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Expatriate Managers in China: The Influence of Chinese Culture on Cross-Cultural Management

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Abstract

This article deals with expatriate managers in the People's Republic of China and how their experiences are shaped by the cultural environment in which they work. This article, therefore, combines an analysis of Chinese culture and its potential impact on business effectiveness with an account of field-work carried out with expatriate managers in the Suzhou Industrial Park, south of Shanghai. Using qualitative analysis we focused on seven broad issues: culture shock; language barriers; miscommunication with local staff; staff turnover; empowerment and motivation; and teamwork.

Introduction

With the growing importance of the Chinese domestic market to the world economy, and its attraction as a low-cost production base, a large number of international companies have established operations there**.** Partly because of a shortage of trained and experienced managers and technical experts in the People's Republic of China, (henceforth to be referred to as China) and partly because many foreign companies want to keep direct control of key functions, there are a large number of non-Chinese staff working in foreign-invested enterprises including joint ventures, representative offices, wholly owned subsidiaries and branch offices.

A posting to China is not, however, always straightforward. The problems faced by expatriate managers in dealing with Chinese culture, politics and economics have been pointed out by several authors (see Tung, 1983 for example). Despite the

difficulties faced by expatriate managers operating across cultures, relatively few companies appear to offer cross-cultural training (**Black and Mendenhall, 1990**). It has been suggested that between 16 and 40 per cent of all expatriate managers end their foreign assignments early because of poor performance or their inability to adjust to the foreign environment (**Black, 1988**). In addition, nearly fifty percent of the expatriates who do not return at an early stage perform at a relatively low level of effectiveness. The literature on cross-cultural management in multi-national companies cites examples where incongruity between the values of host country workers and their expatriate managers has caused the latter to be sometimes paranoid (**Badar et al., 1982**). The inability of expatriate managers to adjust to a new environment is costly: the average cost per failure to the parent company has been estimated at between $65,000 and $300,000 (Mendenhall and Oddou, 1985; Zeira and Banai, 1985). As noted by Hofstede (1993), the globalization of business brings the issue of national and regional differences to the fore. He points out that there is something in all countries called management, but its 'meaning' varies to a larger or smaller extent from one nation to another (Hofstede, 1993).

Although the conditions and consequences of expatriate adjustment to different cultural settings have been generally well documented, there have been relatively few empirical studies dealing specifically with expatriate adjustment in China (**Bjorkman and Schaap,** 1994; **Sergeant and Frenkel, 1998**). This article, therefore, combines an analysis of Chinese culture and its potential impact on business effectiveness with an account of field-work carried out with expatriate managers in the Suzhou Industrial Park, south of Shanghai. Through an analysis of both the practical problems faced by these managers and the solutions they have attempted, we aim to provide fundamental guidance for expatriate managers and technical experts operating in China. Investigations of this kind are important for several reasons: cultural difference can have a direct impact on individual managerial effectiveness; it can also affect the motivation and satisfaction of the manager as well as the local staff; and finally cultural difference can have an impact on the effectiveness of key organizational systems such as recruitment, training, performance evaluation and rewards (see Warner, 1995, 2005 for earlier research on these topics).

Culture

Hofstede's seminal study (Hofstede, 1980) defines culture as the 'collective programming of the mind, which distinguishes the members of one category of people from another'. Hofstede initially classified culturally-based value systems into four dimensions and used these dimensions to make generalizations about national culture. The four dimensions are: power distance, individualism versus collectivism, masculinity versus femininity, and uncertainty avoidance. Although Hofstede (1991) did not study the People's Republic of China directly, he found relatively strong collectivism among the core values of Hong Kong, Taiwan, and Singapore as well as high Power Distance – the acceptance of an unequal distribution of power. However,

we should be wary of generalizing from societies which have been exposed to Western ideas and practices for some time to mainland China. Hofstede and Bond (1988) later developed a fifth dimension which they called 'Confucian Dynamism': a culture's tendency toward certain Confucian traits such as an ethic of hard work, thrift, and a long-term view of time (The Chinese Culture Connection, 1987). 'Confucian Dynamism' replaced Uncertainty Avoidance, which was the only Hofstede cultural dimension not to be validated in the 1987 study in China. Unlike other cross-cultural values, based on survey instruments developed by Western researchers, 'Confucian Dynamism' is derived from traditional Asian values and was tested using a questionnaire - the 'Chinese Value Survey' - which was originally developed by Chinese researchers.

Management practices are, of course, always embedded in a wider societal setting, and are heavily influenced by local historical and cultural norms (DiMaggio and Powell, 1983). Warner and Joynt (2002) similarly point out that Chinese culture has had a significant impact on management and work organization in China over the last few decades. In the next section we look at the Chinese societal setting in more detail.

The building blocks of new cultural understanding

Economic development is often linked with pervasive, and to some extent predictable, cultural changes (Inglehart and Baker, 2000). Many researchers believe that the value system in China is changing and that these changes will fundamentally reshape the beliefs and attitudes of the Chinese workforce. Child and Warner (2003), for example, argue that Chinese people, especially the younger generation, have been exposed to new economic and social forces such as increased consumerism, access to the internet (albeit government controlled) and contact with foreign companies and their staff. Such exposure might be expected to encourage them to deviate from traditional Chinese cultural norms and values. Cyr and Frost (1991) similarly argue that, in the new economic system resulting from Deng Xiaoping's 'Open Door' policy, (see Warner, 1995). Chinese workers are shifting towards a value system which is goal-achievement oriented rather than egalitarian.

