repeat in Mandarin again so that I could translate for AB. As a result, on one hand, it wasted much time. AB representatives want to get information translated simultaneously. On the other hand, it led to loss of information conveyed in Cantonese. To some extent, the different work languages affect effective communication between GP Corp and AB.

#### ***5.1.5.2 Unit for accounting and measurement index***

In daily work, the different unit and measurement index also caused a lot of trouble.

Take finance as an example, in China, it is popular to use 万 (ten thousand), 百万 (million) and 亿 (100million), while in UK, it is popular to use thousand, million and billion. Therefore, all of the figures in financial statement of GP Corp need to be regulated before making financial report to AB. Another example is in logistic development. AB and GP Corp used different measurement index for logistics system appraisal, which caused trouble for experts from AB in analyzing problems in the existing logistics status. Other functional departments also encounter the differences in terms and measurement index. It took some time to overcome such technical conflicts.

### ***5.1.5.3 Understanding about some words***

Besides, different understanding of some words also affects the integration project. The typical example happened in the first board meeting. In the *Proposal on Compensation of Senior Management*, it is stated in Chinese version that “2008 年总裁年薪 \*\*元”. Likewise, it is stated in English version that “the year 2008 annual salary for president is RMB\*\*”. It seems equivalent in the literal translation, but the real meaning depends on the compensation mechanism in UK and in China. The Board Director from AB wanted to make it more clear and then asked “Does this annual salary figure include bonus?” Unfortunately, the word “bonus” in his question is different from its Chinese equivalence 奖金, because the word 奖金 contained several meaning according to the compensation mechanism of GP Corp. Therefore, different meaning of some words in Chinese and English language caused conflicts in negotiation, as one interviewee said: “Sometime, you think foreigners have understood your real meaning, but actually not at all.”

Another example is in the third integration project meeting held on 18 March, 2008. Experts from AB pointed out “It is very important to provide customers best services.” Managers from GP Corp replied “we are trying to offer the best services for customers”. That expert explained that actually there are different understandings about the best service level. There are such differences in the same words used by GP Corp and AB, which caused a lot of misunderstanding between each other. Some interviewees had the same feeling: “The best way to solve this conflict is to use figures and graphs for explanation.” During the interview, some experts from AB also indicated that they will respect Chinese way, since they understand it can not be changed suddenly.

## **5.1.6 Thinking pattern and work style**

### ***5.1.6.1 Vision and perspective***

Different visions and perspective for the company development also cause a lot of conflict in the integration process. Firstly, AB, as an international pharmaceutical company with presence in over 15 countries, has strong sense of globalization, which can be reflected in its communication strategy, management system and company development strategy. However, the present target of GP Corp is to gain more market shares in South China. Its international business is limited to import and export business. Therefore, it is weak in international vision and perspective. This is also why experts from AB emphasized “GP Corp must have clear vision before making its business plan. Otherwise, it will result in inefficient resource allocation or inadequate resources for company development plan”.

Another difference is in the perspective of integration project. As far as GP Corp is concerned, the present integration project is targeted in GP Corp headquarter. The only integration team that is related with its subsidiaries is financial control team. Even in financial report, the finance department of GP Corp just added the financial figures of subsidiaries without consolidated analysis. However, AB has totally different expectation for this integration project. In their perspective, it is not only targeted at GP Corp headquarter but also includes GP Corp’s subsidiaries. Therefore, GP Corp needs to consolidate financial report of headquarter as well as its 7 subsidiaries. Regarding the logistics development plan, GP Corp also needs to consider the problems in logistics of its subsidiaries and then make a comprehensive logistics improvement plan. These kind of different perspectives caused conflicts in execution of the integration plan and preparation of the three-year business plan.

#### ***5.1.6.2 Understanding about the joint venture program***

The different understanding about the joint venture program also caused some conflicts between shareholders. Since GPHL is the parent company of GP Corp, GPHL plans to initiate another cooperation program with AB following the good result of the joint venture program GP Corp. The new cooperation program is related with Traditional Chinese Medicine, which is of great potential for both sides. However, both sides have different understanding about the joint venture program and used different ways to deal with the new cooperation program, which resulted in some conflicts and blocked the negotiation process. As far as GPHL is concerned, it hoped to get basic agreement on the new cooperation program by taking advantage of the JV launch celebration. Therefore, it is arranged to sign the MOU for the TMC cooperation program during the celebration dinner held on Feb. 26. However, AB regards the TCM cooperation completely separate

from the GP Corp JV program. The TCM cooperation program should start with a complete program structure and work process. As a result, AB felt being pushed by GPHL and got very angry on this issue. When they told GPHL that they can not sign the MOU of the TCM program on the JV celebration event, GPHL also got irritated. The different understanding about the program and the way to negotiate the TCM cooperation project caused trouble for both sides.

#### ***5.1.6.3 Presentation style***

The most obvious conflict between AB and GP Corp is in reflected in presentation style. No matter it is the three-year business plan or report made by each integration project team, AB required GP Corp to give figure-based or facts-based information but not just general description. For example, when the experts from AB analyzed the problems in the existing logistics system of GP Corp, they need GP Corp to fill out the accurate measurement index documents. When marketing and sale department made report, AB provided Business Strategy Framework for GP Corp to collect figures-based information accordingly. When supplying and purchasing department manager reported the percentage of GP Corp sales for MNC out of the total sales revenue of MNC across China, experts of AB pointed out “It is also important to know the percentage of GP Corp sales for MNC out of the total sales revenue of MNC across Guangdong province, because GP Corp needs to get as large share as possible in Guangdong province. For other regions, it needs Acquisition Project to realize it.” It can be seen that AB is more logical, direct and accurate in their presentation and thinking, while GP Corp is more indirect, abstract and general.

