

## **Cultural Values and Decision-Making in China**

**Durriya H. Z. Khairullah**

School of Business  
Saint Bonaventure University,  
Saint Bonaventure, NY 14778, USA

**Zahid Y. Khairullah**

School of Business  
Saint Bonaventure University  
Saint Bonaventure, NY 14778, USA

### **Abstract**

*The paper is based upon discussion and information provided by 22 senior managers at multinational corporations in China and published work related to doing business in China. The five different cultural dimensions of Hofstede and Hofstede and Bond schema and their implications particularly on the decision-making process by international managers are discussed. In addition the paper reviews and reinforces scholarly research on Chinese culture and business practices in China and in other countries. The findings of this paper together with those of previous studies could provide relevant information to managers who plan to do business in China.*

**Key Words:** China, Cultural Values, Hofstede's Cultural Dimensions, Decision-Making

### **1. Introduction**

With the growth of globalization, cultural sensitivity and understanding in dealing with global complexities involved in conducting business in host countries have been expanding (Sanyal, 2001). It is a known fact that culture varies across nations (Cateora, et al., 2011; Jain, 2001). Verhelst (1990, p. 17) defined culture as "every aspect of life: knowhow, technical knowledge, customs of food and dress, mentality, values, language, symbols, socio-political and economic behavior, indigenous methods of making decisions and exercising power, methods of production and economic relations, and so on". Dutch management professor Hofstede (2001) refers to culture as the "software of mind" and argues that it provides a guide for humans on how to think and behave; it is a problem solving tool. Anthropologist and business consultant Hall (1959, p. 26) offers a definition of culture which is very relevant to international managers: "The people we were advising kept bumping their heads against an invisible barrier.... We knew that what they were up against was a completely different way of organizing life, of thinking, and of conceiving the underlying assumption about the family, and the state, the economic system, and even Man himself". According to Ricks (1983) an essential skill for managing people and processes in other nations is "cultural savvy" which is managers having a working knowledge of the cultural variables affecting management decisions. Joinson (1998) advocates cultural sensitivity or cultural empathy which is the recognition and sincerely caring about other peoples' cultures.

Cultural sensitivity calls for the ability of managers to understand the viewpoint of those living in very different cultures and the readiness to put them self in another peoples' perspectives. Furthermore, international managers can benefit tremendously from understanding the nature, dimension, and variables of a specific culture and how these affect work and organizational processes (Joinson, 1998). This cultural awareness enables them to develop appropriate policies and determine how to plan, organize, and control in a specific international organization (Francesco and Gold, 2005; Hofstede, 1980; Joinson, 1998; Khatri, 2009). Very often managers have seriously overlooked the significance of cultural factors and this lack of cultural awareness has lead to blunders in international operations as reported in several publications (e.g. Black and Mendenhall, 1990; Joinson, 1998; Podrug, 2011; Ricks, 1983; Wysocki, 1990).

In essence, societies create their own cultures and organizational systems congruent with that culture (Ralston, et al., 1993). Therefore studying national cultures with the objective of understanding managerial values and behaviors is imperative in international management research (Hofstede, 1980, 1991; Podrug, 2011).

## **2. Objectives of the Present Study**

The paper is based upon discussion and information provided by 22 senior managers (17 males and 5 females) employed at 15 multinational corporations in China. These included 10 Western, 4 Chinese and 1 Far East multinational companies. The main objective of this study is to discuss the cultural values in China in relation to the five different cultural dimensions of Hofstede (1980) and Hofstede and Bond (1988) schema (hence forth called H&H/B dimensions) and their implications particularly on the process of decision-making by international managers. Although studies have appeared on the cultural impact on various aspects of management in China (e.g., Albaum, et al., 2010; Chinta and Capar, 2007; Conte and Novello, 2008; Deresky, 2003; Fan and Zigang, 2004; Glassman, 2011; Khatri, 2009; Laaksonen, 1984; Ralston, et al., 1997; Redding, 1990; Shenkar and Ronen 1987a, b) however studies on decision-making processes based on Hofstede's dimensions is marginal. The report is based on published literature; discussions and briefings provided by several senior level managers; experiences; and observations in China as part of a University sponsored Faculty Development program. The study included both Chinese and western managers of multinational corporations operating in 4 cities of China; Beijing, Shanghai, Suzhou, and Tianjin. In addition the paper reviews and reinforces scholarly research and publications on Chinese culture and business practices in China and other countries. The findings of this paper together with those of previous studies could provide relevant information to international managers who plan to do business in China and also further expand on the stream of research on China.