In the same vein, Hofstede (1991) notes a positive correlation between increased Individualism and growth in per capita GNP. One of the most distinctive changes in Chinese values may, therefore, be increased individualistic tendencies, especially among the younger generation (Nevis, 1983). This in turn affects the way in which these people behave in organizations and the ways in which they want to be managed. The transition from a planned economy to a market economy has, for many Chinese, altered the determinants of socioeconomic attainment as well as transforming sources of power and privilege (Nee, 1989). Ralston *et al.* (1996) surveyed the values held by 704 managers located in six cities in China and found that 'individualistic' attitudes (individualism, openness to change and self-enhancement) were prevalent among

people living in regions exposed to foreign influence. A further comparison of occupational values between capitalist Hong Kong and socialist Guangzhou by Chui *et al*. (1998) revealed that Guangzhou residents, especially young people, exhibit a much stronger materialistic orientation than do their Hong Kong counterparts. They place greater emphasis on monetary rewards when evaluating occupational status. Ralston *et al.* (1999) also compared the work values of 869 Chinese managers and professionals employed in State Owned Enterprises (SOEs). They found that 'New Generation' managers, who were 40 years old or younger, were more likely to act independently and take risks in the pursuit of profits, even when these actions were in conflict with traditional attitudes. Moreover, given their greater mobility as a result of the relaxation of *hukou* regulations, they can also be expected to move to where the best job opportunities are. Yang (1994) analyzed the four elements of the Chinese 'self': individual autonomy and uniqueness; individual thought and expression; individual dignity and rights; and the notion of 'humaneness' (*ren*)—that can only be achieved through the efforts of the individual. Individualism is not then a totally alien concept in traditional Chinese culture. We must be careful not to polarize cultures on the basis of Hofstede's dimensions of difference. Collectivist Chinese still have to work out how to behave as individuals, just as Individualist Americans have to be part of groups.

On the other hand, Ralston *et al*. (1999) also pointed out that although the new generation of managers scored higher on individualism than older people in the same region, they had not necessarily forsaken their Confucian values and may be seen as 'cross-verging' Chinese and Western attitudes. A survey of 210 Chinese managers (Heffernan and Crawford, 2001) suggested that among the new generation of Chinese managers some elements of Confucianism are weakening while others are maintained. Exposure to, or even adoption of, a Western lifestyle did not reduce their adherence to three fundamental Confucian values, namely benevolence, temperance (including harmony) and persistence (which included perseverance, patience and adaptation). Empirical evidence from the World Values Survey of 65 societies confirmed that values can and do change but they also continue to reflect a society's cultural heritage (Inglehart and Baker, 2000). Chinese culture in particular has displayed remarkable persistence, coherence and robustness over many centuries and the core cultural influences appear to have persisted as the bedrock of the Chinese system (Boisot and Child, 1996; Cooper, 1996; Lim and Gosling, 1983; Wang, 1991; Child and Warner 2003). In looking at the behaviours and attitudes of workers in Suzhou, we are dealing with values in transition.

In what follows, we analyze the field-work of an empirical study carried out in Suzhou Industrial Park (SIP) in the context of Chinese cultural values. Semi-structured, qualitative interviews were carried out with three groups: expatriate managers, local staff, and Human Resource Managers respectively. A list of open-ended questions was designed for each interview group. We go on to discuss how the core traditional values discussed above, as well as certain new values, affect both the

Chinese workforce and the experiences of their expatriate managers. We then make practical recommendations as to how expatriate managers might respond to this 'cross-vergence' of values.

Our main guiding hypothesis is that: *the more the expatriate managers 'fit' in with the cross-cultural context in which he or she find themselves, the greater their managerial effectiveness.*

Field Research
China-Singapore Suzhou Industrial Park (CS-SIP)

The China-Singapore Suzhou Industrial Park (CS-SIP), a cooperative project between the Chinese and Singapore governments, was officially opened on February 26th, 1994. Over 185 foreign-invested enterprises have been approved to set up operations in the Park, of which 158 are industrial projects. 94 industrial enterprises are already in operation and 24 are under construction or renovation. Thirty six Fortune 500 multinational companies have a presence in the Park. A cluster of new and high-tech industries has been formed with electronics, genetic engineering, precision machinery and new materials development at its heart. By March, 2000, CS-SIP had attracted total foreign investment worth US$ 6.9 billion, of which US$ 3.5 billion had been utilized. By 2005, this had risen to US$22.5 and US$9.7 (South China Morning Post, 29 November 2005:S-1).

Research Process

Stage 1: Semi-structured interviews were carried out with ten senior and middle-level expatriate managers *in depth* in late 2003. They represented six companies including: Nokia, Philips, Upjohn, AMD, Gates Nitta, and Andrew. The managers represented a variety of cultural backgrounds including those of the UK and USA, as well as Finland, Malaysia and Singapore. The open-ended questions in the semi-structured interviews focused on three main areas: the managers' adjustment to China; perceived barriers to cross-cultural working; and the managers' views of the essential skills required by expatriate managers.

Stage 2: Semi-structured interviews were also carried out *in depth* with twelve Chinese local employees who had expatriate managers - in order to understand their views of the foreign managers' performance. An understanding of local employees' perceptions and values is an important resource for improving the effectiveness of expatriate training and performance. These interviews covered the following areas:

1. Local staff motivation to work in a foreign company
2. Perceived difficulties in working with foreign managers

3. Comments on the expatriate managers' performance in the context of Chinese culture (involving cultural sensitivity, language skills, relationship with employees, management style, etc.)
4. The skills and knowledge an expatriate manager should have in order to work in China.