#### **5.1.7 Work process**

In the first integration project meeting, the Executive Chairman of AB commented: “In our company, we like to spend more time in thinking before carrying out the plan.” Manager of GP Corp showed agreement with one Chinese proverb “Think twice before action” However, there are difference between GP Corp and AB regarding what to think and how to think.

##### ***5.1.7.1 Understanding about business framework***

In AB, there is already complete well-structured work process and systems. For every new project, they will think about mission, objective and strategy first. The next step is to complete the project documentation, which includes four stages, namely, initiate, plan, execute and review. Scientific research is carried out before designing plans and proposals. The last stage, review, is also very important in the whole project. However, GP Corp does



not have enough project management experience and have no complete documentation template over the whole project. It is common way in GP Corp that the project starts with immediate action after the leader gives order. Limited attentions were given to the whole project structure, the risk analysis and the review stage. Therefore, it was very common that the problems at the end of the project are left there for long time without any care from any department.

#### ***5.1.7.2 Understanding about benefits and cost Analysis***

Another important feature is that AB does benefit and cost analysis for every project, which is very rare in GP Corp. As the Integration Director of AB, Simon Edwards said: “We start every project with benefit and cost analysis before we give proposal to the boss for decision-making. Without this analysis, it is not clear about the project objective, benefits to the company, costs and risks.” However, it is different in GP Corp. Even though, managers in GP Corp also have analysis of benefit and cost before making investment, the analysis is not so complete, well-structured, objective or comprehensive. There is limited consideration of risk and risk management ways. When subordinates carry out the plan with the direction from the boss, they also have no comprehensive framework but just do it.

#### ***5.1.7.3 Understanding about information management***

The last big difference is in the attitudes towards information management. In AB, they have very comprehensive information collection channels. Internally, they have some specialist in the Information Department responsible for collecting information and developing the database. Externally, they have very good relationship with some professional marketing research companies. They can get well-arranged and analyzed information with lower price from these out-sourcing companies. In addition, they also have secure information sharing system with manufactures, which resulted from long-term consistent efforts in keeping good relationship with manufacturer. However, GP Corp did not have strong awareness of information management. The information was mainly collected by department managers or by project leaders, who need the information to make decisions. There was inadequate information sharing system in the company, not to mention with manufacturers. When AB pointed out that GP Corp need to include the information regarding the internal and external environment as the basis of three-year business plan, the only channel to get reliable comprehensive information in short term is to buy from professional companies. However, GP Corp would not like to spend so much money in buying information from the research companies.

## **5.1.8 Leadership style**

### ***5.1.8.1 Attitudes towards order and direction***

It could be seen in a lot of occasions that staffs in GP Corp were used to taking orders and following directions. Without clear order and direction from the boss, the subordinates had no initiative to begin a new improve project. It always happened during the integration meetings.

#### ***Scenario 1: March 18, 2008, the third integration meeting***

The Integration Director from AB named Simon Edwards talked about the importance of communication and coordination as well as how to implement the improvement projects.

The vice president from GP Corp, Mr Yu, replied: “I understand the right way to implement the projects, but without the boss order, I can not take risks to begin the projects”.

Simon Edwards: “No, the right order should be you do research first, then you give proposals to the boss for decision-making.”

Mr Yu: “But without the order from the boss, I have no authority to begin this research.”

Simon Edwards: “I understand, but before you discuss with boss, you need to do research and analysis first. The boss will make the decision about the projects plans proposed by you.”

Mr Yu still felt not determined.

Simon Edwards: “Ok, so there are two ways available. Firstly, as shareholder, AB will tell you what to do during the integration regardless the local situation of GP Corp. Secondly, you raised proposal based on your research and analysis. You discussed with boss and convince him for final decision.”

#### ***Scenario 2: March 20, 2008, the integration meeting with logistics team***

Simon Edwards talked about planned work arrangement for logistics development team. The experts from AB will arrive at GP Corp in April to review the logistics development status. The logistic team members were not clear what kind of information they should prepare.

Manager of Logistics Department, Mr Wu asked: “Can you please tell me some examples, otherwise, I do not know what to prepare?”

Simon Edwards answered: “You just need to prepare the basic information related with the existing logistics status in GP Corp.”

Mr Wu still felt lost: “Can you give me some example of the questions that may be covered by the experts from AB?”

Simon Edwards gave some logistics measurement index as examples.

Mr Wu replied a little bit unconfidently: “Could you please ask that expert to list out the question outline one week before he came so that we can prepare and collect the information.”

Mr Yu, Vice President of GP Corp explained immediately: “Chinese people are used to having detailed direction for the task, otherwise, they feel not so confident and clear.”

Simon nodded with smile: “I understand”

Many other occasions like the above discussion showed the same phenomenon. Employees in GP Corp are used to taking orders and directions from boss, while employees in AB are more used to follow their own plans and ways.

#### ***5.1.8.2 Power allocation***

The three-level hierarchical structure in GP Corp is accompanied with power centralization. As I observed in the daily work, all of the meetings regarding the company development were held among the president and vice presidents. Department managers were not invited to the meeting for discussion, not to mention staff and other employees. There were no other systems or measures for employees to give their suggestions or opinions. The top senior management is decision makers. They usually just give order or direction to their subordinates and wait for work result. While in AB, there are compliance channels for employees to have their voices heard and give their suggestions. Power decentralization is preferred system and employees have right to decide the issue more related with their daily life. The trade union in AB also play very important role in protecting employees rights.

### **5.1.9 Management methods**

#### ***5.1.9.1 Company atmosphere***

Even though Chinese people have already become much more individualistic over the last 30-year reform and open up, the collectivism culture is still rooted in Chinese society especially in group life. This is also reflected in GP Corp atmosphere, which is like a family. Since majority of the employees in GP Corp is from Guangdong province, it is relatively closed company culture. Cantonese is the major work language in the company. Two thirds of the permanent employees have worked in the company over 5 years, some over 20 years. Many old employees live in the community next to the company. The company’s cafeteria also serves for employees’ family members living in the

neighborhood. Employees orient to regard the company as family and feel very proud of being a member in the company. Therefore, when Alliance Boots suggest GP Corp to cut off personnel to save cost, GP Corp president refused it without hesitation. The president remarked: “I would prefer to save cost from other channel. I can not fire these people just because of the joint venture program. It will smash the company morale.”