## **3. Background**

*China:* In the last fifteen years the economy, political, and social systems have undergone significant changes in the former Soviet Union, Eastern Europe, and China. (Cayla and Eckhardt, 2008). After the United States of America (U.S.) and Japan the two important economies of the world comes the People's Republic of China (China) (Bardsher, 2007; *The Economist*, 2005). In the early 1980s Deng Xiaoping opened China's market to foreign investors. This process gathered momentum after China joined the World Trade Organization (WTO) in 2001 and welcomed companies bearing capital, jobs, and technology. Several international firms have taken opportunity of this move by investing more than \$710 billion in direct investment into China according to the U.N. Conference on Trade and Development (Schuman, 2012).

The political change has made China move from a sleepy, closed, and planned economic system to a global giant of capitalist activity at a rapid pace in the last 20 years. China's dual economic system, which consists of retaining socialism together with many principles of capitalism, has produced an economic boom with expanded opportunity for foreign investment that has resulted in an annual GNP growth rate averaging nearly 10 percent since 1970. According to most analysts an average of 8-10 percent growth rate can be sustained for the next 10-15 years. At that rate, China's GNP should equal that of the U.S. by 2015. All of this growth is dependent on China's ability to deregulate industry, import modern technology, privatize overstuffed and inefficient state-owned enterprises and continue to attract foreign investment. Some recent major events have made China a very successful global player. These are for example, in 2009 China became the world's biggest exporter ahead of Germany (Dempsey, 2010); got major infrastructure development contracts particularly in developing countries around the world (Bajaj, 2010; Reed and Roberts, 2010); its admission to the WTO; and the U.S. granting normal trade relations to China on a permanent basis (Cateora, et al., 2011).

*Cultural Values:* Cultural variables result from unique shared values amongst people belonging to different nations. Most of the differences between cultures arise from underlying value systems, which cause people to behave differently under similar circumstances (Cateora, et al., 2011; Deresky, 2003). Values are a society's ideas about what is good or bad, right or wrong (Deresky, 2003; Mead, 1994); the importance of things and ideas (Cateora, et al., 2011); and hold the key to understanding a culture (Kluckhohn, 1969). Values in general than determine how individuals respond in any given circumstance (Deresky, 2003; Hofstede, 1997). Values are enduring beliefs that modes of conduct or end-states of existence are preferred to opposing modes of conduct, or end states of existence (Rokeach, 1973).

Hofstede's 1980 (see also his studies 1991, 1994, and 1997 studies and revised and extended study of 2005) seminal study is one of the most useful, relevant, researched, and cited study on how cultural values influence various types of business and market behavior (e.g., Alkailani, et al., 2012; Chen, 2002; Cleveland, et al., 2009; Daller and Yildiz, 2006; Dodar and Rana, 2007; Ergeneli, et al., 2007; Fernandez, et al., 1997; Hambrick and Brandon, 1998; Holden, 1999; Holliday and Wong, 2003; Kale and Barnes, 1992; Kirkman, et al., 2006; Khatri, 2009; Limon, et al., 2009; Puffer and Shekshnia, 1996, Mitra and Golder, 2002; Peng and Shekshnia, 2001; Shao and Weber, 2006; Soares, et al., 2007; Sondergaard, 1994; Swaidan, et al., 2008; Yoo, et al., 2011). Most cultural models developed after Hofstede clarify and support his dimensions and could relate back to Hofstede's dimensions (Smith, et al., 1996). Hofstede's cultural dimensions were empirically developed and are shown to have considerable face validity (Chandy and Williams, 1994; Clark 1990; Kolman, et al., 2003), and are still considered as the most robust measure of national culture (Gong, et al., 2007; Yoo, et al., 2011).

