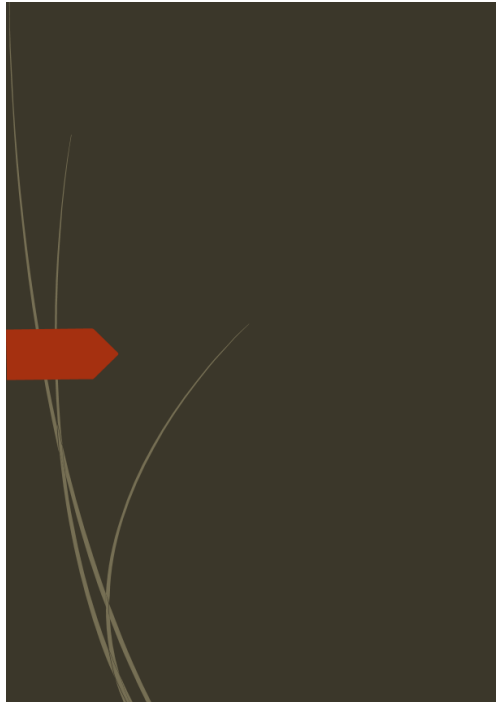


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INTERNATIONAL BUSINESS
COMMUNICATION
(LCBB6001)
Level 6 , Term 1
Assignment 2

Joint venture

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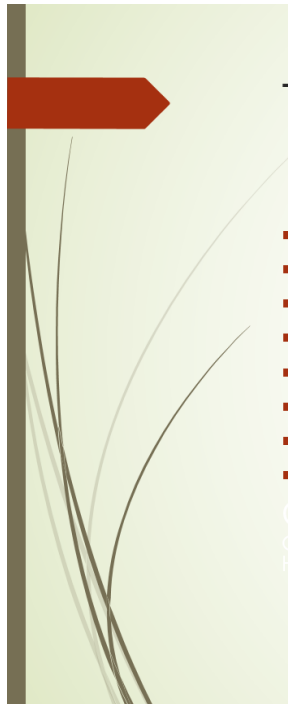


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CORE CULTURAL THEORIES: Edward T Hall concepts
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INTRODUCTION

Joint venture is such a business arrangement where two different companies mutually decides to pool their financial and other resources to run a specific business

A Global company based in United Kingdom is thinking to start a joint venture with a foreign company based in China



The word cloud contains the following terms: SUCCESS, SHAREHOLDER, SHARE, COMPANY, LAW, PLAN, AGREEMENT, REVENUES, ASSETS, OBJECTIVES, NEW, STRATEGY, VENTURE, BUSINESS, DEVELOPMENT, PARTIES, COMMUNICATION, UNDERTAKING, PARTNER, JV, EXPENSES, INVESTMENT, CONCEPT, CONSORTIUM, ENTITY, EQUITY, PROJECT, and JOINT.

Joint venture is such a business arrangement where two different companies mutually decide to pool their financial and other resources to run a specific business. This is more of a strategic alliance between the companies where they share their intellect, properties, assets, knowledge, and the ultimate benefits i.e., profits. It is important to note and remember that joint venture are not mergers and there will be no transfer of ownership in this arrangement. Company belonging to similar kind of industries or having products that compliments each other usually goes for this to have a stronger business stake in society. In the following presentation we will see that A Global company based in United Kingdom is thinking to start a joint venture with a foreign company based in China. The presentation will show what are the cultural differences between UK and China which company should assess. It will also include the factors responsible for the success and failure of the Joint Ventures and what is cultural sensitivity in China. The presentation will also analyse the Hofstede Cultural Dimension with special context to UK and China and will end with recommendation from our side to enable a successful joint venture between China and UK.

