


A large, abstract graphic consisting of several concentric, overlapping blue circles of varying shades, creating a dynamic, swirling effect that frames the central text.

MANAGING ACROSS BORDERS

邹莉 著

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Managing Across Borders

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INTRODUCTION

Globalization is always haunting the world. Both Asian and Western companies strive to create unique challenges for their entry into the global economy. They include: opening domestic economy, combining the national industry and the requirements of global economy, searching for markets overseas, economic and political power struggling between regions and countries. We are entering a phase, the intense economic, political, and socio-cultural-culture have been influential elements in competition.

This book will mainly address two problems of entity's integration into the global economy, for the most part neglected by the academia and the policy makers. Each of these issues deserves a separate study, they are:

- Volume and character of FDI (Foreign Direct Investment) inflows into Asia, particularly as it relates to the development of globally integrated regional technology clusters.
- Growing significance of internationalization of Asian regions, particularly as it relates to their geoeconomic sovereignty.

This book considers different steps towards globalization in the following research projects:

- Identify the factors result in the entity entering markets overseas.
- Identify cross-cultural management capability in the companies' overseas operations.
- Identify the factors that promote effective diversity management in the international workplace.

- Identify factors that inhibit effective diversity management in the markets overseas.

The MNCs have different strategies toward dealing with internationalization. There is little doubt that significant and measurable benefits have flowed from the multi-cultural marketing strategy. The management of cross-culture and ethnic differences in global market leads to an integrated set of policy strategies designed to manage the whole range of human differences across the nations. These policies in turn should be integrated into a range of operational and human resource policies with a focus on improving cross-cultural management that will drive international business performance.

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Chapter 1 Managing Diversity

1.1 Indian Cultural Study

1.1.1 Introduction

What is culture? "Culture" has been defined by the British anthropologist, Sir Edward Burnett Tylor (1975), as "that complex whole which includes knowledge, belief, art, morals, law, custom and any other capabilities and habits acquired by man as a member of the society". Over the years, the topic of culture has created great interest around the world, mostly due to the growing affects of globalization and the issue of cultural convergence. The purpose of this study is to understand how Indian's culture influences people's behaviors, and how this culture changes when they migrate to other countries. The study outlines Indian's culture, with reference to their tradition, value and caste.

India is a neighboring country of our home country, China. There exist quite of few interesting similarities between these two big countries. First, both countries have long histories of several thousand years and are two of the four ancient civilizations. Second, both countries are very populous. China has the largest population in the world, while India has the second largest population. Third, both countries have large rural areas, which are quite poor and backward. To study the Indian culture would be an interesting and meaningful learning experience for us.

There are mainly two aims of cultural study to India. On the one hand, I hope that we would gain a better knowledge of the culture of this neighboring

country, since India is playing a more and more important role in the world economy. On the other hand, I hoped that we would better understand and enhance our ability to deal with foreign cultures. Both of the two aims are important to a large extent.

The first part focuses on Hofstede's dimensions of cultural values (Francesco, 1998) (see Table 1-1). The second part is a simple description of Indian people based on stereotypes .

Table 1-1

| Hofstede's Dimensions | Expectation |
|----------------------------|--------------|
| Individualism/Collectivism | Collectivism |
| Power Distance | High |
| Uncertainty Avoidance | Low |
| Masculinity/Femininity | Masculinity |

A simple description of Indian people based on our stereotypes is: hardworking, conservative, wise, humorless, unfriendly.

1.1.2 Individualism and Collectivism

If you ever talked with some Indian business partners, who were around 40s and 50s when they visited China, you would feel some of them were quite proud of their own companies and appreciated teamwork in their own companies. As a result, we got an impression that Indian people were quite collectivistic and had a strong group sense to some extent.

However, if you ask the young Indian that if they like to work for their company in their spare time. They might answer, "Yes, we do, but only if the company will pay a lot for our extra work." Most people of young generation in Indian are not willing to work if there is no allowance. That is to say, the actual

reason for the young generation to serve their company is to earn money for their own benefit. By contrast, Japanese, who are regarded as typical collectivism, prefer to work for their team without caring too much about their benefit.