Hofstede's research was based on 116,000 questionnaires administered in 72 countries and in 20 languages between 1967 and 1973 (Alkailani, et al., 2012). The subjects of his study were all employees from the international company of IBM for whom Hofstede was working at the time (Daller and Yildiz, 2006). Through factor analysis Hofstede found work-related values of national cultures that differed along four primary dimensions in all business cultures. He classified these dimensions as the 'Individualism/Collective Index'; the 'Power Distance Index'; the 'Uncertainty Avoidance Index'; and 'Masculinity/Femininity Index'. Hofstede's original study identified four dimensions, however a fifth dimension called the 'Long-term/ Short-term Orientation' also known as 'Confucian Dynamism' was later added by Hofstede and Bond in 1988 after conducting additional research using a survey developed in the Chinese culture (Khatri, 2009). The descriptions of each of these five dimensions are provided in Exhibit-1. Hofstede did not include China in his initial (1980) study but his subsequent research in 2005 included China.

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#### **Exhibit – 1: Description of H&H/B Five Cultural Dimensions**

*Power Distance:* “the extent to which a society accepts the fact that power is distributed unequally” (Hofstede, 1980, p. 45). In cultures with large power distance, each person has his/her rightful place in society, where there is respect for old age, and status is important to show power. In cultures with small power distance, people try to look younger than they are and powerful people try not to show their status and power (De Mooij and Hofstede, 2002).

*Individualism/Collectivism:* ... implies a loosely knit social framework in which people are supposed to take care of themselves and of their immediate families only, while collectivism is characterized by a tight social framework in which people distinguish between in-groups and out-groups (relatives, organizations, etc) to look after them, and in exchange for that they feel absolutely loyalty to it (Hofstede, 1980, p. 45).

*Uncertainty-Avoidance:* ... indicates the extent to which individuals in a society feel threatened by uncertain and ambiguous situations and try to avoid these situations by providing greater career stability, establishing more formal rules, not tolerating deviant ideas and behaviors, and believing in absolute truths and the attainment of expertise (Hofstede, 1980, p. 46).

*Masculinity versus Femininity:* ... “Masculinity” is concerned with the extent to which the dominant values in a society are “masculine,” i.e. assertiveness, the acquisition of money and things, and not caring for others, the quality of life, or people. Femininity on the other hand ... a situation in which the dominant values in society are caring for others and quality of life. Masculinity is an assertive or competitive orientation of thinking and acting (Hofstede, 1980, p. 46).

*Long-term versus Short-term Orientation:* developed by Hofstede and Bond (1988) stands for the fostering of virtues oriented towards future rewards, and in perseverance and thrift. Short-term stands for encouraging virtues related to the past and present, respect for tradition, preservation of face, and fulfilling social obligations (Hofstede and Hofstede, 2005).

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*Decision-Making Across Countries:* One of the important responsibilities of managers in an organization is to make decisions. The decision-making process requires the international managers to choose a course of action among alternatives (Luthans and Doh, 2012). Culture affects decision making based on the nation's traditional culture which generates collective patterns of decision making, and through culture based value systems affect each individual decision maker's perception or interpretation of a situation. It is therefore, imperative for international managers to understand the influence of culture on decision-making styles and processes. (Albaum, et al., 2010; Adler, 1991; Hitt, et al., 1990; Fisher, 1980; England, 1978; Podrug, 2011; Rowe and Boulgarides, 1983; Whitely and England, 1980). Several studies have appeared in the literature on the influence of culture on decision-making in different countries.