INTRODUCTION TO CHINESE CULTURE

1. TYPE OF FOOD AND EATING HABITS

2. WILD DRIVING

3. QUEUES DO NOT EXIST

UK and China are two very diversified countries when it comes to culture. China is a great follower of old traditions, values, and practices whereas UK has gone through a way of modernisation and its practices are changed with change in time and people. The major differences between the UK and China culture can be seen as follows:

TYPE OF FOOD AND EATING HABITS: though in both the countries non veg is widely served in the kitchens be it home or restaurants. but the type of non veg and their ways are quite different in China. For example, in China a whole chicken and duck would get served along with heads which is not the way in UK where bones are removed. Another example can be where in UK sound of slurping of your food is considered rude in China the same is a sign of you enjoying your food.

WILD DRIVING: the roads in UK are more orderly and peaceful in comparison to roads and traffics in China. In China the drivers are little rude and drives in and out of lanes, cuts in front of people and sometimes even may drive between lanes. But it is complete normal in China. Drivers in there are more observant and quicker in reaction as compared to UK.

QUEUES DO NOT EXIST: British culture has an inbuilt tendency of following or making queue for many purposes and it annoys British people if someone queue jumps. Whereas in China queuing is not a strict social norm but only a polite suggestion.



FAST EATING HABBITTS: A popular misconception in the world is that Chinese people eating with chopsticks are slowest to eat. But no, they are fastest to finish off their meals and eating for too long or slowly is not a good sign in there and they do not wait for another person before leaving the table.

LIVING WITH FAMILY: In UK after reaching a certain age generally 18 years of people tend to leave their family homes and start living alone on their own. The culture of having joint families is also not prevalent there. They visit their parents or grandparents occasionally. Whereas in China family values are high. Three generation living together is also very common in there. Grandparents can be seen dropping their grandchild to bus stops and playing with them in garden.

WORKING CULTURES:

People in UK creates a fine line difference between their work life and personal life, though the same is not the case in China. Though in China work is more dominant and people there often works on holidays.

UK organisations or offices do not have or follow a strict hierarchy but in China hierarchy and seniority are very much respected.

China has a direct communication style whereas instructions for action in UK are more of advice or suggestions.

In China face to face are given more importance whereas in UK there are meeting of importance subject matter taken up on phone calls and emails.

China has more intimacy in their working culture whereas UK don not and they majorly like to mind their own business only.

CORE CULTURAL THEORIES: Edward T Hall concepts

- This theory explains that each country has a different culture and orientations and says that one of the major differences between the culture of two countries is the close relationship.

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In China, there exist a high context culture where the people tend to be biased or do favour to them in groups such as blood relatives, friends and colleague and the details are freely shared solely among them. China is having classic high context culture.

Whereas UK is having a low context culture, where the people have tended to be biased or favouring their out groups and where people incline towards sharing their personal networks and therefore family, friends and colleagues are kept all distinct from each other and things are shared less completely.

IMPLICATIONS FOR MANAGERS:

- Consumers from china make a decision of purchasing, they consider public opinion as of more importance among their social networks such as family members, friends and colleagues.
- UK people are quite self centred, and works to fulfil their own aims, and tend to pursue their own personal interests and they do not care about what public opinion is.

As per the theories of Hall's and Hofstede's when the consumers from China make a decision of purchasing, they consider public opinion as of more importance among their socialising community such as family members, friends and colleagues. This is of the reason behind a national celebrity endorsing more than 20 brands. Whereas in UK people are quite self-centred, and works to fulfil their own aims, and tend to pursue their own personal interests and they do not care about what public opinion is.

Study also shows that consumers of China have now evolved a lot and now they more sophisticated and distinctive who not only care about just the sales label and negotiate but are more anxious about the brand and vogueishness of the product.



SUCCESS AND FAILURE FACTORS OF JOINT VENTURE

- FACTORS OF SUCCESS:
- AGREEMENT
- ALIGNMENT
- DEVELOPMENT
- FLEXIBILITY

FACTORS OF SUCCESS:

AGREEMENT: the terms and conditions of the venture must be clearly defined. Both the parties must have a clarity about the provisions of timespan of venture, what will be the performance norms and about the governance process. There must be a joint venture board and agreement reached up to scale of investment required from each party. Other important thing to consider are whether the parties will pull out their surplus cash or they will invest it again into the business. Together with the potential strategy of exit or ending the business.