The situation in AB is totally different. There are employees from 18 countries. The diverse background definitely resulted in individualistic company culture. With English as the major work language, many Employees speak French, Italian, German, etc. Employees always have hot discussion with each other, which results in good idea for the improvement of project performance. Communication Director of AB said: “The atmosphere in AB is more like school rather than family. Even though employees like the company, we separate it from their family clearly. We work very hard but also cherished the leisure time with families.” Respect to individualism result in humanistic culture in AB. It can be seen from the brochure design, promotion material, and event arrangement and so on.

#### ***5.1.9.2 Corporate structure***

GP Corp and AB have very different corporate structure, which to some extent reflects corporate management system and work efficiency. AB adopts matrix organization structure, while GP Corp uses three-level hierarchical structure (see the appendix). In GP Corp, each level report to their managers at the higher level correspondingly, while in Alliance Boots, the project team members report to project team leaders and department managers. In GP Corp, all of the president and vice presidents have their own separate offices on separate floors, while in Alliance Boots, projects members work together with project managers or work with department managers during the period out of projects. The different corporate structure leads to different work procedure, management methods and team work efficiency.

#### ***5.1.9.3 Compensation mechanism***

The compensation mechanism in GP Corp is also very different from that in AB. In GP Corp, the compensation mechanism is similar to that in government organization. It is composed of basic salary, allowance, insurance, housing accumulation and bonus, which are decided by position and work ages. The incentive system is just money rewards. Moreover, seniority ranking still exists. Young people have limited chance to be promoted if there is senior people in the same departments. However, Alliance Boots gave equal chances to everyone based on their real ability. Alliance Boots also value career

development. Beside monetary rewards, there are a lot of opportunities for on-job training and international dispatches. Therefore, it is very dynamic and enthusiastic to work in Alliance Boots, as some interviewees from AB commented.

#### ***5.1.9.4 Ways to save cost***

The integration project also reflected the conflicts in attitudes towards cost saving. Both sides know the importance of reducing operation cost, but the ways to save cost are different. GP Corp tries to save cost by squeezing both hardware investment and software investment, while AB saves cost by increasing efficiency and effectiveness. For every business expansion program in the 15 countries, including China, AB hired professional consulting company to have cross-cultural training for the staff involved in the program. AB suggested GP Corp to have similar cross-cultural training for its staff, but GP Corp managers did not take the advice in order to save cost. In the integration project meeting, experts from AB mentioned several time that GP Corp should send some key staff to work in AB for one or two weeks so that they can broaden their horizon and have a real experience of advance management system. However, managers in GP Corp did not give positive answer but just commenting the business trip expense is very high. Another example is about the invitation to annual meeting of AB group and subsidiaries. According to AB Communication Director, Mr Yves Romestan, “it is good chance for the subsidiaries to exchange views and learn from each other regarding PR communication and company management”. However, the director in GP Corp refused in an indirect way due to the high business trip expense. In addition, AB pointed out it is necessary and worthwhile to invest in simultaneous interpretation for board meeting, video conference and other electronic links between AB and GP Corp. Every time, the manager of GP Corp responded with the comment “It is very expensive to buy these equipments and facility” and takes no action at all. At last, the Integration Director of AB, Simon Edwards, spent two hours discussing with managers from GP Corp, trying to change their mindset about the ways to save cost.

## **5.2 Results from Questionnaire Survey**

Based on the above nine conflict patterns, the questionnaire survey was implemented for GP Corp managers and staff. The questions in the survey were correspondent with the conflict patterns found in the observation. The results are described as follows in the same order as the conflict patterns (See Appendix IV).

### **5.2.1 Customs and habit**

40 of the surveyed (100%) felt the conflicts in the customs and habit such as food

and social etiquette. Among all of the conflict patterns, all of the 40 surveyed (100%) thought this conflict as the easiest to be solved, ranking it as No. 1. All of the 40 people (100%) chose the strategy “mutual adaptation” to deal with the difference in this aspect, like the old saying “When you are in Rome, just do like Rome people”.

### **5.2.2 Personal relationship**

In terms of personal relationship, 40 of the staff (100%) of the surveyed encountered the conflict in their cooperation with experts from AB. 38 out of 40 staff (95%) regarded it as the second easiest to be solved. All of the 40 staffs (100%) in GP Corp chose “mutual adaptation” as the strategy to confront the differences in handling personal relationship.

### **5.2.3 Brand awareness**

38 out of 40 staffs (95%) showed that they had encountered conflict related with brand issue. 30 staffs (75%) ranked this conflict as the third easiest to be solved. 36 of the surveyed (90%) indicated that they would like to learn from AB, since AB has more mature brand management system.

### **5.2.4 Public relation**

35 out of 40 staffs (87.5%) showed that they have noticed the difference between GP Corp and AB in handling public relationship. 30 of the surveyed (75%) ranked it as the fourth difficult to be solved. 34 of the surveyed (85%) chose to learn from AB, since they can feel that AB is more professional and experienced in PR.

### **5.2.5 Work language and terminologies**

All of the surveyed (100%) showed that they encountered a lot of difference caused by work language and terminologies in their integration work. 34 out of 40 (85%) ranked it as the fifth difficult to be solved. 30 of the surveyed (75%) chose to keep Chinese way in handling the conflicts in this aspect.