Stage 3: Interviews with Four Human Resource Managers:

These interviews covered two main areas:

1. The observable performance problems of expatriates in China
2. Possible improvements to organizational support and guidance in order to support expatriate managers' ability to adapt to Chinese culture and work preferences.

Annual reports, in-house journals and company histories were also used to flesh out the interview data.

Findings

In the qualitative interviews, we found that most respondents (Overseas Chinese and 'big-nosed' foreigners alike) tended to think that the frustrations they sometimes felt in China were unique: they seldom are. After examining a range of the problems they met, we were able to identify several strong themes, which we will now analyze in detail.

1. Culture Shock
For the Overseas Chinese expatriates that we interviewed, working in China means that they can combine career advancement with 'returning to one's roots'. 'Kenneth', for example, was born in Shanghai and his parents took him to the US when he was five. He joined AMD after graduation and had been working in the US for 13 years before coming to work in Suzhou six months before our interview took place. For him, working in China provided a valuable opportunity to return to the motherland.

> People thought I was crazy to give up a better life in the US and come back to China. However, I always feel that I could never be completely at home in the US. I am Chinese in my blood. So, I came back - but as an expat, not as a local. I'm trying to distill the best of both the US and China and mix them together, and make my own contribution to the local people, and now's the best time.

Expatriates coming to live and work in China commonly experience a period of

transition entailing some degree of anxiety, confusion and disruption. The daily signals and rituals one relies on suddenly disappear or are replaced by new and unknown signals (Jones, 1997). An expatriate from the US described what he experienced during his first three months in China as an 'emotional roller-coaster'.

> It seemed that everything went wrong when I first arrived here. I used to have firm goals for every project completion, for every plan I was working on, as I did in the USA. But it just didn't work here. Yes, as time goes on, the feeling of chaos and confusion may fade, but remember, no matter how long you are in China, no matter how fluently you speak Chinese, no matter how culturally attuned and sensitive you become, you will never really be a Chinese. You are a *Laowai.*

A particularly ironic problem occurs when expatriate managers are of Chinese ancestry - either Overseas Chinese (from, say, Hong Kong or Malaysia) or Chinese-Americans/Chinese-Canadians who were assigned by their parent firms to work in China. Although some have the advantage of speaking Chinese, there are other unexpected problems. Loh, the Singaporean Managing Director of AMD Suzhou Limited, worked everyday, including weekends, during his first month.

> I spent a lot of time on admin stuff, such as organizing visas, obtaining basic information and overcoming telecommunications breakdowns. These are not really part of my job but they must be done in order for my real job to get done. I found myself in a place where nothing could be taken for granted: I had to cope with all kinds of delays and had to check everything all the time. This was tiring. If things went wrong, it was natural; if things worked out, it was a miracle! This was a great contrast with Singapore, where things tend to go smoothly most of the time.

Some foreign companies such as Nokia, Andrew and Upjohn provide their expatriate managers with pre-departure culture training to help them better adapt to the new environment. However most expatriates felt that the quick-fix tips they got from their courses were mostly out-of-date, if not totally wrong. 'Paul', general manager of Nokia, had been working in China for five years. He described the pre-departure culture training as 'awful'.

> I studied at the Institute of *** in London. It is one of the best in Europe. After three months here, I felt what they said was doubtful; after having been here for five years, I can say that they were totally wrong. For example, they told us, 'Don't expect Chinese people to go out with you for dinner - they cherish family hours and all rush home after work.' But now I am sure there are more restaurants in Beijing than in Europe.

For foreign companies doing business with China, it pays to acquire a sense and a flavor of how Chinese culture works as an organic whole before accepting bite-sized cultural tips.

Although there are few empirical studies dealing with the adjustment of expatriate managers in China, there is a wealth of anecdotal evidence suggesting that many expatriate managers have experienced ambiguity, confusion and a lack of control when they first worked in China. Hanvey, (1979), for example, emphasizes the importance of expatriates being able to interact with local nationals in order to cope with culture shock. Interacting with host country nationals in a social setting is one of the ways that expatriate newcomers become aware of appropriate behaviors in the host country, since local people can obviously act as expert informants (Black and Gregersen, 1991c; Bochner, 1981; Gertsen, 1990). Inappropriate behaviors in the host country are more likely to result in negative outcomes, leading the expatriate to make the wrong attributions about the culture of the host country and therefore to further withdraw from it (Brislin et al., 1986).

Background information on Chinese cultural preferences is obviously important. Some expatriates gained this knowledge from reading. But as one of them warned, 'Keep your learning up to date. Don't read anything written more than a year ago, or maybe even six months ago. It all changes too quickly'. Four of the managers interviewed married Chinese wives, from whom they get a lot of practical advice. 'Kenneth' met his wife, a Shanghainese woman, in the US and he took her back to China.

> My wife told me three golden rules about working in China: Nothing is easy; your pace must be slow; face is important. I found them all very useful. She can always give me some valuable advice, because she knows China well and she knows me well.

As for 'Kenneth', his wife helps him to get 'competitive advantage' while working in China. Although not every expatriate will marry a local woman, they should at least mix as much as possible with local people: building a social network is of great importance. Sharing experiences with other expatriates is also, of course, valuable. There is a foreign expatriates club in SIP and it is popular place with most expatriates.