ALIGNMENT: the parties must have shared objective and goals and vision to have a successful venture. The risks and strategies must be in alignment with derived value from the arrangement.

DEVELOPMENT: The relationships between both the companies and their strategic partnerships should be on going and not be the static. It is required to be evolved and expanded. A constant communication is essential to develop the feeling of belongingness among the employees of both the countries.

FLEXIBILITY: parties to the joint venture must be aware about the obvious cultural differences in their countries and companies and what are their respective decision-making procedures, and they will deal with any of the issues rising in future in a flexible manner.



FACTORS OF FAILURE:

LACK OF AGREEMENT: existence of an agreement in the joint venture is explained above and it cannot be emphasised enough. Lack of a proper agreement that cover every point of joint venture can lead to its failure.

LACK OF FINANCE: either of the party going through financial issues can be the reason of the failure of the joint venture. As the struggling party will drain all the finances of the business and will hamper its further growth and further expansions.

CONTROL ISSUES: there is always a need of someone who exercise control or be the leader and a decision maker. A correct leader is essential and of crucial importance otherwise the joint venture can be a failure.

COMPATIBILITY: if both the parties to venture do share common values, beliefs, goals or objectives or ethics it can be a huge drawback as it can lead to the failure of joint venture.

HOFSTEDE CULTURAL DIMENSIONS: UK AND CHINA

- POWER DISTANCE
- INDIVIDUALISM
- MASCULINITY

Internationally businesses use different approaches to understand the differences in the cultural values of two different countries. One of the widely used method is the given by a Dutch social psychologist and a management scholar Geert Hofstede. He introduced major bipolar dimensions which involved, large versus small power distance, individualism versus collectivism, masculinity versus femininity, strong versus weak uncertainty escaping, long versus short orientation.

The author has also explained cultural diversities as a challenge from national point of views. Each cultural dimension shows preferences and priorities of one country which is different from other country. Their scores on these dimensions are correlative and can be compared. Therefore, culture can be meaningfully utilised by making comparisons.

POWER DISTANCE: As per this dimension all the individuals in society are not equal. It is described as the standard of accepting this asymmetric distribution of power in less powerful members and Companies. In this context China has score of 80 which means it has more acceptance for tis inequality. Whereas UK ranks at 35 showing people there are not accepting this inequality.

Therefore, in a joint venture between UK and China Equality concept will pose a cultural barrier in having effective communication or Judgement making procedure.

INDIVIDUALISM: People tend to look after more towards their families and themselves in an individualistic society whereas in a collectivist's society deeper recognition for teams and groups can be seen. China has a collectivist culture with the score of 20 whereas UK is having individualistic society having score of 89. The higher difference of score shows it is another challenge for the joint venture between UK and China.

MASCULINITY: A higher score under this dimension shows a society which is navigated and guided by the forces of competition and achievement on the other side a lower score shows that society is driven by the factor of quality of life. Under this dimension the score of the countries is same i.e., they both are masculine society. Therefore, this factor may not be challenge for the joint venture as people of both the countries are inclined more towards work and less toward leisure.