### **5.2.6 Thinking pattern and work style**

All of the survey (100%) encountered this conflict in their integration work with experts from AB. 32 out of 40 (80%) regarded it as the sixth, which means it is not so easy to solve this conflict. 35 of the surveyed (95%) chose “mutual adaptation”, which means they will respect AB’s work style and also keep some of Chinese style.

### **5.2.7 Work process**

36 out of 40 staff (90%) showed that they have felt difference from foreign experts in work process. 35 of the surveyed (87.5%) ranked it as the seventh, which means it is a little bit difficult to be solved. However, 34 of the staffs (85%) indicated they would like to learn from AB, which means they felt AB is more advanced and more efficient in work

process.

### **5.2.8 Leadership style**

38 of the surveyed (95%) showed that they have experienced the conflict caused by difference in leadership style. 36 out of 40 (90%) ranked it as the second difficult thing to be solved, which means it is a hard issue and also an important issue. 31 of the surveyed (77.5%) chose compromise strategy to deal with this problem.

### **5.2.9 Management methods**

All of the surveyed (100%) showed that they encountered this problem, which, to some extent, hindered the integration progress. 36 out of 40 (90%) ranked it as the most difficult to be solved. 30 staff (75%) chose to keep Chinese way in face of the conflict.

## **5.3 Result from Interviews with Managers and Experts of AB**

The managers and experts of AB had their own understanding about the conflicts in the integration process, while they were working with counterparts in GP Corp. All of the interviewees admitted that the cultural difference really caused a lot of trouble for the integration program. They had the same comments that the most difficult conflicts are those related with thinking ways, work process, leadership style and management methods. They also remarked that the cultural conflicts in this integration program were much higher than those in other integration programs in other countries. The Integration Director, Simon Edwards, said: "I am ready for cultural conflicts, but when all of the conflicts interacted together, it is really terrible."

When asked the role of AB and GP Corp in the integration program, all of the interviewees had the same understanding that AB provided support to GP Corp and GP Corp was the decision-maker and implementer of these improvement suggestions and proposals. They also emphasized that GP Corp knew Chinese market and local situation better than AB. Therefore, in the integration program, AB would never impose policies on GP Corp but just provide advice and support and make GP Corp understand the improvement proposals and activities better.

When asked their comments on the GP Corp reaction in face of the conflicts, majority of the interviewees were satisfied with GP Corp efforts and agreed with most of the strategies adopted by GP Corp. They appreciated that GP Corp used different strategy to handle different conflicts. They emphasized the importance of mutual understanding and good communication. They accepted and understood that GP Corp managers and staff stuck to the Chinese ways in some aspects such as the employment policies and company

cultures. However, they also pointed out that it was necessary and useful to have professional cross-cultural training in GP Corp to ensure better cooperation result.

When asked about their comments on the process of the integration program, majority of the interviewees felt that the integration program was going on well as scheduled and GP Corp cooperated with AB experts very actively and effectively. Moreover, all of them said that they were impressed by the successful professional organization of the JV launch celebration event by GP Corp. They recognized that GP Corp managers and staff are united, hard-working and committed and believed the integration program would bring great improvement of GP Corp.

When talking about the suggestion and expectation, the interviewees again emphasized the importance of mutual understanding, good communication and open mind, which they learnt in other similar integration programs. According to their experience, the strategy for handling the conflicts would change with the environment and factors changed, but these basic principles would be useful in any occasions and should be beard in mind. They believed the conflicts in the integration program would decrease as GP Corp and AB got better adapted to each other. They showed their great confidence in the promising future of GP Corp.



## **Chapter Six**

### **ANALYSIS of the RESULTS**

After presenting in chapter 5 the findings from the three research methods, this chapter further analyzes these results part by part correspondingly. Part 1 is to analyze how cultural differences cause these conflicts in the integration program of GP Corp. Hofstede's Five-dimension National Culture Model and Edgard Shein's Three-layer Corporate Culture Model are used in part 1 to explain the reasons behind these conflict pattern and the influence of cultural difference. Part 2 is to analyze how the five strategies are used in dealing with the conflicts. The five strategies listed in the questionnaire were actually based on the four strategies for cultural integration raised by Zhu Zhanwen and Huang Haifeng. Part 3 is to analyze of the interview result. It analyzes the effects of these strategies used by GP Corp from the perspective of managers and experts from AB.

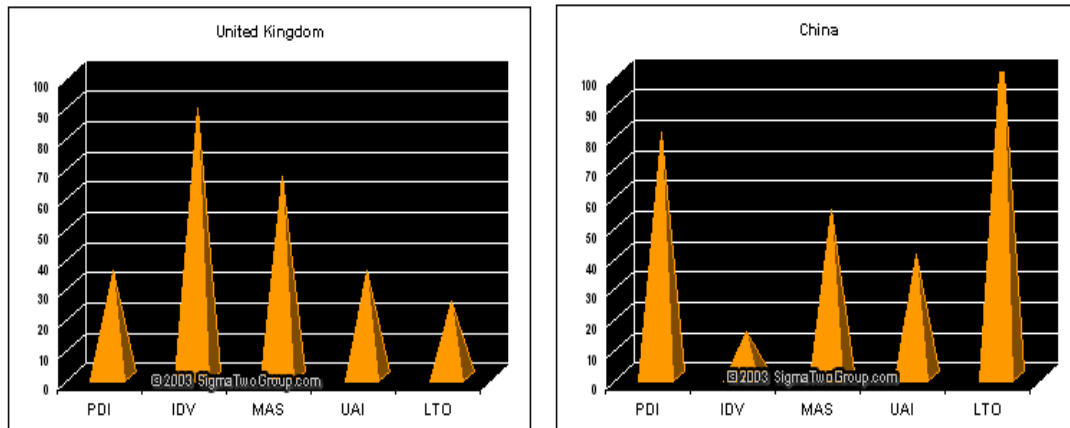
#### **6.1 Analysis of the Nine Conflict Patterns**

The nine conflict patterns found in the GP Corp innovation program through participants and scenario observation during four months confirmed that cultural differences had great influence on the innovation program in the Sino-foreign joint ventures. Cultural difference has very comprehensive meaning, which includes difference in living style, understanding about personal relationship, thinking ways, belief, values, religion and so on. Each nation has its own culture shaped through the long history. Each company also has its distinguished company culture, influenced by national culture and company founders. Business partners from different companies based in various countries are bound to face a lot of conflicts when they work together, since they carry different national culture and company culture. The conflict patterns in the integration program of GP Corp again proved the influence from national culture and corporate culture.

