This study examines how European employees perceive organizational culture in Chinese multinational companies. The biggest problems they saw the Chinese organizational culture and structure as an unstable environment with communication challenges and due to the hierarchical structures, they often felt disempowered. These problems originate from large power distance and uncertainty tolerance. They deeply rooted in Chinese culture and much harder to change than management practices and incentives.
YOUR NEXT BOSS IS CHINESE:
HOW EUROPEAN EMPLOYEES PERCEIVE
ORGANIZATIONAL CULTURES IN CHINESE
MULTINATIONAL COMPANIES
YOUR NEXT BOSS IS CHINESE: HOW EUROPEAN EMPLOYEES PERCEIVE ORGANIZATIONAL CULTURES IN CHINESE MULTINATIONAL COMPANIES
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ABSTRACT

This study set out to examine how European employees perceive organizational culture and leadership in two Chinese multinational companies and in what ways these perceptions relate to differences between Chinese and western organizational cultures.

Ethnographic field work was done in two Chinese companies located in Scandinavia and Germany. The European employees, Chinese employees and managers were interviewed (N=34). In addition, field observations and documents were collected. The data was scrutinized by content analysis.

It was found that the biggest problems the European employees faced were the unstable working environment, communication challenges, and disempowerment. Examples of perceived instability were an unclear salary system, empty promises and rapid changes in every-day actions. Communication difficulties related both to language problems and indirect communication style. Disempowerment was derived from the steep organizational hierarchy and that the host company did not involve locals in company decision making.

These problems seemed to pertain to two cultural dimensions introduced by Hofstede: power distance and uncertainty avoidance. The decision making process relates to the large power distance. The unstable and rapidly changing environment highlighted the difference between local and Chinese workers’ tolerant of uncertainty. Overall, European employees were open minded and motivated to work in these Chinese companies, until they become frustrated and even irritated due to the above mentioned issues.

It was concluded that large power distance and uncertainty tolerance are deeply rooted in Chinese culture, and thus these are difficult to change. Human resource management and incentives are the superficial part of the organizational culture, and is thus more changeable.
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TIIVISTELMÄ
Väitöskirjassa paneudutaan siihen, miten eurooppalaiset työntekijät kokevat yrityskulttuurin ja johtajuuden kiinalaisessa monikansallisessa organisaatiossa, sekä siihen, miten nämä kokemukset ilmentävät kiinalaisten ja länsimaaalaisten organisaatioiden kulttuurieroja.

Tekijä suoritti etnografisen kenttätyön Skandinaviassa ja Saksassa sijaitsevissa kiinalaisissa yrityksissä. Hän haastatti ei eurooppalaisia ja kiinalaisia työntekijöitä ja johtajia (N=34), sekä teki havaintoja ja keräsi dokumentaatiota, jotka analysoitiin.


Johtopäätöksena on, että valtaetäisyys ja epävarmuuden hyväksyminen ovat syvällä kiinalaisessa kulttuurissa, ja niitä on vaikea muuttaa. Henkilöstöjohtaminen ja kannustimet ovat puolestaan organisaatiokulttuurin pinnallisia asioita ja siten paljon helpommin hallittavissa.
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Joensuu, April 2017
Shuo Wang
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1 INTRODUCTION

The Go Out Policy (also referred to as the Going Global Strategy) was initiated in 1999 by the Chinese government to promote Chinese investments abroad. After that, Chinese companies have gradually increased the pace of their internationalization. According to the national bureau of statistics in 2015, China invested a record $145 billion abroad which overtook Japan and became the world’s second biggest cross-border investor, after the US. The expansion of Chinese companies has contributed to GDP and local taxes in the form of job creation. In 2015, Chinese companies paid $31.9 billion in taxes to host countries and employed nearly 1.2 million local residents.

Despite these accomplishments, it is unclear that China’s multinationals will succeed globally. There is a Chinese saying “getting married is easy, being together is difficult.” According to Christensen, Alton, Rising, and Waldeck (2011), the failure rate of mergers and acquisitions is somewhere in the range of 70% to 90%. Chinese overseas investments suffered losses of more than $100 billion and 70% of their investments do not make a profit (Fu & Lin, 2012). According to Chinese enterprises M&A report, overseas business failures can be summarized into following reasons: strategic mistakes (30%), implementation of concrete policies mistakes (17%), failure of cultural integration (53%). Among all these factors, the ability to integrate into different cultures seems to be the key to success (Shen, 2012; Li & Wu, 2016).