The young generation used to live with their parents. Because if they did not do that way, other people would think they are not kind to their parents and look down upon them. This indicates that they care more about other people's opinions. However, nowadays the young people care very little about others' opinion. As a result, in order to have more freedom, many of them live separately from their parents.

1.1.3 Power Distance

According to Hofstede's dimensions (Francesco, 1998), "power distance is the extent to which less powerful members of organizations accept that power is unequally distributed." Some people originally think India is a large power distance society where people in high positions are regarded as naturally different from the common persons. If an Indian employee did not agree with his boss' opinion, how would he react? Most people would just follow their boss' instruction. In most companies, bosses and high-level managers usually show strong superior distinction over the common staffs. When the boss comes, employees will keep quiet. If the boss does not leave his office after work, employees will have to stay until the boss leaves first. Common employees seldom get a chance to have dinner or even a comparatively free chat with their boss. If employees get a chance to have dinner with their boss, a special seat must be set for the boss to show his high position. Power distance in Indian culture is still large.

1.1.4 Masculinity and Femininity

The masculinity phenomenon has existed in Indian history for more than two thousand years. From 2,500 B.C. to 300 B.C., the freedom for women was weakened mainly because of the strong strength of castes. From then on, women began to lose their social status in the devastating period (Kamuladevi, 1983). Gender discrimination is still a problem nowadays in India, especially in those remote area or countryside, and this is embodied in many aspects. It is common that women tend to stay at home to look after their families rather than finding a job.

In this highly masculine society, most parents hope that they could have a son instead of a daughter. A boy is expected to get a higher social position than a girl when he grows up. In addition, when a daughter gets married, her parents have to pay a large sum of money to the bridegroom at the time of marriage. Brides fail to meet the husband's expectations are sometimes harassed after the wedding.

Nowadays gender discrimination become weaker due to the influence of economy globalization and world women freedom activities, especially in some major cities in India. Many well-educated women are playing very important roles in companies and society (Rhoda, 1980).

1.1.5 Uncertainty avoidance

India is a weak uncertainty avoidance country. e.g. When a company doing international business with an Indian company, some Indian suppliers deliver the goods without any shipping instructions, or neither confirm the order nor open the Letter of Credit meanwhile the terms and conditions of the L/C are still under negotiation. Also Indian supplier takes a high risk of non-payment. Some of Indian people would pay close attention to relationship between parties rather

than contracts.

It is very hard for the Indian government to design a set of standard laws and regulations to confine the behaviors of the people from different religions and social groups. Meanwhile, social violence is unavoidable under some conditions, the government just preserves so called public laws and order, resulting in unjust and unauthorized use of the rules (Khare, 1998).

1.1.6 Changing Phase

Now the women and the young have changed a lot. They are independent and strong, taking responsibility and making decisions. They are more open minded and challenging, and have the right balance between their culture and western influence. They reject castes and strongly believe in respecting elders and tradition. This could positively influence businesses in India.

1.1.7 Conclusion

Paradox still exists, where culture diversity plays a very important role. Indian is changing, and change is the condition of every thing that lives (Stern, 1993). Especially in this globalizing era, cultures from outside of Indian change people's mind as well as their behavior, particularly in modern cities. Nowadays, Indian young generation get more and more self determination on their marriage. Government retains around 20% of high school's quotas for students from lower social classes. Classes seem difficult to be changed, but people now can get high education to make a better life. Most of the concept of caste is expected to be faded day after day.

Today, with the rapid development of globalization, many cultures around the world are experiencing big changes. When judging a new culture, we should be very careful and conscious about his or her own stereotype. Misunderstanding

can lead to wrong cultural interactions. Effectively, stereotype might be crucial for a successful cultural understanding and communication.