##### **6.1.1 Influence of national cultural difference**

According to Hofstede's Five-dimension National Culture index, UK and China have big contrast in the dimensions of power distance, individualism and long-term orientation (Hofstede, 1980). The Graph 6.1.1 displays the index for UK and China.

**Graph 6.1.1 (National Culture Index for UK and China)**



The national index of power distance in China is twice in UK. Chinese culture is characterized with hierarchical structure, seniority rank and power centralization, but UK culture values equality, freedom, individual ability, rights, work efficiency and effectiveness. The differences cause the different personal relationship, leadership style, work process and management methods, etc. Chinese tend to pay more attention to social status, care more for “person” than “thing”. Chinese leaders tend to take a key role in planning and decision-making. The subordinates are used to following the directions of leader. Relatively speaking, the responsibility and duty are not so clearly defined for team-members. There are limited discussion and communication between leaders and subordinates. However, in UK, it is preferred to cooperate, care more for “thing” than “person”. People are more proactive, stays loyal to principle. They follow standards and regulation rather than people. Subordinates have more active participation in the decision-making process. They can have their voices heard and suggest their own ideas. They do not like to have so much direction from the leaders to finish a task. These cultural differences justify the conflict patterns in the integration process between GP Corp and AB.

Regarding the dimension of individualism and collectivism, UK is characterized with high individualism while China is more collective due to the influence of Confucianism philosophy. The long-time influence from collectivism and individualism culture resulted in different communication skills, personal relationship, management methods, work process, etc. In face of the problems, Chinese act passively and weigh the collective over the individual. Family culture and group harmony is deeply rooted in Chinese mindset. It is common in China to address colleagues as “sister” or “brother”. Strong collectivism, to some extent, leads to “face” culture, indirectness, and obedience.

However, UK values the individual over the collective and is direct. These differences resulted in different communication skills, personal relationship, thinking ways, presentation style, leadership style and management methods. This is another reason to explain the cultural conflicts in integration process between GP Corp and AB.

Regarding the dimension of LTO, China is much higher than UK. According to Hofstede's theory, values associated with long-term orientation are thrift, perseverance, respect for tradition and history. The short-term orientation does not reinforce the concept of long-term, traditional orientation. In this culture, change can occur more rapidly. The different index in the dimension of long-term orientation also has influence on the integration process. It can be noticed in the research that Chinese staffs in GP Corp were not so active in face of the change for improvement. They are used to established model, methods and style, which rarely changed over the 50-year company development. It took long time for experts from UK to change their mindset gradually and persuade them to reform. This, to some extent, also influences the progress and effect of the integration program in GP Corp.

### **6.1.2 Corporate culture difference**

AB is an international health and beauty group, which already went through three-time restructuring. It is more dynamic, open, flexible and international. AB staff and managers are experienced in cross-cultural management and communication. However, GP Corp used to be state-owned company in the past 50 years, so it has typical state-owned company culture. Senior management in GP Corp has weak cross-cultural awareness and skills. In addition, since both companies are at different development stage, it also partially explained so different corporate culture.

According to Edgards Schein's three-lay corporate culture mode, GP Corp and AB have many differences in all of the three layers, which can be seen their conflicts in management system and methods, work process, leadership style, business framework, brand awareness and PR strategy. Take brand awareness as an example, AB has high brand awareness and has very mature brand management guidance, while GP Corp is weak in brand awareness and has no comprehensive policy for brand management. In terms of public relationship, GP Corp has not attached enough importance to media relationship and does not understand the media strategy at all. However, AB is very experienced in this aspect and even has professional out-sourcing PR consultancy. The different leadership style, work process and management methods also showed very different company culture. GP Corp keeps the culture of state-owned company over 50 years, which are characterized

by seniority ranking, power centralization, low efficiency, unclear accountability, and lack of reasonable analysis. All of these differences hinder the integration process but it is believed that they will change gradually.

## **6.2 Analysis of the Questionnaire Results**

The results of the questionnaire survey have realized the initial intentions. The result showed the impacts of the conflicts in integration process, the difficulties in solving each conflict and the strategies to handle the conflicts. First of all, all of the people involved in the integration program encountered majority of the conflict patterns, as it is showed in the first two columns of the appendix VI. For six out of the nine conflicts patterns, 100% of the surveyed showed they felt the conflicts. Therefore, it can be found that the cultural differences have great impact on the integration program.

Secondly, the rank of the difficulty in solving each conflict showed that each conflict influences the integration program to different degree. The conflicts concerned with the living habit and customs are easier to be solved and are not big trouble for the integration program. The conflicts, such as brand awareness and PR strategy, which resulted from different work background and development stage are also relatively easier to be solved. They will gradually develop as the company grows, even though these issues are also subject to cultural influence. Therefore, majority of the surveyed ranked them as the 3rd and 4th easy one to be solved.

The conflicts that are strongly related with the values, beliefs and basic assumptions are the most difficult to be solved. The thinking ways, work process, leadership style and management methods are very hard to be changed within short term and they need more attention from the high level managers. Therefore, these conflicts are ranked at 6th, 7th, 8th and 9th. It also can be found that the surveyed has similar opinion and feeling regarding the impact and the difficulty, since the percentages are usually higher than 80%.