Albaum, et al. (2010) examined the relationship between management style and cultural values of decision makers in six Western Pacific countries. Clear differences were found among countries sampled in their cultural orientations toward masculinity, individualism, uncertainty avoidance, and power distance. Hong Kong, Vietnam, and Chinese managers scored relatively high on masculinity while those from New Zealand and Australia scored the lowest. Managers in the Philippines scored the highest on individualism whereas the Chinese scored quiet low on this dimension. Hong Kong managers scored the lowest and Philippines scored the highest on uncertainty avoidance index. The Chinese and Vietnamese managers reported the highest and Australian and New Zealanders were the lowest on power distance dimension. According to Bass and Burger (1979) western managers' approach to the decision-making process is more rational they interpret the situation and consider solutions based on objective information whereas managers from the Latin American countries make decisions based on subjectivity and emotions. They also conclude that managers from Belgium, Germany, and Austria have considerably lower tolerance for risk than people from Japan and Netherlands. The American managers have the highest tolerance for risk.

Chinta and Capar (2007) found that U.S. managers were more individualist than their Chinese counterparts. The managers in the U.S. were low on power distance, uncertainty avoidance, and work ethics than the Chinese managers. The higher average rating on the masculinity index by the Chinese indicated that assertive and competitive thinking is the characteristics of both the Americans and the Chinese. American managers strongly believe in self-determination and feel that they can control the problem situation and should bring about changes. Managers in Indonesia and Malaysia feel that they have little control over situations and believe that outside forces such as God, fate, or nature are in control of situations. These differences affect how managers undertake alternative actions in these countries. Arab managers, in keeping up with Islamic traditions tend to have consultative decision-making style. However such consultations happen more on person-to-person basis than in group meetings and thus prevent potential opposition (Copeland, et al., 1980).

In Europe most managers value decisions based on past experiences and tend to emphasize quality. While Americans tend to be more future oriented and look for new ideas to move forward (Deresky, 2003). In many countries with hierarchical cultures such as China, Germany, India, and Turkey decision-making process is autocratic, the final decisions rest with the top management. In such cultures employees accept the boss to do most of the decision-making and feel comfortable if they made decisions. While in Sweden the decision-making authority is decentralized. Americans managers, although they talk a lot about participative leadership style, display a mix of authoritative and participative management styles (Deresky, 2003). Hitt, et al. (1990) found a "more culturally homogenizing influence on the Korean executives' cognitive models" than those of U.S. executives whose individualist tendencies resulted in different decisions patterns. Japanese managers use a long term focus in their decision-making process and it is very time-consuming. They rely heavily on "ringisei" or decision-making by consensus. Under this system any changes, procedures and routines, tactics, and strategies of a firm are organized by those directly connected with those changes. The final decision is made at the top level after a detailed discussion with each of the successive levels of management (Naoto, 1981; Namiki and Sethi, 1988; Nath, 1988; Sethi and Namiki, 1984).

German managers focus more on productivity, and quality of goods and services than on managing subordinates. Management education is highly technical and a legal system called "codetermination" which requires workers and managers to discuss major decisions. Hence German MNCs tend to be fairly centralized, autocratic, and hierarchical in nature.

Countries of Scandinavia also have “codetermination”, but the focus is much more on quality of work life, and importance of the individual in the organization resulting in decentralized and participative type of decision-making process (Nath, 1988). It is found that in Uzbekistan many organizations have centralized decision-making since collectivism and conservatism are two dominant cultural values of Uzbek culture (Marat, 2011).

Podrug (2011) analyzed the decision-making style in the following four aspects: the most preferred decision-making style, the practiced decision-making style, the most effective decision-making style, and the decision-making style used by an immediate supervisor between Croatia, Slovenia and Hungary. The results showed that there are cultural similarities and differences in decision-making styles between these countries. Croatia and Hungary depicted similarities in terms of preference, practice and effectiveness. The leading style is consultative indicating that decisions are made after consultations with subordinates and colleagues, but do not necessarily reflect the subordinates’ and colleagues’ influence. Slovenian respondents gave preference to participative style in terms of preference, practice, and effectiveness showing that they share and analyze problems with subordinates and colleagues as a group, evaluate opportunities, and come to a majority decision. Regarding the decision-making styles used by immediate supervisors, Croatian and Hungarian managers use styles closer to the autocratic side of the decision-making style continuum than Slovenian managers.