Studies addressing the recent increase in Chinese multinationals have been conducted only in the last few years (Klossek, Linke, & Nippa, 2012). Most studies on Chinese multinationals have focused on the macro-institutional level such as company strategies and the entrance mode into the host country (Buckley, Clegg, Cross, Liu, Voss & Zheng, 2007; Zheng, Wei, Zhang, Yang, 2016). There is relatively little research conducted on the micro-psychological level meaning taking culture into consideration (J. T. Li, Tsui, & Weldon, 2000). Miedtank (2017) reviewed 25 studies focusing on human resource and employee relations, addressing issues on intercultural skills (Wang, Fan, Freeman & Zhu, 2016; Xing, Liu, Tarba & Cooper, 2014; Yildiz, 2014; Spigarelli, Alon & Mucelli, 2013), managerial mindset (J. S. Zhu & Jack, 2016) and human resource management (Zhu & Wei, 2014; Fan, Zhang & Zhu, 2013). My study represents a grass-root level and an ethnographic approach to explore cultural encounters between Chinese and European employees. Accordingly, the focus of my study was how the local employees see and evaluate Chinese leadership and management style. Apart from the ethnographic approach, another contribution of my study provides a Chinese scholarly vantage point given that most of the earlier research has been conducted by scholars with Western training (J. T. Li et al., 2000). As J. T. Li et al. (2000) maintain, to fully understand Chinese organizations it is insufficient to merely apply Western models. Accordingly, besides Hofstede’s theory, many Chinese scholars’ theories to deepen the understanding of Chinese organizational behavior and logic are also included.

My research problems were constructed during the research process as is usually the case in qualitative research (Taylor, Bogdan, & DeVault, 2015). I entered the field with the expectation that there are most likely consequential differences between Chinese and European cultures that show up at the organizational level, too. According to my initial interviews, this indeed turned out to be the case. The main problems for the local employees are unstable environment, language barrier, lack of trust and
motivation. During the whole analyzing process, I found many theories that can be used to understand these phenomena. I switched back and forth between data and theories. In the end, I found Hofstede’s (1980) concepts of power distance and uncertainty avoidance to be the most useful approach to shed theoretical light on my findings. Based on them, I formulated my research problems.

The present study was conducted as focused organizational ethnography. I spent two months at two company sites to collect data by using interviews, observation and document analysis. I did not work on whatever material came in the field but rather concentrated on issues related to cultural differences.

Chapter 2 introduces the concept of culture and gives a thorough review of the characteristics of Chinese culture. The concept of organizational culture is then introduced in Chapter 3. Chapter 4 presents Hofstede’s project focusing on uncertainty avoidance and power distance. It concludes with the critical considerations between Chinese scholars’ point of views and Hofstede’s concepts.

Chapter 5 gives the research questions. Chapter 6 characterizes the research methodology and the process of how I gained acceptance in the two case companies as a researcher.

Chapter 7 presents the empirical results. First, I describe my observations about the working environment, followed by an analysis of my data based on Hofstede’s concepts of uncertainty avoidance and power distance.

Chapter 8 discusses the relations between my findings and previous research theories. Furthermore, I reflect on ethical issues, validity and reliability and also limitations of this study. In the end, practical implications and future proposals are provided.
2 CHINESE CULTURE

In the last twenty-five years, there has been extensive debate about the most appropriate way to define the concept of culture. Originally, it stems from “cultivation” as in “agriculture” (Jahoda, 2012). An influential early definition was provided already in 1871 by British anthropologist Edward B. Tylor. He defined culture 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 society” (Tylor, 1871, p. 1).

Geert Hofstede (1980) describes culture from cross-cultural perspective as “the collective programming of the mind which distinguishes the inhabitants of one country from another…” However, even he discloses that culture is quite a difficult concept to define. He continues: “This is not a complete definition…but it covers what I have been able to measure” (Hofstede, 1980, p. 21).

Gustav Jahoda (2012) suggests that instead of spending time to define the concept of culture, a researcher should explain specifically the context where the concept of culture is used. In this research, the context was Chinese and European organizational cultures and their related differences. When exploring dissimilarities between European and Chinese cultures, Hofstede’s (1980) “cultural dimensions” are very relevant because he compares cultural differences focusing on differences in work-related values in an international context.