In terms of the strategy for each conflict, nobody choose to avoid the conflicts and various strategies were used for different conflict patterns. Among the rest four available strategies, “mutual adaptation” was used for three conflicts pattern. “Learn from AB” was adopted for three conflicts too. “Keep Chinese way” was used to solve two of the conflicts. “Mutual compromise” was used in only one occasion, leadership style. As it is expected, the “mutual compromise” would be the main strategy in face of the conflicts. Therefore, this finding is a little bit out of expectation and very meaningful. It is not appropriate to designate one strategy for the integration program. Instead, each conflict pattern in the

integration program should adopt different strategies. Moreover, it is the person who is in face of the conflict to decide the strategy for the conflicts.

### **6.3 Analysis of the Interview Results**

The interview results show that the integration program in GP Corp is going on very well and AB experts also agree with the strategies used by GP Corp in face of the conflict patterns. As some interviewees from AB remarked, GP Corp knows local situation best and has the right to choose the most appropriate out of the suggestions or proposals from AB. It is good that AB does not impose its policy on GP Corp. It is also happy to find that manager and staff in GP Corp is very flexible and cooperative in face of these conflicts. It is wrong to undervalue all of the aspects of GP Corp. Some of the existing management methods in GP Corp are suitable to the local situation and deserve to be kept rather than be dismissed.

The result of the interview also indicated the basic principle of cross-cultural management. It is respecting and understanding the cultures of others, placing importance on communication, and making adaptive changes. People are the core of cross-cultural management. Culture is reflected in the thinking and behavior of people. Management is all about getting the best performance out of people. The company should not use fixed values to judge the other company's culture, but should synthesize the company's strategic significance with its culture. Communicating with each other effectively and understanding each others' culture is the most effective way to eliminate cultural conflicts.

# Chapter Seven

## CONCLUSION

### 7.1 Conclusion and Recommendation

This research is to study the influence of cultural difference on the Sino-foreign joint venture integration program and strategies for handling these conflicts. It is done through a case study of the Sino-British joint venture company – GP Corp. Three research methods are used including participant and scenario observation over the four months, questionnaire survey targeted at 40 staff in GP Corp involved in 8 integration teams, interview with some managers and experts from AB participating in the integration program. This research confirmed nine conflict patterns related with cultural difference and five strategies available for each conflict pattern. At the same time, each conflict pattern is ranked in order of difficulty level in solving the each conflict. Moreover, it is found that the compromise strategy is not applicable for every conflict pattern. This chapter summarizes findings of the whole research and points out some limitations as well as future study directions.

#### 7.1.1 Nine conflict patterns

This research again proves that cultural difference really has great impact on the Sino-foreign joint ventures. It is influenced by both national culture and corporate culture, which can be confirmed with the nine conflict patterns involved in the integration program of Sino-British Joint Venture - GP Corp. The nine conflict patterns are: (1) customs and habit, (2) personal relationship, (3) brand awareness, (4) public relation strategy, (5) work language and terms, (6) thinking ways and work style, (7) work process, (8) leadership style, (9) management methods. They can also be categorized into three layers. The first outer layer, which covered customs and habit, personal relationship, is more related artifacts and social customs. Therefore, it is relatively easier to be solved. The second layer in the middle, which covered brand awareness, public relation strategy, work language and terms, thinking ways and work style, is related with thinking, strategy, philosophy. It is not easy to make adaptation and a little bit more difficult to be solved. The inner layer, which includes work process, leadership style and management methods, is the core of the

conflicts. They are related with the value and system deeply rooted in Chinese culture. It is not easy to change within short term and also requires a lot of cooperation and innovation in hierarchical and vertical structure. Therefore, it is the most difficult to be solved.

All of the conflict patterns stated above are related with cultural difference, which includes national culture and corporate culture. As the national index of Hofsteds's five cultural dimensions showed, China has much higher index in power distance, collectivism and long-term orientation compared with that of UK. These national cultural differences have big influence on the social customs and habit, personal relationship, thinking ways, work process and so on. It can be reflected throughout all of the communication between GP Corp and AB. According to Shein's three-layer corporate culture model, it can also find the big difference in corporate culture between AB and GP Corp. It can be reflected in the brand management, PR management, work process, leadership style and management methods in the company. These kind of difference occurred frequently in the whole integration process, which may lead to integration failure if not properly handled.

#### **7.1.2 Different strategies for various conflicts**

There are five strategies available to lessen the impact of the conflicts: (1) to avoid, (2) mutual adaptation, (3) to keep Chinese way, (4) mutual compromise, (5) to learn from AB. It is found that compromise strategy is not applicable to each conflict pattern. Instead, each conflict should be solved by different strategies according to the local real situation. In addition, the person in face of the conflicts should have the right to choose the strategy. Otherwise, the conflict would not be handled in an effective way and would hinder the integration process.

GP Corp integration program is going on well, because AB gives GP Corp freedom to make decisions and GP Corp chooses the most appropriate strategy for each conflict pattern. Each conflict has different reasons and influences, so it can not be handled with the same way. In addition, people in face of these conflicts have different background and ability, it is not reasonable to require them to adopt the same strategy. Moreover, each conflict affects the integration teams to different degree, so team-members will attach different attention to solving these conflicts. Therefore, it is not right to fix one strategy for all of the conflict patterns. It should be flexible in choosing strategy for each conflict. Compromise does not always work in the real integration process. The most important principle is to increase mutual understanding and cooperation. The basic criterion is to see which strategy will help the company optimize its benefits. These principles and standards are also applicable to other Sino-foreign joint venture, but the strategies used in each joint

venture in respect of various conflict patterns are different.