> Knowing that other people share your feelings will help you cope more confidently. Especially if the group includes people from different cultures, it can be an invaluable source of support and shared experience. On those days when I wonder what I am doing so far from home, relationships with people who are home right here can be solace enough.

Companies can usefully facilitate contact with local 'cultural experts' who can advise on regional behaviours as well as 'national' generalizations, rather than relying on experts in foreign countries who may themselves be out of touch with current behaviours and attitudes in China.

2. Language Barriers

Most employees working in SIP are college graduates and have acquired a good working knowledge of English. However, their habitual adherence to Chinese puzzled some expatriates.

> English is the working language in our company and their English is pretty good. They use English when they speak to me, but when several staff members sit around discussing something, they still use Chinese. Sometimes I comfort myself that it can be an advantage not to speak their language and therefore not to get so involved. But to tell the truth, most of the time I just feel excluded.

The language barrier is the most obvious negative factor encountered by expatriates. Unfortunately, language training, which should be a part of the preparations for expatriate assignments, is very often neglected by the multinationals. None of the expatriate managers we interviewed had received any company-provided language training before coming to China. Realizing the importance of interacting with local people, some expatriates started learning Mandarin (*Putonghua*) on their own initiative, but some either didn't begin or quickly gave up.

> Chinese is too difficult to learn. The four tones, the three-and four-character idioms just got me crazy. I am in China to run a business, not to go back to school. I don't have time for all the back-to-school stuff.

Learning Chinese is no easy task for foreign expatriates. Grasping the true meaning of the spoken language is even more difficult, as a Scottish manager noted:

> When your staff tell you 'Basically, no problem', you should be extremely careful - there might be a big problem. In China, knowing the spoken language is an advantage, however, knowing the unspoken language is a definite trump card!

Our interviews with local employees showed that Chinese staff can be sensitive to the language skills of the foreign expatriates. They praised the expatriates who could speak good Mandarin or who had an interest in learning. They said that an expatriate's willingness to speak Chinese reflected well on his commitment to working in China. According to Brislin (1993), an expatriate's *willingness* to use the host's language has a greater influence on successful adjustment than does the actual level of fluency in the language. Our interviews suggest that an effort to learn Chinese also has an impact on the willingness of Chinese staff to cooperate with expatriates. A Chinese employee mentioned a conflict with his former boss.

> He was very arrogant and treated lack of English language ability in the locals as a sign of stupidity. He once asked me very rudely, 'Why is your English still poor after two years in the company?' I just turned to him and said politely, 'But you

have been in China for five years and you can't speak one word of Chinese!'

Instead of being an efficient vehicle of communication, the 'common' language of English becomes an obstacle for true understanding (Scheu-Lottgen and Hernandez-Campoy, 1998). Chinese communication, like English, is situated in and influenced by its culture: we interpret words and actions through a cultural filter, whether this is a conscious or unconscious process (Goodall 2002). The Chinese see their language not only as a cultural tool which has historically influenced Japan, Korea, Indo-China and other areas, but as a way of transmitting cultural values. The close link between language and culture gives Chinese people a strong motive to increase the currency of the Chinese language. It is not necessary to master the foreign language to perfection, since demonstrating even very basic skills (survival language), as well as elementary speaking skills, may convey to local staff that the expatriate is really making an effort to understand the host culture (Brislin, 1994).

'Michael', the general manager of Andrew was popular in SIP, and even in the country as a whole. This 48-year-old American started learning Chinese in 1978 when he was still in college and he now speaks perfect Chinese. As described by his employees: 'You can't believe he is a *laowai* when he speaks Chinese. It's just so marvelous!' 'Michael' began to learn *Xiangsheng* (comic dialogue - a traditional Chinese art performance which requires a profound mastery of the language) a few years ago and he became the student of Ma Ji-a nationally famous *Xiangsheng* artist. 'Michael's' devotion to mastering Chinese won the recognition of the local government and his language advantage turned out to be a 'smoother' for his business in China.

There was also widespread praise for Paul's gracious interpersonal style. Several of the employees in Nokia gave us Chinese language quotes from him, which struck us as interesting since he does not speak Chinese. But he clearly indicated his desire to communicate with and influence the local staff.

> Just a few hours of effort can bring a smile to the faces of local ministry officials, customers, suppliers and my staff. Why not? I can also say a few words of Suzhou dialect – it gives a lot of 'face' to local people. I know my pronunciation may sound funny, but this can afford them frequent opportunities for amusement. This would be well worth the effort.

3. Miscommunication

Expatriate managers often complain that there is no open communication in China. They feel frustrated when people remain silent during meetings.

> Frankness is not appreciated by the Chinese. They don't want to give their opinions in public. No matter how hard you try to encourage them to participate in

the meeting, they just sit there, smiling politely.

Some of the expatriates we interviewed were also confused by the roundabout way the Chinese use to solve seemingly simple problems. Tom, Andrew's operations manager was puzzled by the 'maybe-yes-maybe-no' attitude of local staff.

> They will not tell you when they don't understand. They may say something like, 'I'll see what I can do,' or 'I'll do my best' which usually means 'no' but leaves things open so you can raise the issue at a later date.

'Fear of losing face and damaging *guanxi*' are often cited as reasons for Chinese unwillingness to deal with problems openly and directly. Negative answers and open disagreement are avoided as they cause other people to become embarrassment and tend to 'strip off' their 'face'. In any relatively high power distance culture disagreement with a boss is normally difficult. For the same reasons, the Chinese generally dislike being pressed to make commitments openly. In Chinese culture five major speaking practices have been identified: implicit communication; listening-centeredness; politeness; a focus on insiders; and face-directed communication strategies. Chinese speaking practices often lead others to (mis)perceive Chinese people as shy, reticent and reserved, or as evasive and deceptive. Such perceptions unavoidably create communication problems between Chinese and others (Gao, 1998), even if both sides use English. 'Brian', a Scottish General Manager said it took him some time to fully understand the old saying 'Silence is golden' in the Chinese context.