Accordingly, culture in this study is understood as shared values which distinguish the inhabitants of one country from another. Culture is viewed in terms of two categories: the first category represents visible matters that can be seen or touched. Examples in the present study are working hours and office arrangements. The second category represents ‘invisible’ matters such as mindset, values and social norms. Just like the sun and air, they influence people all the time (Herskovits, 1955). Examples in the present study are national values and working ethics.

2.1 LAYERS OF CULTURE

Hofstede, Hofstede, and Minkov (2010) divides culture into two levels using an onion diagram, as shown in Figure 1. Practices consist of symbols, heroes and rituals. They are the visible part of a culture. The core consists of values. People in different cultures learn these values during their childhood from their parents who in turn acquired them from their parents. At the core, values, such as national values, should be considered as given facts which may take generations to change. The outer layers of culture (practices) are acquired later in life, and they tend to be more changeable. In addition to cultural levels, Hofstede goes into detail describing so-called cultural layers. He listed seven layers of the culture: gender, national, regional, occupational, social class and educational. The basic values affect primarily the gender and the national layer of culture as the rest are more changeable (Hofstede et al., 2010).
In the separation of civilization from nature, Chinese and Western philosophical thinking have developed differently. A Chinese philosopher, Liang Shu-Ming (1988), argues that when human beings face problems, they have three different approaches to solve them. One approach is the attitude to look ahead, dare to create and fight the problems. The second is to adjust one’s own behavior to avoid the problem. The third approach is to directly eliminate the source of the problem. In the Western culture, people tend to take the first approach and decide to move forward. They try to conquer the nature. In the Chinese culture, people are likely to take the second approach: try to keep harmony between human being and nature, and between human beings. In the Indian culture, people tend to reflect backwards on their past existence, and they escape life. These differences are fundamental to understand and acknowledge because they can be used to understand why people in different cultures react differently in everyday situations.\(^1\)

### 2.2 HOLISTIC MINDSET

The notion of interdependent opposites is embedded in the Chinese language. Many Chinese words are made up of two characters that express the opposite ideas: combination of “many” and “few” means “how much”; “danger” and “opportunity” together mean “crisis”; the characters “inside” and “outside” together mean “everywhere.” Throughout the language, a balance of the opposites creates a new whole” (M.-J. Chen, 2001).

In the development process of more than five thousand years of civilization, the Chinese nation gradually forms the traditional values with the “unity between heaven

---

\(^1\)This part was rather challenging to write because of the following reasons: There is not much scientific research about Chinese culture; most the content comes from national iconic writers or famous ancient philosophers. I referred to old sayings or original expressions to describe their meaning. Even I, as a Chinese person, am not able to translate all the words. Therefore, I gave the manuscript to a professional translator whom I trust. I wrote four pages and he translated it into 10 pages of English text. All the expressions are Chinese (holistic, abstract). He translated exactly according to the original version, word by word. I realized that in this way, it would not be understandable by Western readers, although it flows well in Chinese language. Therefore, I rewrote everything again in the way that a Westerner can understand.
and man” as the core (Z. Chen, 2016). Heaven (tian) refers to nature, god, or the highest ruler. Man (ren) refers to human. Unity between heaven and man means that they both form a totality in the world; they operate by a unified law and are controlled by the same forces (Xu, 2004). The relationship between human and nature is inseparable, interdependent, and mutually inclusive. They construct a universe of Yin and Yang, nature and man, form and spirit, law and object, Tao and Qi (law/concrete), and the internal and external unity. For Chinese, seeking a common ground is more important than reserving differences; integration is more important than analysis; human relations (ethics) are more important than science; entity is more important than partial. Furthermore, Chinese medicine, considers prevention of disease more important than treating the disease (G. Liang & Wang, 2011). All examples above are derived from the impact of this holistic thinking.

The expression of place, time, and name in China ranges from large to small, whole to local (Pan, 1997). For example, the postal address is always given in the order by starting from the name of the province, the city, the street, the house number, and finally the individual. This is just the opposite of the Western style. Time is given in the order by starting from the year, month, and finally the day. Family name always comes first before the given name. This reflects the holistic way of thinking which is the opposite to analytical thinking: from small to large.

In the West, the primary assumption is that human beings are fundamentally uncomfortable with uncertainty and inconsistency. Hence, simplicity and clarity are valued. In the East, everything has two sides which are inseparable and needed to achieve harmony (Peng & Nisbett, 1999). Figure 2 illustrates this particular difference. In the West, there are clear distinctions between passive/active, good/bad, self/other. In the East, no absolute border exists between black (Yin) and white (Yang). They contain the seed of each other and together from a changing unity (M.-J. Chen, 2001). When the world is in Yin, it gradually transforms into Yang.