## **7.2 Theoretical and Practical Contribution**

This research studies the cultural influence on Sino-foreign joint venture integration program through the case study of Sino-British joint venture – GP Corp. The findings have both theoretical and practical contribution. The nine conflict patterns with detailed scenario description provided abundant materials to the study on cross-cultural management. The specific examples in GP Corp also confirmed some of the conflicts patterns mentioned in other related studies. In addition, this research pointed out that each conflict pattern should use different strategy. The strategy is not only differentiated by company but also by specific conflict pattern. It is not right to adopt compromise for the whole integration program.

This research is a case study on GP Corp. The findings of this research have pretty important implications for GP Corp integration program. Through participating in this research, GP Corp managers and staff have better cross-cultural awareness and understandings. This is a systematic study of the existing conflict patterns in GP Corp. It can be used to guide the cross-cultural training in GP Corp. The managers and experts from AB can also gain better understanding about GP Corp through this study result. Therefore, this research will make great contribution to the success of the joint venture integration program.

## **7.3 Limitations**

This research has realized its purposes and goals, but it has some limitations. Firstly, the understanding about the British culture mainly relies on second-hand materials and the communication experience with these managers and experts from Alliance Boots. If I had chance to work in AB in Europe for a period, I would have better understanding about UK culture and company culture of AB. Secondly, all of these conflicts pattern are found in meetings or activities held in GP Corp. Therefore, it is very hard to reflect the real skills of Chinese managers in dealing with the cultural difference. If GP Corp managers and staff visited AB in Europe, they may encounter more serious culture shock. Their response to those culture shocks would be more implicative for this research. Thirdly, all of the interviewees with foreign experts and managers were conducted in China by the author, due to time limit. The way the author communicated with the interviewees may affect the way interviewees understood the questions. Next time, it is better to ask one colleague



from AB to conduct the interviews for me. In that way, these managers and experts from AB may answer the questions more directly, objectively and truly.

#### **7.4 Suggestions for Further Research**

There are a lot of directions for future study. First of all, it is worthwhile to keep track on GP Corp to see how the cultural integration is going on. With GP Corp integration program going further, AB and GP Corp will have better understanding about each other. The conflict patterns and the strategy to deal with the same conflict may change. It is very interesting to study the changes and compare with the present founding in this research. Besides, it is also meaningful to study why staffs in GP Corp produced this kind of rank order for this conflict patterns; why they chose that strategy in handling each conflict; why the conflicts in the management system, leadership style and work process are more difficult to be solved; what kind of factors are involved in changing the above three issues.

In addition, it is also interesting to have more case studies of other similar Sino-foreign joint ventures to see whether they have similar response in face of the conflicts; why different conflict patterns occurred in Sino-foreign joint venture companies; is it related with capital contribution weight, cultural background, ownership of the company before JV program?; how joint venture cultural integration model has changed with growing globalization; is there any basic strategy that is applicable to all joint ventures, despite of its particular situation and corporate culture? There are a lot of directions for future research on cross-cultural influence on Sino-foreign joint ventures.

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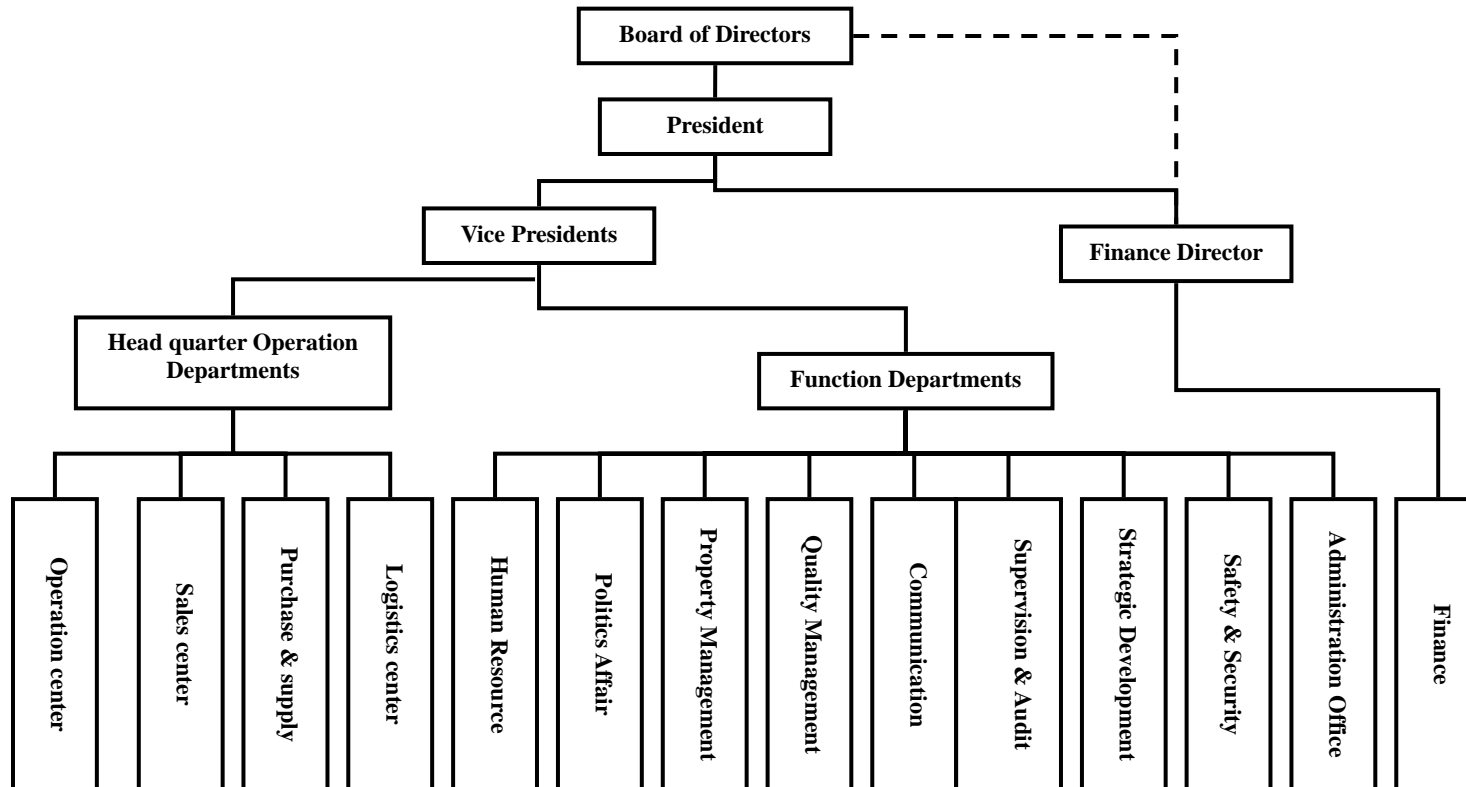
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[www.gzmpc.com](http://www.gzmpc.com)