> It is dangerous to think that your Chinese subordinates are stupid when they are silent. 'Keeping the lips sealed' is considered as a sign of wisdom for the Chinese. They just hate disputes and believe politeness is more important than frankness.

However, if we see the world from the point of view of the staff, we can find other explanations for their silence aside from avoiding losing face. One employer mentioned the importance of deliberation:

> I hate being pushed to give a quick response in the meeting. It's a rush. Some foreign employees who reacted quickly just gave a naïve answer. Which is more important, a seemingly active participation or a well thought out, mature answer?

Several employees also said that they kept silent simply because they didn't want to be seen as a show-off by their peers, typical attitudes in a collectivist culture. Some employees also distrusted 'participation'.

> We don't want to participate for the sake of participation. Yes, your voice will be heard if you speak out, but don't expect your opinion to be taken seriously. The so-called 'brain storming' is just a democratic pretense. The real decisions will be

made outside the meeting.

Just as language interpreters are necessary to ensure accurate linguistic communication, 'culture interpreters' can be essential when people from different cultures are attempting to resolve a problem. Culture interpreters, who are individuals with considerable experience in, for example, both Chinese and foreign cultures, can explain the meaning of each side's communication behavior and serve as a cultural bridge. 'Mary', the Human Resource Manager of Nokia who has worked in foreign companies for more than ten years, took the role of culture interpreter for the company.

> I am a native Chinese, but I have acquired a good understanding of Western cultures and the expatriates' mentality through my working experience. Because of differences in communication styles, conflicts occur everyday. People tend to confuse cultural difference with misunderstanding. I am happy to help both sides to see the problem from the other side and minimize the miscommunication.

Kodak provides another useful example of a company in China working hard to understand and manage the potential impact of cultural difference on business performance (Goodall and Warner, 2003).

4. Staff Turnover

By 2003, 186 foreign companies had set up business in SIP, but the pool of well-educated and experienced staff in Suzhou is still limited. As a result there has been severe competition for the best talent and local employees are becoming alarmingly mobile. The average turn-over rate in SIP was 22 percent last year. One of the companies we interviewed 'achieved' an average monthly staff turnover of 35 percent. Finding local staff who will stay with the company is one of the biggest challenges facing the expatriate managers we interviewed. A Polish expatriate suggested, somewhat cynically, that it was impossible to find people who plan to stay on a long-term basis.

> The young generation in China has become extremely money-oriented and has no sense of loyalty. Foreign companies are often seen as salary cash-cows, to be milked before moving on to another, with an increase in salary to be gained at each move. They don't have patience, they take short cuts, and always want promotion. If they are not satisfied, they just go because they know they are sought-after. They think highly of themselves: some resign even before they have a back-up company to go to.

Three HR managers said they tried to avoid applicants with laundry-lists of company names and job titles on their resumes.

I was once presented with the CV of a young man looking for a job which showed that he'd had six jobs already, and he was only 28. Many of the jobs he had stayed in for only three months. This is a common tendency in the Park. The young people have no idea that their track record of job-hopping will damage their future prospects.

Foreign companies want to select young people who can 'grow up' with the company. For example, AMD only recruits new graduates from local universities. According to Oo, Operations Manager at AMD, young people are, on the one hand 'flexible and ambitious', but on the other hand 'unstable and impatient'. He also pointed out that many staff did not realize that management was a skill, not just a position or a sign of status.

In the West, young people would spend two or three years in a basic sales job before being promoted to supervisor. Here in China, you just can't wait that long. I find myself promoting people with only six months' experience. Of course they just don't have any management experience and lack the mature judgment of experienced managers. And then you have another problem. You can't promote everybody; and in any case after a few years your company's growth will slow and the opportunities for promotion will be less. Then they are frequently snapped up by new competitors. 'Think not what your company can do for you, but what you can do for your company' is a phrase that makes sense to many multinational employers. Many Chinese simply cannot grasp such a concept.

Contemporary human resource management practice suggests that organizations should provide good compensation packages and training and development opportunities because organizations will benefit in the long run (e.g., Ippolito, 1991; Kirrance, 1988; McManis and Leibman 1988 and Lawler). However, troubled by the high rate of turnover, the expatriate managers in our study are facing the dilemma of whether it is worthwhile investing if their employees will leave the company anyway. Training was considered to be a double-edged sword. As one HR manager said, 'If you don't train people, they will leave. If you do train them, they will get head-hunted.'

The high turn-over rate in SIP partly reflects the increased individualistic tendencies of the young generation in China that we noted earlier, combined with a demand-driven labour market. Young working people are more likely to act independently and to take risks in the pursuit of profits. The goal of better opportunities carries a lot of weight in their decisions to change jobs. While most expatiate managers attributed the high turn-over rate to their employees' pursuit of more money, interviews with the local employees gave us a different perspective. Although money was undeniably a motivator, equally attractive was the opportunity to 'learn more, to acquire skills, competences and attitudes in order to survive and prosper in the new environment'. Such a desire is consistent with the emphasis on education and learning in Chinese

culture. The younger generation has an insatiable hunger for learning western business methods (see, for example, the rapid growth of MBA programmes in China, in Goodall and Warner, 2004). However for most of them, career-planning is still a new concept. Some of the employees we interviewed held the misconception that 'the more companies I have worked for, the more experiences I have accumulated, the more opportunities I can have in the future.'

