

The Unexamined Differences in Dreams: Chinese Firms' Globalization and Interface Challenges

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ABSTRACT Most of the issues that undermine firms' globalization efforts are attributable to a combination of cultural differences and weak managerial skill and experience. Because of its exclusive focus on influences from the political stability and institutional maturity aspects of country contexts, Child and Marinova's (2014) framework for identifying the challenges faced by Chinese firms going abroad is incomplete. It needs to also include the cultural mindsets of executives as an explanatory factor in analyzing how the 'qualitative interface' in contextual combinations affects the operation of firms investing into foreign countries.

KEYWORDS China, culture, executive rationale, interfaces, mindsets

梦想中没有被检验的差异：中国企业的全球化以及对接的挑战

摘要

阻碍公司全球化努力的大多数问题都归结为文化差异和不足的管理技巧与经验的组合。由于Child和Marinova (2014)的研究仅集中在国家情境下的政治稳定性和制度成熟度的影响，他们的研究框架不足以辨识中国企业在海外面对的挑战。高层管理者的文化思维定式应该被囊括其中，用以分析解释在情境性组合中“质的对接”如何影响公司在海外的运作。

关键词： 中国，文化，高层管理者的理念，对接，思维定式

INTRODUCTION

The intercultural boundary, especially when two societies are far away from each other in political/economic philosophy and in level of development, can be a graveyard for fruitful cooperation. For this reason Child and Marinova (2014) have identified 'the qualitative interface' as key to understanding what happens when companies engage in outward FDI. They focus on *different political stabilities* and *institutional maturities*. What that does is set the stage for understanding what then

goes right or wrong. How far are the firms from a level playing field where the rules of the game are shared or at least the range of their interpretation understood?

But such first level comparisons of context, although highly significant in shaping the behaviour of actors, do not themselves directly illuminate the playing of the game itself, the enacting of the required cooperation and coordination. The explanatory dilemma here is the standard problem in analyzing complex adaptive systems. When determinacy is a matter of complex configurations rather than restricted clusters of 'causes', then it is necessary, as now, to suggest that extra components need to be added.

If we look at the issues that do undermine firms' globalization efforts in practice, including those Chinese firms face (Shambaugh, 2012; Spigarelli, Mucelli, & Alon, 2013), it is clear that a large portion of them are attributable to a combination of cultural differences and weak managerial skill and experience. The managerial challenge of dealing with this deficiency is essentially one of fostering an opening of minds and a widening of understanding and tolerance. The minds that need to be opened are doubtless products of the institutional contexts in which they matured, but they are not those institutions. I then pose the question: what lies under the institutions, but is not of them?

Such mindsets are seen here not just as ontologically separate from the surrounding institutions, but in many ways historically prior to them, even though the two remain reciprocally intertwined. So they are conceptually worthy of distinct attention. Their influence in shaping success or failure would appear on the evidence to be substantial, so they are practically relevant. They are also aspects of organization that might be susceptible to adaptation by learning, a feature revealed in the determined assault on its own such corporate handicaps by Samsung when it started seriously globalizing. As Mathews (2006) has suggested in his 'LLL' theory of 'dragon multinationals' from Asia, their success or failure has rested not just on Linkage and Leverage, but on Learning. He calls the main learning a '*gestalt switch*' out of the home country paradigm into a global mindset.

CHINESE FIRMS GOING ABROAD

The level of analysis adopted by Child and Marinova (2014) is that of institutions and political systems and the ways in which such forces affect the needs of firms to display certain institutional capacities and forms of resource. Are the relevant capitals likely to be available to Chinese firms operating abroad? And, is this a question of broader scope in international business? It would be, because it is the combination of (a) the meaning structures and (b) the institutional fabric of order that then underpins the forms of coordinating economic cooperation seen most clearly in firms and markets (Redding, 2005). The meaning structures carry the interpretation of the institutional fabric into the world of action. When meaning structures are inconsistent with each other – as within most cross-national forms of

alliance – the stresses at the interface can be severe and the risks of instability high. It is then at the level of social psychology that success and failure in foreign venturing is practically determined. It is at this level that the confluence is enacted. A number of studies of inward and outward China investment illustrate the tensions that regularly emerge at this level.

China is now behaving as a mercantile state in a world grown less accustomed to such a philosophy. In this context China can slow down external attempts at standardizing the interaction rules, for instance, while selectively incorporating World Trade Organization regulations into its own system (McGregor, 2012). Paradoxically its competitive advantage is based to a degree on its inability to enforce its own laws in a transparent manner (the institutional maturity addressed by Child and Marinova, but here seen in reverse as being advantageous). Because China's system does not function predictably, this inadequate governance – by being extended outside its borders via its own multinationals at the scale it has now reached – 'could ultimately break the WTO' (Aaronson, 2010: 40).