One study found that French and Danish managers approach the decision-making process in a different way. The French managers tend to spend ample time on searching for and evaluating alternatives, showing rationality and intelligence in each option. While they weigh each opportunity with a sense of creativity and logic and they tend to be emotional if challenged quickly. The Danes on the other hand do not spend as much time in searching and analyzing of alternatives. They choose the option that can be started and implemented quickly and still bring about relative results. They seem to be less emotionally charged and take a straight-forward approach to decision-making (Schramm-Nielsen, 2001). Sinha and Tripathi (1994) found that in most Indian organizations sampled, autocratic decision-making was the norm. A study of decision-making in which teams composed of Swedes, Germans, and combination of two indicated that Swedish teams displayed higher team orientation, flatter organizational hierarchies, and more open-minded and informal work attitudes. The decision-making appeared more transparent and less formal. German team members were seen to be faster in decision-making, having clearer individual responsibilities, and tended to be more willing to accept a changed or an unpopular decision. The decision-making process was largely dominated by the decision authority of an expert in the field (Spang and Ozcan, 2009).

In a high power distance organization of China employees rarely challenged formal authority and they have a mind-set regarding legitimacy of superior-subordinate relationship hence decision-making tends to be authoritative (Redding, 1999). A study by Ralston, et al. (1993) found that Hong Kong managers were most comfortable with unambiguous decisions thereby avoiding high-risk innovative situations. The U.S. counterparts were willing to make rapid decisions and to accept risks and uncertainty. Decision-making behavior by Hong Kong managers were influenced by social obligations and external controls. U.S. managers were found not to be influenced by social obligations and with decision-making behavior that required external verification. In another study Canadian managers were more influenced by a short-term, cost-benefit approach to decision-making than managers from Hong Kong. Canadian Managers had a more utilitarian approach to decision-making than managers from China who considered the problems, alternatives, and solutions from a long-term, societal perspective rather than an individual perspective (Tse, et al., 1989).

*Culture of China:* In this section we discuss the Chinese cultural values that are relevant to our study. The traditional Chinese culture is based on diverse and competing philosophies based on Confucianism, Taoism, Buddhism, Legalism, and other less popular traditions (Shenkar and Ronen, 1987a, b). However Confucianism is considered at the heart of Chinese cultural values. One of the principles within this value system is its emphasis on social order where each individual should be conscious of his/her position in the society (Confucius, 1938; *Culturgrams*, 1998; Eberhard, 1971; *The Overseas Chinese Affairs Office of the State Council*, 2006). In such a society boundaries between self and others are unclear (Metzger, 1977) therefore challenge becomes more of a collective effort rather than a personal goal effort (Whyte, 1974). Chinese tradition is opposed to individual glorification and considers anyone who desires personal enhancement as a threat to collectivism (Pye, 1982).

Collectivism reflects harmonious, conflict-free group-based system of social relations (Fan and Zigang, 2004; Shenkar and Ronen, 1987a; *The Overseas Chinese Affair Office of the State Council*, 2006) of cooperation, loyalty, and reciprocity (Reischauer and Fairbank, 1960).

Chinese tradition views work more important than leisure and as contributing to family's well-being rather than competing with it (Eberhard, 1971; Metzger, 1977; Shenkar and Ronen, 1987a). Another important Chinese cultural value reflecting the Confucianism philosophy is the principal of "guanxi" which means "good connection". (Pearce and Robinson, 2000; Tsang, 1998). The principal of "guanxi" requires friends and associate to do what they can for each other when they are needed. To violate "guanxi" is to "lose face" meaning to lose reputation or honor and also means avoiding embarrassment, failure, defeat, or contradiction (*Culturgram*, 1988). For Chinese achieving long-term goals is more important than specific current objectives. People in China refer harmony. They do not like to be threatened by uncertainties in life (Chinta and Capar, 2007). They rely more on accumulated wisdom, precedent, and intuition than on reasons and objectivity. "There is more holistic thinking and synthesis than linear thinking and analysis" (Scarborough, 1988, pp.15-24).