As indicated earlier, the young people working in SIP are better educated and better trained than most of the local population and are ambitious as well as adventurous. They placed great emphasis on individual achievement and expected fast career progress, much faster than is customary in most Western companies. They were also very sensitive to 'the fairness of the companies'. Some of the employees we interviewed expressed their dissatisfaction with the inequality between expatriates and local staff when it came to compensation and promotion opportunities.

> It's not only about money or position. It's all about being recognized. The company policies favor the expatriates in many ways and such arrangements send a stronger message than any corporate values: all employees are not equal. How could they blame us for disloyalty when they treat us as second class? When working becomes a way of making a living, why shouldn't we flock to the companies where we can earn more?

In order to retain well-trained local staff, expatriate managers need to pay attention to the personal ambitions and needs of their employees. Communicating clearly what the company offers in terms of longer-term training, development, and career planning is therefore a crucial part of a successful retention strategy (cf. Bjorkman et al., 1997).

Though the younger generation in China demonstrates greater individualism than their older colleagues, studies by Ralston (1999) show that they are also reluctant to completely forsake their Confucian values and continue to value long-term mutual commitment. Wong (2001) argued that organizational commitment can be developed only when the person forming this attitude has a chance to understand the organization. Foreign companies operating in China should try their best to build up positive long-term relationships with their employees. Some expatriates we interviewed stressed the importance of creating 'a feeling of being at home' or 'a sense of belonging' among the employees. Nokia is a good example of how to achieve this in China. When we visited the company, we found that 'Paul', the General Manager did not have his own office: instead, he worked in the same big office as other staff and even wore the same uniform. Paul was very proud of Nokia's corporate culture and he believed that building 'a Nokia family' through, for example, weekend social events, sponsored walks and art festivals was responsible in part for reduced turnover in Nokia. This attitude to building 'family' relationships at work was a common, and valued, feature of traditional Chinese State Owned Enterprises. 'Paul' commented on his own approach, making a connection to the Confucian values we

discussed earlier,

> Loyalty cannot be built from day one. This is particularly true in China since Chinese people value long-term relationships. So we emphasize emotional investment and make the employees feel that this company is not just a place where they come to work. This strategy at least make them think twice about saying 'yes' when the head-hunter calls.

Given the fact that many younger Chinese workers are still 'immature' in their attitude to career planning, foreign organizations could do more to educate Chinese job applicants about the long-term workings of the labour market in a market economy.

'The fairness of the company' is also important for the retention of staff (Bjorkman and Lu, 1999). Recent studies in China have found that both distributive and procedural justice has positive effects on employees' organizational commitment. Procedural justice suggests that people will be more committed to solutions and processes, even if they are not perceived to be in their best personal interests, if they feel fully involved in the decision-making process. Trust plays an important role in determining employees' organizational commitment (Wong, 2000). Thus, foreign investors may benefit by emphasizing staff involvement in transparent, open decision-making procedures, particularly with regard to the allocation of material rewards (Wong, 2001).

5. Responsibility and Motivation

The issue of individual accountability also came to the fore in the daily operation of foreign companies in SIP. Local staff found being given responsibility for a task and being asked to exercise their own initiative very daunting. As a result, training for empowerment has become one of the biggest challenges faced by expatriate managers working in China. As one of our expatriate interviewees commented,

> Staff often expects to be told in detail everything that they have to do. If the slightest variation in the expected situation occurs, they will immediately, without thinking, ask what they should do. Responsibility and decision-making are, for them, to be avoided at all costs. They don't think about the rewards of doing a good job; they contemplate, with horror, the possible punishments they may suffer for making a mistake. So, you just can't operate with a management style that focuses on delegation and individual autonomy, at least not for some time.

One expatriate manager in Gates Unitta told us that she had to write out long lists for key staff describing exactly how things should be done. 'The check-lists are a good stress-reducer for them. They feel that if they follow the check-list exactly, they can't go wrong'. Visible management is also very important in China. The managers have

to be seen to be walking around keeping an eye on things. Several managers also mentioned the parent-child relationship between them and the local staff.

> I tend to treat my staff here like we're all members of a family, and I am father, or big brother, or whatever. I think staff in the UK would feel that I was being patronizing, interfering, rule-obsessed, bossy and even insulting to them if I treated them as I do my staff in China. I would not last three minutes if I did this in Britain, but this does work in China. I copied my own mother, combining strictness and laying down rules with caring and fairness, and of being quite clear about when they've done well and when they've made mistakes. Sometimes I think I can't do it, treating my staff as if they are kids.

Hofstede's power distance dimension may be important in explaining this problem. Power distance refers to the acceptance of uneven power distribution within organizations and it is reflected in the employees' different behaviors towards supervision. Chinese people come from a relatively high power distance culture and researchers have suggested that employees in such countries tend to readily accept decisions handed down by their supervisors, and even resist participation in decision-making because of their unquestioning attitudes toward their supervisors (Graf et al, 1990). The manager's comments above about his paternal approach to management in China are exactly in line with a poorly understood aspect of power distance. What do subordinates expect in return for obedience and loyalty? They expect protection and care: exactly what a good father or mother would provide. Expatriate managers will often pay less attention than expected to these aspects of the boss-subordinate relationship in a high power distance culture. The avoidance motive (McClelland, 1987) may also be high in China, where employees like guidance and there is often a fear of making mistakes, resulting in inaction. This can lead to passive subordinate behaviour in the workplace and a consequent need for a high level of supervision. The move from passive, manager-dependent behaviour to empowerment requires foreign managers to pay much more attention to careful step-by-step delegation than they may be used to in other locations.