![Western view](image1.png) ![Eastern view](image2.png)

Figure 2. Eastern and Western views of the opposites (Spencer-Rodgers & Peng, 2001)

There is an ancient story about “Blessing or Bane”, which is still popular among East Asians. A little boy on his 14th birthday received a horse as a gift. Everybody in the village said, “How wonderful! The boy got a horse.” And the Zen master said, “We will see.” Two years later, the boy fell off the horse, broke his leg, and everyone in the village said, “How terrible!” And the Zen master said, “we will see.” Then, a war broke out and all young men had to go off to war to fight except the boy. Everybody in the village said, “How wonderful!” Now the Zen master said, “We will see.”
This story demonstrates the Chinese attitude towards life. According to the Chinese scholar Zhai Xue-Wei (2012), Chinese believe that stable phenomena are temporary states in the process of changes. For example, the traditional Chinese do not feel bitter about inequality or discrimination. Everything is dynamic and every phenomenon shifts due to natural circulation. Thus, instead of trying to establish a fair system to eliminate inequality, they rather wait for the opportunity of the next shift. The length for waiting could even last until the next generation.

According to M.-J. Chen (2001), the Chinese are inclined to value relationships more than finishing the task. From the Chinese point of view, timing and planning must remain open-ended and adaptable because relationships will set requirements that cannot be predicted. In the business world, schedules are very different from a typical detailed, slotted Western calendar. In the West, the flow of events must follow the schedule. In China, the schedule must follow the flow of events. Because of the cyclical view of time, Chinese businesses do not see a crisis as the ultimate end, rather an inevitable part of a rotating cycle.

M.-J. Chen (2001) continues that the Chinese holistic view of time is part of the country’s long agricultural tradition prior the Sun Yat-Sen revolution of 1911. A lunar calendar is still officially used in China. The Gregorian calendar counts years in an infinite sequence, whereas the Chinese calendar measures time in 60-year cycles. The idea comes from the Buddhist philosophy that states that one will always achieve in the next life what will not be achieved in the present life. In the same way, all bad things done in the previous life will affect the present life. From this perspective, events do not follow each other sequentially. Rather, they unfold cyclically: Nothing is lost, gained, or surpassed, everything is only repeated. As M.-J. Chen (2001) concludes, the Chinese language does not even have a tenses to express past and future.

The holistic thinking model applies to organizations, as well. For example, from the Western point of view numerous things in the organization are not functioning well. The Chinese point of view of the same situation is that it is just a state that the company must go through. One must give it time and let it mature. Accordingly, the faults are tolerated. Holistic thinking pays attention to the whole rather than to details, which means that the Chinese tend to seek a common ground rather than concentrate on differences. Consequently, it is likely that an international Chinese company may well fail to recognize and deal with cultural differences.

2.3 INTUITIVE MINDSET

“The Chinese did not develop any formal systems of logic or anything like...an Aristotelian syllogism”. It has been argued that the lack of interest in logic accounts for why, the Chinese made little progress in geometry where proofs rely on formal logic, especially the notion of contradiction” (Nisbett, Peng, Choi & Norenzayan, 2001, p.294).

According to the Chinese philosopher Feng You-Lan (1989), there exist two approaches to philosophy: positive and negative. The positive philosophy is based on clear, hypothetical thinking, while the negative philosophy is based on mystic, intuitive thinking. Positive philosophy belongs to the West and negative philosophy to the East.

Intuitive thinking has its philosophical historical tradition. Lao Tzu (531 BC) thought that heaven and the law of nature cannot be known by human senses such as eyes and ears, but they can be observed only through mysterious experiences in
our heart. Once this mysterious experience is described with a concept or specific knowledge, it will lose its meaning. Buddhist Zen teaches that Buddhism cannot be understood by words, because Buddhism is not a knowledge but kind of inner effort. People should just go and continuously cultivate their heart to reach their own pure and essential nature. The three philosophical thinking modes of Confucianism, Taoism, and Buddhism in essence are very consistent: meaning is not fully expressible by words; the meaning must be understood through shared experience. Even knowing how the understanding is acquired is not important. The epistemological approach of knowledge from a Chinese philosophical perspective is not concerned with how knowledge is acquired but is particularly concerned with what knowledge should be acquired and ought to be the object of knowledge and research (Tong, 2011).