Political parties and state agencies have tremendous amount of influence on the business practices in China (Coll, 1988/1989). Chinese place great value on patience and they take time to make decisions (Pye, 1982; Tsang, 1998). The Chinese are known for their politeness and good manners which entails more than just showing common courtesy. It means a formal and stylized behavior where behavior depends on one's social position and norms. Polite behavior is both expected and easily recognized (Conte and Novello, 2008; Pye, 1982). In China it is important to be a good listener. One may have to hear about the same stories of the great progress that has been made by their country. They are very proud of their economic progress and want to share the feeling with outsiders (Conlin, 2007; *Culturgrams*, 1988). Chinese are passive, superstitious and fatalist by nature, often believing that destiny, luck, and circumstance are more important than personal action (Conte and Novello, 2008; Poorsoltan, 2012; Scarborough, 1988). A superstitious belief is the idea that events are influenced by specific behaviors without having a causal relationship. The purpose of this behavior is to either attract the good luck or prevent the bad luck. Superstitious beliefs sometimes result in positive outcomes, however, at other times they result in negative outcomes. Examples of superstitious beliefs could be in certain actions, events, numbers, days, stars, etc. (Poorsoltan, 2012).

#### **4. Discussion and Implications**

In this section we discuss the cultural values in relation to the five different dimensions of H&H/B classification based on the discussions and briefings provided by the managers at the sites visited, observations, and experiences in China. The implications for the decision-making process that could be useful to international managers doing business in China are presented based on our findings and are summarized in Exhibit-2. The results of this study are consistent with early research studies that found China to be high on Hofstede's (1980) cultural dimension of power distance, and uncertainty/avoidance and long term/short term orientation (Hofstede and Bond, 1988). It is low on individual/collectivism cultural dimension and displays more of feministic cultural traits (e.g., Albaum, et al., 2010; Bjorkman and Lu, 1999; Chinta and Capar, 2007; Earley, 1989; Fan and Zigang, 2004; Deresky, 2003; Redding, 1990; Hofstede and Hofstede, 2005; Scarborough, 1998; Tse, et al., 1989).

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### **Exhibit – 2: Implications of Cultural Values on Decision-Making in China**

Know superiors have final authority to make decisions  
 Build social and interpersonal relationships “guanxi”  
 Develop mutual trust, loyalty, and cooperation  
 Keep the government or party official in the loop  
 Be patient, polite, less aggressive, and less boisterous  
 Be good listeners  
 Avoid excessive display of emotions and maintain a good amount of physical distance from employees  
 Avoid talking about politics and controversial issues  
 Incorporate equality principal based on collectivism in remuneration and other types of reward systems, and in human resource related decisions  
 Pay attention to cultural nuances e.g. superstitious beliefs  
 Know that the legal system is weak in China  
 Make comparatively safer and less risky decisions  
 Be clear and simple in explaining the implementation of decisions  
 Provide training to new hires especially young, inexperienced employees  
 Make decisions that reflect supporting local communities and government initiatives  
 Be prepared to face communication barriers  
 Make decisions that reflect achieving long-term goals versus short-term goals  
 Rely on guidance from past experiences and knowledge rather than solely on reason and objectivity

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*Power Distance:* High-power distance was found in Chinese organizations. The subordinates acknowledged the authority of managers to make decisions in organizations. The decision-making was a top-down process. The mind-set of the employees was “follow my leader”. The employees would not disagree with managers in front of their colleagues. If they had questions or disagreements they would approach managers on one-to-one basis. In general direct communication between employees and managers was limited.