The expectations and assumptions of expatriate managers might exacerbate the reluctance to accept responsibility and take initiative among many Chinese employees. In traditional Chinese State-Owned Enterprises where high formality, low disclosure and openness, as well as a high degree of centralization are still common, managers exercised almost total control over the lives of their staff. Expatriate managers, on the other hand, can too quickly give much more room for initiative and privacy, seek to encourage creativity and take little direct responsibility for the employee's performance or behavior. Staff are expected to know what to do and take full responsibility for results. Although the idea of empowerment is now familiar in China local staff often need time and careful support in order to change their mindset: they often still expect expatriate managers to be much more hands-on and supportive. A Malaysian expatriate manage noted:

As the expatriate boss, you must be an expert in the processes of the company, and know them minutely, otherwise you will lose your mandate as the boss. You have to tell everyone how to do things. If you don't know the processes, things will go wrong, and your position will weaken.

All the expatriates we interviewed were very concerned about the best way to motivate local staff. For 'Kristina', Finance and Control manager at Nokia, a good balance between delegation and guidance was important.

Make it clear that you are delegating by asking your staff to produce their own action plans. Put the ball firmly in their court-tell them you want to know exactly what plan they have, that you will then consider it and make modifications. Always be available to give them help and guidance, and don't leave them entirely on their own, but don't do everything yourself, either. Always set deadlines, or you'll have no idea when anything will get done.

'Loh' made interesting use of the importance that Chinese workers attach to 'face'.

Once an important task needed to be done, I challenged my staff by questioning their capability to carry it out. 'It's a tough job. I am afraid you cannot manage it.' Those young people were very proud and hated losing 'face', so they responded, 'I will show you I can.' And they turned out to be more active and devoted.

'Jack' talked about the importance of opening up and modernizing the minds of local staff.

The success of managing in China is not just a question of building the infrastructure. It will take you just as long to open the minds of your staff to the way foreign companies operate. You need to help them to set goals for themselves and make space for them to improve.

He also emphasized the importance of praising people for doing a good job, and of building up their sense of pride and self-confidence.

Apart from different motivating strategies, all the expatriates in our survey agreed that patience is the essence of successful management in China. 'Brian' shared us with his four golden rules for motivating his staff:

First rule: be patient; Second rule: be patient; Third rule: be patient; Last rule: be persistent. You have to be very aggressive in building market share for your operation, but you have to be patient with your staff and persistent in motivating them. You need a split personality! You must also develop the wisdom to decide what you can and can't change. The most common mistake I see being made here in China is by expatriates wanting to change things overnight. They behave like a

bull in a china shop. They are inevitably destructive and resented by the locals - motivating them to leave for other companies.

6. Team or clique

The quality of the teamwork between expatriates and local staff is critical to building and sustaining competitive advantage in the multinational (Goodall and Roberts, 2003). Kanter (1999) suggests that world-class organizations increasingly depend upon teamwork since brainpower is becoming 'to the global information economy what oil was to the industrial economy'. Since teamwork is a critical feature of organizational effectiveness expatriate managers expect to be able to achieve it in China. However, many of the expatriate managers in our SIP interviews complained that Chinese employees were unwilling to work in teams. Tom, an American manager commented:

> Team does not exist in China. Local staff don't know how to work with other people at all. Those young employees may claim to be 'good team players' in the recruitment interviews, however, later in the work you will find that 'team' is only a brand-new modern Western word to them - they like talking about it but aren't able to practice it. Each of them concentrates on his or her own task and doesn't know how to cooperate with other people, especially those from different backgrounds.

Several expatriates said that there were cliques instead of teams in the company.

> Some (of the cliques) are formed by members of the same department, some graduated from the same university, some came from the same town. You can see them going out arm-in-arm at lunch-time together, or chatting about the power structure of the company and their boss. There is a tradition in China of doing this. Sometimes these cliques are just social groups without any harm, but they can also be very dangerous when the inside people are just looking after their own interests with no thought of the damage they are doing to the company.

What the managers here appear to be seeing is the impact of personal relationships within an organizational setting. By placing teamwork in a cross-cultural context, Chen et al. (2000) analyze the influence of traditional Chinese culture on teamwork. They suggest that traditional Chinese culture influences modern teamwork in contradictory ways. On the one hand, the collectivist orientation, the importance of relationships *(guanxi)* and concerns for harmony in Chinese culture may facilitate crucial aspects of teamwork such as a common purpose, task interdependence and a group orientation. On the other hand, the Confucian emphasis on rigid social hierarchy and upward deference to leaders could maintain top-down control and create strong barriers to teamwork. Collectivism is not always beneficial for teamwork. It has been noted that the Chinese are collectivist, but minimally

integrated: the members of different *guanxi* networks may fight each other within the same company.