First, intuitive thinking is open and not logical. For example, what is heaven? It is the space above; the place where God exists as it is often initiated in Western thinking? However, in Chinese thinking about the question becomes totally open to various answers. Could heaven be for example, the natural law, the destiny, a symbol of authority, the rules, or totally something else? However, if one tries to investigate what is heaven in Chinese thinking, no specific explanation is possible because the absolute principle of the universe (Tao) transcends rigid or fixed explanations: “Tao cannot be heard, cannot be seen, and cannot be named” (Zhuang Zi, 287 BC). None of these constructed concepts have a clear meaning. This kind of open thinking rejects any restrictions given by rules and logic thus allowing infinite flexibility and creativity.

Based on neither induction nor deduction, the Chinese way of reasoning explains the “truth” by using analogies. For the Chinese, reasoning by analogy is very convincing and natural because they assume that everything is connected to everything (Zhai, 2012). For the Chinese using the law of nature to illustrate the law of humans is a common way of drawing a conclusion. The Chinese adopt natural plants and animals as medicine. For example, walnut is used for healing the brain because it looks like a brain; toad (an ugly frog) is used to treat skin diseases, while pork liver is used to treat anemia. There is a common Chinese saying, “to supplement the shape with the shape”. The Chinese even choose what they eat to supplement the needs of their bodies.

The Chinese language is full of analogies such as Mao Ze-Dong’s famous sentence, “US imperialism is a paper tiger.” To what extent a person can understand these analogies depends on their background and life experience. Therefore, the meaning of these analogies can be subjective and ambiguous, and, even to the Chinese, very difficult to understand.

From the business point of view, the Chinese way of thinking can be considered as an asset that provides a competitive tool for example, for enabling fast shifts in strategic decision making and facilitating a more open business environment to alternative and innovative ideas. A commonly used Chinese saying, “when we need to get to the mountain, there will be a way,” illustrates the Chinese calm optimism for life providing problems but also the solutions. Another Chinese saying, “the higher authorities have policies, the localities have countermeasures”, indicates the relaxed Chinese way to deal with the authorities by finding new ways to counter, for example, bureaucracy and corruption. All these sayings reflect the highly adaptive nature of Chinese behavior.
The Chinese language is linked with uncertainty that can be illustrated by the following characteristics: no grammar, spiral thinking, ambiguous and high-context.

**No grammar**

Chinese linguist Wang Li (2015) has observed that “From the perspective of sentence structure, Western languages are governed by law. Chinese language is governed by people.” The philosophical background of the Chinese language is based on the insights from Confucius, Taoism, and Buddhism. The meaning and the combination of the words are more important than the sentence structure. According to Lian Shu-Neng (2006), the Chinese language belongs to parataxis style meaning that all sentences carry the same weight. They usually have very few clauses, and none of the clauses is subordinated to another. Every part of the sentence is equally important. For example, “I came, I saw, I conquered.” In contrast, English belongs to the hypotaxis style, where clauses are subordinate to each other. This grammatical arrangement of unequal value of sentences clearly shows what is important, and what should be read with the most weight. For example, the following sentence shows how the hypotaxis style divides the sentence structure between the main and subordinate clauses: “Because she didn’t want to go shopping, she decided to go to the park instead.”

**Spiral thinking**

According to Robert Kaplan (1966), English sentences are generally linear whereas a typical Chinese text structure is spiral. Both Chinese and Western scholars confirm this statement (Matalene, 1985; Hu, 1993; Jia, 1997; He, 2002). The Chinese tend to speak in circles, and leave the most important information last, whereas praise always comes first and criticism second.

**Ambiguous**

Intuitive thinking is ambiguous by nature. There are many ambivalent expressions in the Chinese language. For example, commonly used cooking words carry ambiguous meaning: The Chinese expressions give general ideas, whereas the Western expressions aim at precision, (see Table 1.)
Table 1. Chinese and Western expressions

<table>
<thead>
<tr>
<th>Chinese</th>
<th>Western</th>
</tr>
</thead>
<tbody>
<tr>
<td>a little salt</td>
<td>What is a little? A spoonful?</td>
</tr>
<tr>
<td>some water</td>
<td>How much? A liter?</td>
</tr>
<tr>
<td>a full lunch</td>
<td>What is full?</td>
</tr>
<tr>
<td>a good breakfast</td>
<td>What is good?</td>
</tr>
</tbody>
</table>

The Chinese expressions are ambiguous for a Westerner, because the meaning is not clearly defined through some exact measurement or specific description. Sometimes more ambiguous or illogical expressions are produced, such as: save fire (fire-fighting), maintain illness (recover from illness), and shine the sun (sunshine), boss’s mother (landlady), a horse riding two people (a horse ridden by two people). The ambiguity of the Chinese language also reflects the modest, cautious, and subtle nature of the people. The Chinese often employ gentle words to stress politeness or saving face, such as maybe, perhaps, some, around, roughly almost, nearly, or vague expressions such as “it’s hard to say” and “I know.” It is very common in Chinese communication style not to use a clear yes or no.