Since the Chinese political party is very influential in the life of Chinese, managers have to develop good working relationships with party officials and it dictates even the policies of foreign companies. They have to visit and talk to party officials on several occasions, and know who the decision makers are at the official levels - must know the “Boss”. For instance, a manager’s decision in a company operating in a certain industry to embark on a project or a new venture which is in line with the Chinese government’s goals receives official support, and implementation of the new venture occurs very rapidly. However, those decisions that are not aligned with Government’s policy will not be allowed to proceed. Government can be communist when it wants to be, for example the Olympics held in Beijing in 2009 was controlled. At other times it can show capitalist characteristics, for example allowing foreign investors to do business on its soil. In essence, the government will step in and out whenever necessary in the market place. Bribing the party bosses to get things done is an accepted business practice. Failure to re-confirm a visit to a company can result in the cancelation of the visit by the company. This action has been observed and reflects the importance of building personal relationships in Chinese culture.

*Individualism/Collectivism and Long-term/ Short-term Orientation:* According to the managers sampled, the Chinese workers were group oriented and the Chinese society is a collective society. Since Chinese value respect, friendship, saving face, group goals, and long term objectives more than short term objectives, managers attempt to make decisions that will reflect long-term perspectives and collective goals of the organization. In other words, how the decisions will benefit the entire group members as opposed to certain individuals only is an important consideration. For example, the remuneration system should be based on salaries reflecting quality and diligence (intrinsic reward) and not on performance-based pay. Managers’ decision regarding giving bonuses and additional remunerations to some team members and not to others could backfire and could amount to “losing face” (meaning embarrassment, failure, defeat or contradictions), for those not recognized by management. Such an action by managers would go against the Chinese cultural values of harmony, humility, and cooperativeness rather than independence, aggressiveness, and competitiveness. One of the managers very succinctly said that leadership stresses the slogan “Let us seek harmonious society with people, environment, and other people in heaven”. In China turnover in organizations is low and firing is not very common.



Managers must be mindful that their decision to fire people will be difficult and employment contracts are very lengthy. Managers also have to take into account that the legal system in China is weak and not reliable. Mutual trust and personal relationships override legal recourse. This trend is also echoed by Fan and Zigang (2004) that the Chinese do not consider contracts as seriously as the Americans. They think there will always be changes and contracts can be changed accordingly.

Managers can be effective in implementing their decisions if they have developed strong personal trust and relationships with their employees. This can be done by allowing their subordinates to participate in the decision making process. However, because of the cultural values of “saving face” during the participatory decision-making process managers must be cautious not to take an apparent “yes” to be the actual answer from an employee. This is because no one in the organizations wants to raise problems, make things difficult, instead likes to skirt around the issue, and nobody wants to make or admit mistakes. In addition, managers have to be good listeners, polite, and patient if they want to be effective decision-makers. Managers’ decisions should reflect supporting local communities and undertaking going green environmental initiatives that the Chinese government is promoting. The managers sampled in this research, including female managers, were of the opinion there are more female engineers in China than males. There is also greater gender equality in terms of employment. Both males and females working in their organizations were well-educated, coming from the best schools, younger in age (average age = 28 years), but at the time of their appointment they did not have work experience. Therefore managers for example have to decide on how to train them to be innovative, to generate new ideas for new product development. In general there is a shortage of skilled labor in China according to senior management.

Many western managers face communication barriers with the Chinese workers. The ability of Chinese workers to speak English is poor, especially those working in the state owned enterprises. Western managers try to learn to speak in Chinese but being a difficult language it is not always easy to speak fluently. Therefore many managers rely on communicating with those employees who can understand and speak English. These employees in turn then communicate to the rest of the employees the managers’ decisions in Chinese. Although managers most of the times may get by with conversational Chinese, they avoid writing in the Chinese language since even a slight error made in writing a character may change entirely the meaning of that word. Young Chinese stop western visitors on streets and parks to speak with them in English with the objective of improving their conversational English.