1.2 Japanese Business System

1.2.1 Introduction

Ronald Dore (1990) distinguishes between the western and Japanese business systems as the difference between a market-oriented and an organization-oriented approach. This study is divided into two parts. The first part tries to discuss how far Ronald Dore's description of the Japanese business system is valid. The second part consists of two points. First, I will analyze why I do not expect to see a real convergence towards the western business approach in Japan. Second, I will make an argument about why changes are still inevitable in the Japanese business system.

1.2.2 Part I : Is Ronald Dore's Description of the Japanese Business System still Valid?

Ronald Dore's comparative analysis of the Japanese business system and the western business system is a strong tool to help us to find out the advantages and disadvantages existing in the both business systems. He describes the Japanese business system as an organization-oriented one, which has been quite valid in the past. However, the Japanese organization-oriented business system described by him seems not as valid as before after Japan's deep economic recession since the early 1990s. Three aspects from Dore's description are selected to prove this idea: Lifetime employment in Japanese companies, the long-term view taken by Japanese companies and the seniority wage and promotion system in Japanese

companies.

The first feature of the Japanese organization-oriented business system described by Ronald Dore (1990) is its low labor turnover. Such a low turnover of staff is largely due to the lifetime employment system adopted by Japanese companies. Japan's lifetime employment system ever received high praise from economists because it could significantly enhance employees' company loyalty. Many Japanese employees regard their companies as their families and are greatly devoted to the development of their companies. Without the dedication of its workers, Japan could not have achieved so many economic miracles.

However, today, lifetime employment seems not as valid as before in Japan. The Japanese economy has been quite sluggish since the collapse of the bubble economy in the early 1990s. As a result, a lot of Japanese companies have begun to lay off workers under heavy pressure to survive. According to Nakamura (2001), "Many of the Japanese firms that faced excess capacity due to over-investment during the bubble period had no choice but to lay off workers, despite the practice of long-term employment." More and more Japanese workers have lost their jobs. In March 2003, Japan's unemployment rate was as high as 5.4% (People's Daily, 2003). Undoubtedly, the lifetime employment system in Japan has been broken. Such a traditional employment system might not easily end, but Japanese employees' confidence in this system and sense of belonging to their companies might be largely reduced. Furthermore, the lifetime employment system has put obstacles in the way of more reasonable labor turnover in Japan. It means that the recruiting mechanism for experienced workers has not been well developed in Japan since the idea of changing jobs is depreciated. With the increase of unemployment rate, more and more experienced workers have been laid off and are trying to find new jobs in the labor market. However, the labor market has not been well prepared to face so many unexpected middle-aged

experienced workers (Nakamura, 2001).

Ronald Dore (1990) also praises that Japanese companies gain enormous advantages over their competitors by being able to take the long-term view. It is true that Japanese companies have benefited a lot when conducting business based on long-term objectives. Their western competitors seem comparatively shortsighted because they are mainly in pursuit of short-term profit instead of long-term development.

However, is the long-term view of growth taken by Japanese companies really perfect? Maybe we should firstly find out why Japanese managers are encouraged to focus not on short-term profits but on long-term growth. The reason is not simply that Japanese companies have the conventional wisdom. The true reason, as pointed out by Michael E. Porter (2000), might be that shareholders who are seen as secondary are not sensitive to profits. Ronald Dore (1990) also tells in his description that shareholders in the Japanese organization-oriented business system "are more interested in the business they do with the firm than in the returns on their stock holding". Without the pressure to earn profits for shareholders, the goal of profitability is easily to be ignored in Japanese companies. Moreover, according to Michael E. Porter, the pressure of long-term growth leads to excess capacity and unrelated diversification in Japanese companies.

The seniority wage and promotion system described by Dore also ever made a good contribution to the development of Japanese companies by increasing the commitment and dedication of their staff. Under this system which emphasizes seniority and age, employees can clearly see that the longer they stay in their companies the higher salaries and positions they may obtain. This idea helps them to concentrate on their work without worrying too much about their future career development.