In simple terms the 'stickiness' of national business systems raises the stakes in this game, and reduces the likelihood of successful learning and adaptation. Arguably this is especially the case when one of the sides has a mercantilist agenda.

It is then necessary to get below the surface of the typical interface negotiations and their implementation to ask about the effects of rationales, or systems of shared sense-making held by each side in an alliance. When two sides have different purposes agreed within each side but not shared across the sides then such a fundamental contrast will eventually come to the surface. This is because the understandings will play a significant part in the shaping of managerial and institutional responses. Mindset matters are typically not discussed between the sides but they are also typically not negotiable. Such matters are also typically not included in international business theorizing. These are not firm resources in a Penrosian sense. They are instead conditions framing decision making and are contextual.

The Role of Executive Rationale

As Molina (2012: 399) has pointed out, 'the concept of institutional logic, which has received little attention in MNE management research, provides theoretical tools to address the plurality of institutional contexts that characterize MNEs'. For her, the fragmentation that occurs at the interface between organizations working together in international business needs to be understood through 'the logic that serves as a cognitive framework for organizational members to interpret managerial issues and determine appropriate responses' (Molina, 2012: 400). Such logics shape the identification of members within clusters, and that then shapes the managerial behaviours. She sees such logics as both symbolic and material and that they emerge from relevant institutions in society. Through social identification

(which for an individual can be multiple) people tend to cluster in semantic spaces, or provinces of shared meaning, such as an executive group from one culture (Redding, 2008).

The idea that one might use the term *rationale* for such a feature stems from Weberian notions in economic history analyzed by d'Avray (2010), who proposes the idea of *conviction rationalities* to summarize the way in which individuals acquire through socialization a cluster of values and beliefs that then shape the ways in which they determine appropriate behaviours and choices as social actors. *Rationale* here is then the collection of shared meanings and dispositions possessed by a set of people after socialization, or in a more focused context, a sub-set.

Examining the interface

The nature of this interface in China is suggested in Feldman's (2013) title 'Trouble in the Middle'. The study is based on 84 interviews with American and Chinese executives. The author focused on American manufacturing firms based in Cleveland, a city with a large concentration of such firms representative of the many that have flocked into China from all over the world. The Chinese city with the highest concentration of Cleveland ventures has been Shanghai, and so his sample of interviewees was divided equally between American executives from Cleveland and Chinese executives from Shanghai. The study revealed what Feldman sees as a little-acknowledged phenomenon at this interface: that of the *cultural middle*. This is the ideational and emotional space or interaction where two cultures attempt to make sense of each other.

It is significant that the availability of people to occupy this space is ascribed by Feldman and others to a Chinese cultural disposition. Although other cultures deal with the *function* of coordinating between divided parties, very few institutionalize that functioning into a *specific role* found widely in the culture. The traditional role of *comprador* is well established and respected historically in accounts of Western dealings with China (Bergere, 1989). Now we see its modern version. The process works by creating a space where neither party has direct involvement but is the territory of the middleman.

One should note that whereas in China the middleman role is respected and 'normal', in many other countries – especially those that have moved away from personalism as an organizing principle – the non-availability of local people to fill such roles could be proving an invisible handicap for Chinese firms in their foreign adjustments. If the no-man's land is eliminated, the confrontations are then direct.

CONCLUSION

As Child and Marinova (2014) show, interfaces can be analyzed from the perspective of how institutions and political systems establish institutional and capital needs

for the overseas investing firm. But the most fundamental challenge for practitioners lies not in the institutional structures but in the cultural underpinnings that shape both the institutions and the political context. This unpacking of the black box – separating culture from institutions in the process – has been proposed earlier in more detail for the case of China by Redding (2008). The essence of the point is that culture remains embedded in the collective mindset from a long history of its evolution and so is prior to any current political or social institutions, even though those institutions may well be epiphenomenal ways of interpreting it. For instance the cultural traditions of strong government in China and stand-back government in the US pre-date the present institutional fabrics by several centuries and in the China case even millennia.

There are two influential background features shaping whether contrasting mindsets can be shared. First is the way in which free-market capitalism tends historically to induce a more benevolent form of domination to a society than is possible under state authoritarianism. The greater inclusiveness and power sharing that follows the free market distances the typical organizations of the two types from each other and makes their blending much more problematic.

The second shaper of the possibility of shared mindsets lies in the societal contrasts in social capital. Where social capital is present in its institutionalized form, as well as its interpersonal form, then organizational and managerial compliance with regulations, and conduct expressing public duty, are usually both high. Where institutionalized trust is weak then pragmatism and corruption are common.

Given such observations about authority and trust, the interface between societal business systems is likely to be played out between parties with different perspectives. Those perspectives are likely to be enacted in the institutions of each society, and the relations between the *gestalts* and the institutions will be reciprocal and evolving. Such mindsets are a key part of the qualitative interface that amplifies or suppresses the cooperation it hosts.

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