Furthermore, managers should avoid talking about politics and other controversial topics with employees. People in China are proud of their economic progress and they do not mind sacrificing personal freedom over living better lives. Chinese are hard-working individuals and are mindful of time. They have a thirst for knowledge and a desire to excel in what they do.

*Femininity/Masculinity:* Managers sampled said that they have to be polite and avoid openly aggressive behavior, which reflects Chinese cultural emphases on restraint and moderation. People in China do not like a display of affections in the work-place and as such managers refrain from such actions as patting their employees on their backs. Facial expressions suggesting frustration or anger is avoided as are excessive laughing. While talking to employees, managers maintain a good amount of physical distance. Similar to other Asian cultures managers refrain from touching female employees and making off-color jokes with them.

*Uncertainty Avoidance:* In following the cultural values of harmony and avoiding uncertainties in life, managers in China make relatively safer and less risky decisions. They also keep in mind that decisions are aimed at promoting group cooperation and harmony. They have to be direct and straight forward in explaining their decisions and its outcomes. The philosophy in China is “Live with don’t try to change”. Chinese workers are passive and do not like to take initiative at the work place. At the optimization level managers could use quantitative models but at the basic decision levels intuition, experience, and astrology is used. Astrology is used because Chinese people as well as the government officials are very superstitious in nature and rely on astrology to help them in making decisions – they look at stars, good dates, seek astrologers, and go along with what mother nature has in store for them rather than fighting her. It is important for international managers doing business in China, to develop an understanding of the superstitious nature and practices in Chinese culture because certain decisions and actions will be based on these beliefs.



## 5. Conclusion

While interpreting the results of the study some of its limitation should be addressed. The study's sample size was small. Managers from four major cities of China were considered. The study did not include a structured questionnaire and no hypotheses were developed and tested. The present study was qualitative in nature and the findings reflect the briefings, discussions, observations, and experiences with the managers and some of their employees. The findings of the present study are consistent with the results of other research studies on culture and its impact on managers' decision-making in China. The interactions and briefings from the western as well as the Chinese managers imply their decision-making process reflect the Chinese cultural values deeply rooted in the Confucian philosophy. This philosophy emphasizes the importance of social obligations and relations based on harmony, cooperation, loyalty, reciprocity, "guanxi", patience, avoidance of risks, and each individual being conscious of his/her position in the society. This and other studies show the importance of incorporating cultural values that reflect collectivism rather than individualism, what is good for the society as opposed to oneself, in the decision-making process. These values imply that managers have to develop good working relationships with their employees based on socialization, friendship, and personal relationships. Other considerations such as importance of the role of the communist government in business decisions, the superstitious nature of the Chinese were also found to have a significant impact on managerial decision-making.

These cultural values were classified into five different cultural dimensions according to the classification developed by Hofstede's (1980) and Hofstede and Bond (1988). These observations are consistent with previous research studies in that the Chinese culture is high on power distance, collectivism/individual, long-term/short-term goals, and low on masculinity/femininity, and uncertainty avoidance indices. International managers to be successful in China must be knowledgeable and sensitive to the cultural values of the people of China while making decisions in their organizations. Knowledge of cultural influences can make managers more effective in dealing with their subordinates, colleagues, and negotiating partners in foreign countries. It can also help managers at home and in operations abroad in predicating the macro-environmental factors that may influence an international company. Also such knowledge can help in integrating operations through strategic alliances and mergers/acquisitions. In essence many problems can be avoided by knowing that the nature of decision-making varies across countries (Albaum, et al., 2010). Ricks (1983) very succinctly stated that an essential skill for managing people and processes in other countries is for managers to be culture-savvy, have a working knowledge of the cultural variables affecting management decisions. China has a rapidly growing economy, it is emerging as a major market and sourcing location, and strategic alliances are a major entry mode for foreign companies (Albaum, et al., 2010). Moreover there is an increased interest in research related to China.

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