However, the inefficiency of the seniority wage and promotion system is obvious. As described by Dore (1990), there is no concept of a "going market rate" for particular skills in Japanese companies. The idea of "equal pay for equal work" which is quite common in the western market-oriented business system is not well accepted by Japanese companies. To place too much emphasis merely on seniority and age is unfair and may result in ignorance of some very capable young employees. It is not an efficient way to well utilize a company's human resources.

1.2.3 Part II: Will the Japanese Business System Really Converge towards the West?

There has been a long debate on the convergence/divergence of the Japanese business system since 1970, as summarized by D. Dunphy (1987). From my point of view, although problems existing in the Japanese business system have been more clear since the collapse of Japan's bubble economy, Japanese companies are still unlikely to simply converge to a western business form.

On one hand, culture is a key barrier to such a convergence. There exist so many cultural differences between Japan and western countries in terms of technology, education, religion, attitudes and values, social organization, political life, etc., which put obstacles in the way of convergence. Cultural differences can also be found in Dore's comparative research of the Japanese and western business systems. Although Dore (1990) points out that the cultural preferences only partly explain the fact that Japan has a different business system, I still think they are very important reasons why Japanese companies are so organization-oriented. Japanese business culture which has been formed during a long period can not be simply changed.

On the other hand, does Japan really need to follow the western business

model and move on to a complete convergence step by step? I do not think so. The western business system which is well-developed and efficient in western countries may not fit in with Japan very well. Different countries have different cultures and other specific conditions which contribute to the formation of different business systems. There is not one best way or one universal form of success for all economies since so many countries have achieved economic miracles based on different business systems. Japan should analyze and learn from the successful experiences of western countries' business operations. However, it will not be a simple process of convergence towards the western business system. The western business approach should be used for reference by Japanese companies. But it should not be indiscriminately copied. Some successful western business methods might be adopted in this new system, but it would not be a real westernized one. It would still be a typical Japanese business system based on Japan's own business environment, cultural conditions, political system, etc.

Although I do not think a real convergence towards the western business approach will happen in Japan, but that changes are still inevitable in the Japanese business system. The pressure of economic recession, more and more foreign takeovers of Japanese companies and Japan's excellent ability to learn and change can be used to prove this idea.

After the collapse of the bubble economy, Japan's economy has entered a long recession since the early 1990s. The slump economy has put great pressure of survival on many Japanese companies, especially small and medium sized companies, and forced them to change. In fact, more and more problems which have been overlooked during Japan's high-speed development period have been found in the Japanese business system. Changes become not only inevitable but also essential for Japanese companies to solve their problems, sustain their competitive advantages and even to create new competitive advantages.

Another reason why changes are inevitable in the Japanese business system is the fact that more and more Japanese companies including some major ones have been acquired by foreign companies. Nakamura (2000) gives some specific examples in the Japanese car industry, "Nissan has been taken over by Renault, Mazda by Ford, Mitsubishi by Daimler Chrysler, Isuzu by GM and Suzuki by GM". As pointed out by Michael E. Porter (2000), foreign companies are becoming much more important equity shareholders in Japanese companies. This fact indicates a big change in the traditional relationship between Japanese companies and their shareholders in an organization-oriented system. Furthermore, foreign shareholders will probably introduce more western business methods to Japanese companies, which may result in more changes.

Thirdly, we should not forget that Japan is a country with an excellent ability to learn and change. Japan's modern history can prove this. There are two typical examples. First, in the 19th century, through the Meiji Reform, Japan's feudal system was abolished, and modern western technologies as well as ideas were well learned by Japan. As a result, Japan was rapidly modernized and became much more powerful. Second, after the Second World War, Japan which had been devastated during the war rapidly recovered and achieved incredible economic success step by step. Reasons for this fact are complex. Yet Japan's ability to learn from foreign countries and solve its problems by changing had played a big role. Japan is good at learning from western countries and changing itself. But it does not mean that Japan simply copied from western countries. Japan's changes were based on its own conditions and full of creativity. It is clear that such changes have resulted in a Japanese model instead of a completely westernized one.

Conclusion

From what has been discussed above, we can see that Ronald Dore's