[www.allianceboots.com](http://www.allianceboots.com)

# APPENDIX I CORPORATE STRUCTURE OF GP CORP



## **APPENDIX II CONFLICTS IN GP CORP INTEGRATION**

1. Customs and Habit
  - 1.1 Meal arrangement
  - 1.2 Greeting ways
2. Personal Relationship
  - 2.1 Ways of being addressed
  - 2.2 Communication skills
3. Brand Awareness
  - 3.1 Awareness of brand management
  - 3.2 Understanding of trademark license
4. Public Relation
  - 4.1 Website design
  - 4.2 Public relation strategy
5. Work Language and Terminologies
  - 5.1 English vs. Mandarin vs. Cantonese
  - 5.2 Unit for accounting and measurement index
  - 5.3 Understanding about Some Words
6. Thinking Way and Work Style
  - 6.1 Vision and perspective
  - 6.2 Understanding about the joint venture Program
  - 6.3 Presentation style
7. Work Process
  - 7.1 Understanding about business framework
  - 7.2 Understanding of benefits and cost Analysis
  - 7.3 Understanding about information management
8. Leadership Style
  - 8.1 Attitudes towards order and direction
  - 8.2 Power allocation
9. Management Methods
  - 9.1 Company atmosphere
  - 9.2 Corporate structure
  - 9.3 Compensation mechanism
  - 9.4 Ways to save cost

## Appendix III Questionnaire Sample

To Integration Team-members,

In order to facilitate the joint venture integration program, this questionnaire is designed to see the conflicts caused by cultural difference in the cooperation process between Chinese staff and foreign experts. It will be used to guide the cross-cultural training to be provided for GP Corp employees. Your cooperation is very helpful to us. Thank you very much.

1. Name \_\_\_\_\_ Integration Team \_\_\_\_\_
2. Please tick in the box if you have encountered the conflict described in the form. “Yes” means you have encountered, “No” means not
3. Please rank the nine conflict patterns in the order of difficulty in solving them and tick in the corresponding number. “1” is the least difficult and “9” is the most difficult. Fill the result of the rank order in the right column.
4. Choose one of the strategies that you used in face of each conflict patterns:  
 A. avoidance; B. mutual adaptation; C. Chinese way;  
 D. compromise of Chinese way and western way; E. western way

No.	Identified Conflict Pattern	Yes	No	1	2	3	4	5	6	7	8	9	Result	Strategy
a	Customs and habit (meal arrangement, greeting ways, etc)													
b	Personal relationship (ways of being addressed, communication skills)													
c	Work language and terminologies													
d	Brand awareness and management													
e	Public relation strategy and website design													
f	Leadership style (attitudes towards order and direction, power allocation)													
g	Work process (understanding of business framework, benefits and cost analysis, information management, etc)													
h	Thinking ways, perspective, understanding of JV, presentation style													
i	Management methods (corporate structure, compensation mechanism, company atmosphere, ways to save cost, etc)													

## Appendix IV Results of Questionnaire Survey

No.	Identified Conflict Pattern	Yes	No	1	2	3	4	5	6	7	8	9	Result	Strategy
a	Customs and habit (meal arrangement, greeting ways, etc)	40p 100%	0	40p 100%									1	mutual adaptation 40p 100%
b	Personal relationship (ways of being addressed, communication skills)	40p 100%	0		38 95%								2	mutual adaptation 40p 100%
c	Work language and terminologies	40p 100%	0					34p 85%					5	Chinese way 30p 75%
d	Brand awareness and management	38 95%	0			30p 75%							3	western way 36p 90%
e	Public relation strategy and website design	35 87.5%	5p				30p 75%						4	western way 34p 85%
f	Leadership style (attitudes towards order and direction, power allocation)	38 95%	2p								36 90%		8	compromise 31p 77.5%
g	Work process (understanding of business framework, benefits and cost analysis, information management, etc)	36 90%	4p							35 87.5%			7	western way 34p 85%
h	Thinking ways, perspective, understanding of JV, presentation style	40p 100%	0						32p 80%				6	mutual adaptation 35p 95%
i	Management methods (corporate structure, compensation mechanism, company atmosphere, ways to save cost, etc)	40p 100%	0									36 90%	9	Chinese way 30p 75%

## **APPENDIX V INTERVIEW QUESTIONS**

1. Did you encounter cross-cultural conflicts during the GP Corp integration program?
2. Which conflicts are the most difficult to be solved?
3. What do you think of the role of GP Corp and AB in the integration program?
4. How do you think of the strategies used by GP Corp in face of these conflicts?
5. How do you view the progress of the integration program?
6. What are your suggestions and expectations for the integration program?



## APPENDIX VI TEN INTERVIEWEES FROM AB

1	Executive Chairman
2	General Counsel
3	Finance Director
4	Integration Director
5	Corporate Development Director
6	Financial Analyst
7	Far East Asia Outsourcing Director
8	Manufacturing Relationship Director
9	Brand Manager
10	Communication Director