HOFSTEDE CULTURAL DIMENSIONS: UK AND CHINA

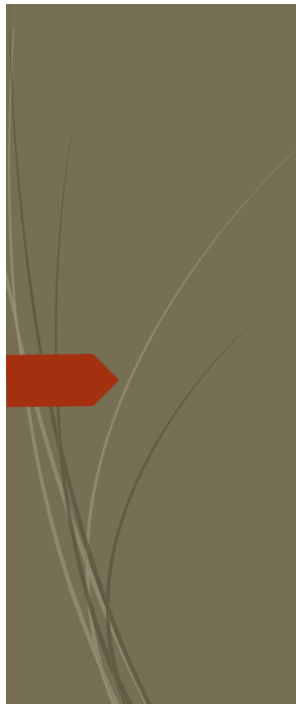
- UNCERTAINITY AVOIDANCE
- LONG TERM ORIENTATION

UNCERTAINITY AVOIDANCE: the fact the future is unpredictable and cannot be controlled by anyone. This fact most of the times creates a feeling of anxiety in people. Under this dimension China has a score of 30 whereas UK has a score of 35. This shows low score on uncertainty avoidance; therefore, both the Chinese people and British people are contented with in vague circumstances.

LONG TERM ORIENTATION: This dimension shows the way society keep their relationship with past, while dealing with the problems of future and present. Under this dimension China has a score of 87 that indicates that they have high pragmatic culture and people of China believes more on the fact that truth depends on situation, context, and time. On the other side UK has a score of 51 which shows that a dominant prioritises of Britishers cannot be identified.

The analysis and comparison on the parameter of five dimensions of national culture it is easy to determine the two major gaps between the culture of UK and China from their scores. As Chinese people are more acceptable to the inequality circumstances the relationship between the

superior and subordinates are more polarized and no barriers against the abuse of power by higher authorities exists. On the other side people of UK tend not to accept any inequality. Another major challenge for the joint venture is that China is a high collectivist society. Closer in groups in China will always get more preference at the time of hiring and promotion in organisation. UK belongs to a society of more individualistic culture where people are trying to achieve happiness through personal fulfilment, which is also a challenge for the joint venture to go through.



RECOMMENDATION FROM OUR SIDE

- Maintain accommodations and groups harmony
- In China motivating employees is not about money only but it is more about creating such working environment
- Training should be provided
- Effective communication mechanism

The new joint venture will have departments with the employees of both the countries. Therefore, to have an effective collaboration among them, company should take initiatives for providing them training. This training program can be divided into two parts where one would be cultural training, which will allow the workers to understand each other in a better way, to determine what are cultural differences between them and will help them to understand their values, beliefs, norms, and behaviors. The aim should not be to change the cultural values of one country staff, rather to encourage them to understand and accept different national culture.

Another training that should be given is for language. An effective communication is an important factor in the success of the organization which and company should take initiatives to improve this communication among employees as well as among employees and employers. Language of two different countries can be a barrier to this communication and therefore it is essential for the company to keep a common language in the company so that everyone can communicate

with each other. Presently English is considered as the most common and universal language to communicate. Therefore, company should take initiative to teach Chinese employees English.

Way of communication is also quite different in both the countries. Employees in China do not express their views in the meetings which is exact opposite of what happens in British culture. Chinese employees do not consider communicating the information across the departments, and they are also not informed about the actions and decisions of the upper-level managers. To avoid such barriers in the communication, company should take initiative to enhance the inwards and outward communication in the organization.

CONCLUSION

- With the increasing pace of globalization multinational organisations accelerates their procedures of internationalization with big market strategies. Multinationals companies go through huge challenge because of cultural differences especially in case of joint venture.

With the increasing pace of globalization multinational organisations accelerates their procedures of internationalization with big market strategies. Multinationals companies go through huge challenge because of cultural differences especially in case of joint venture. The research made by us discussed the cultural challenges to be faced by the joint venture between China and UK, by using the theoretical approaches to determine cultural differences. It is very essential for a joint venture to assess the relationship between national and organisational culture. Recommendation to face those challenges and establish a successful joint venture is also presented by us in the given presentation. In order to have a successful Joint venture between U, K and China it is important for both the companies to understand each other cultural values and beliefs as they to work under one roof and employees plays a major role in success of the organisation. Instead of imposing culture one on another, an developing an understanding of the cultures shall be the aim company. It should be noted Chinese people are quite sensitive about their cultural habits and therefore efforts shall be made with gradual pace to understand and accept them.

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