From the expatriate managers' (especially the Western managers') point of view, teams primarily focus on task and social and interpersonal relations tend to be secondary (though the latter relationships can be important features of teamwork). However, Chinese employees place great importance on personal relationships (*guanxi*) which extend outside the work setting. Many expatriate managers are able to make a clear distinction between work relationships and social relationships, though, of course, there is some blurring of the categories. Living in a collectivist society, the Chinese see people as part of an 'in-group' (members of their social network) or 'out-group' (everyone else). Crucially, the social network overrides purely work relationships: it is not unknown for Chinese staff to provide sales leads and other confidential information to competitors because members of their social network work there. They have much higher confidence and trust in 'in-group' members than 'out-group' members. As a result, they will typically offer little support or help to strangers, people from other teams or people they are not fond of even within the same team. 'Mary', the HR manager of Nokia commented,

> The expatriates are achievement-oriented and they hope to focus very quickly on specific business tasks. Therefore, some expatriates complain that their employees do not know how to cooperate. The fact is that the local staff do not know the expatriate way and that their way is making a negative contribution to the effectiveness of the company.

'Relationships facilitate results.' The harmony of the team is, of course, very important in China. Given the cultural preferences for social network relationships described above, team-building in China is likely to require a great deal more time and effort than in many other locations. However, in our interviews with local staff, we found that the absence of time-tested relationships between expatriates and Chinese staff could be damaging to team performance.

> Most foreign managers do not choose to stay long, usually two or three years because they have better opportunities back home. It takes time to really know your boss and adapt to his management style. However, it is very likely that when a compatible working relationship is built, he or she is ready to leave. Rome was not built in a day, neither was a team in China.

If Chinese employees believe that they can trust their bosses and can develop a personal relationship with them then the team is likely to function more smoothly. A foreign general manager was highly praised by local staff because he seemed to have a 'feel' for Chinese culture. He knew when to offer small gifts, for example, and knew when to use inaction rather than action to solve a 'sticky' personnel problem. He developed the team by following local customs and started a program in his company

whereby all the company's supervisors visited all their subordinates' families at least once a year. Again, this latter behaviour is perfectly recognizable from traditional State Owned Enterprise management.

Perceived fairness is another important quality of the expatriate manager who manages a successful team in China. As 'Loh' pointed out,

> When running your team like a 'family', you must also be seen to treat everyone the same and have a reason for everything you do. You must also encourage your staff to be impartial and to avoid making choices on personal grounds. Emphasize the point that making the right decision is essential to the company as a whole. Since everything is personal in China, it needs considerable efforts to achieve this. But remember: a team is created!

Conclusions and Implications

In this article, we focused on seven broad issues: culture shock; language barriers; miscommunication with local staff; staff turnover; empowerment and motivation; and teamwork. In each of these areas we have let the interviewees, both Chinese and expatriate talk about their frustrations and, occasionally, their proposed solutions, using *qualitative* analysis, in order to get an understanding *in depth*. Our main guiding hypothesis was that: *the more the expatriate managers 'fits' in with the cross-cultural context in which he or she find themselves, the greater their managerial effectiveness.* In this final section, we will emphasise what we see as important threads in the responses and as providing positive support for the above hypothesis.

Firstly, 'reality' is socially created: it is perfectly possible for a foreign manager in China to believe that he or she is doing the right, reasonable thing, but for this action or attitude to be interpreted negatively. A focus on task to the exclusion of social relationships can seem inhuman; the exhortation to take responsibility and show initiative can look unreasonable and frightening; the invitation to 'brainstorm' simply masks the realities of decision-making power; and a demand for quick answers in a meeting is simply to push for glib answers, to substitute noise for real thinking. Assumptions about why a certain process or management style is used need to be shared and explored. It is clearly not enough to simply transfer 'Western' practices without reflecting on what they might look like through a different cultural lense.

If staff turnover is a problem, then it might be useful to exploit the Chinese desire for close relationships and networks. Make sure key Chinese staff has the opportunity to build relationships both locally and at the headquarters. In a separate investigation (Goodall and Roberts, 2003?) we met an oil company employee in Beijing who turned down an offer of higher pay from a rival company precisely because of his investment in building relationships with expatriate staff in China and Europe, relationships which helped him achieve and exceed his targets. In addition use the Chinese respect

for learning and development: map out and communicate a long-term plan for training and career development. Hold expatriate managers accountable for the retention of key Chinese staff and make sure that they understand the importance of developing close personal relationships.

If empowerment is an issue, then the problem might not just be the attitudes of Chinese staff. Explore the possibility that expatriate managers have taken for granted the idea that empowerment will be welcomed. Look also at the way the gap between subordinate dependence on the manager and empowerment is being bridged. You should be seeing careful, step-by-step delegation accompanied by training and close support from the manager.

Look for cultural experts, particularly in the HR function, to guide and inform both local and expatriate staff. Take seriously the idea that technology and procedures will not deliver the desired results without the right mindset. Like Kodak, take the impact of cultural difference on quality and performance seriously enough to invest in training. Create a space where assumptions can be explored and negotiated: what aspects of your routine management behaviours look strange to local staff? To get at the truth, of course, you may need to take the *Chinese* solution to difficult conversations and use an intermediary.

Appendix 1: Interview Questions

1. Adjustment issues:
a. What is your primary motivation to work in China?
b. Did you get any pre-departure cultural training before you came to China? What are the sources of the knowledge about China? Are they useful?
c. What difficulties are you encountering as a western manager working in China?
d. What do you think are the reasons for these difficulties?

2. Barriers to cross-cultural working:
e. What would you say holds up the smoothing working?
f. Can you compare the difference between working in a cross-cultural team and a purely western team?

3. Skills, knowledge, and learning
g. What knowledge and skills would you say the western managers should learn or improve to better cope with working in China?
h. What have you learned from your Chinese colleagues and employees?

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