High-context

The concept of context was introduced by American sociologist Edward Hall in 1988. High-context implies that unspoken information is implicitly transferred during communication. Low-context implies that information is exchanged explicitly through the message itself, and there is rarely anything hidden. At work situations, the question of how detailed instructions are given by the supervisor to the subordinates depends on the cultural context they come from (X. Chen, 2016). Lustig and Koester (2003) summarized the characteristics of high-and low-context as seen in Table 2.

Table 2. Characters of high-and low-context cultures (Lustig & Koester, 2003)

<table>
<thead>
<tr>
<th>High-context culture</th>
<th>Low-context culture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implicit</td>
<td>Explicit</td>
</tr>
<tr>
<td>Hidden information</td>
<td>Clear information</td>
</tr>
<tr>
<td>More nonverbal communication</td>
<td>More verbal communication</td>
</tr>
<tr>
<td>Not appropriate to show emotions</td>
<td>Allow showing of emotions</td>
</tr>
<tr>
<td>Clear division of insider and outsider</td>
<td>Not clear division of insider and outsider</td>
</tr>
<tr>
<td>Close relationships with each other</td>
<td>Not close relationships</td>
</tr>
<tr>
<td>High commitment</td>
<td>Low commitment</td>
</tr>
<tr>
<td>Time is flexible</td>
<td>Time is highly structured</td>
</tr>
</tbody>
</table>

Individuals from a high-context culture are inclined to focus on the hidden meaning between the lines. They have to pay attention to every detail. This is energy consuming. They even themselves feel exhausted when interacting with each other (X. Chen, 2016). In contrast, individuals from low-context cultures generally pay attention to the
clarity of the information. Generally, they do not need to guess the meaning behind the words. Accordingly, the communication is easier in low-context culture compared to high-context culture. O’Hara-Devereaux and Johansen (1994) listed nationalities according to the level of context in their communication (see Figure 3).

Figure 3. Cultural context by nationalities (O’Hara-Devereaux & Johansen, 1994)

As indicated in Figure 3, the Chinese culture is almost on the top of the scale (high-context), whereas Nordic countries and Germany are at the bottom of the scale (low-context). To a large extent, the reason for this difference can be found in the history of China. China used to be a highly agricultural society, where people tended to live in the same place for their entire life, and, therefore were able to assemble a vast amount of shared knowledge. In contrast to China, American and European countries have a long history of industrialization. They have been very mobile societies, where it is easy for people to move from one place to another. The concepts of individualism and privacy are also very important in these cultures. Because they do not have a common background, people are obligated to communicate clearly (Zhao & Zeng, 2009; Yunyang Jia, 2016).

Chinese is a typical high-context language with flexible interpretation. For instance, in the volleyball game when the Chinese team beat the Brazilian team, one newspaper wrote in the top line: “中国队大胜巴西队” (the Chinese team won Brazil) another newspaper wrote: “中国队大败巴西队” (the Chinese team defeated Brazil). A third newspaper wrote: “巴西队大败中国队” (the Brazilian team defeated China). For the Westerners such contradiction would be highly confusing; did the Chinese team win or lose? For the Chinese it is clear from the context: because the headline has been written on the top of the page with a large font, it must mean that China won the game. It does not matter which verb is used or in which order the teams are presented.
Confucius said the aim of communication is not for exchanging information, persuading and influencing others but for keeping relationships: maintain societal harmony. Following this principle, the Chinese pay more attention to the context rather than the content. How people express themselves is more important than what people say. The Chinese are very sensitive about facial expressions, tone of voices, and gestures (X. Chen, 2016). A speaker’s background, surroundings, and even seating arrangements in any communication situation are taken seriously into consideration. People constantly try to guess and interpret the speaker’s true intentions and thoughts. Therefore, individuals tend to use polite and ambivalent words to soften their message. However, they still hope that others can guess their real intention. If the receiver fails to understand the message, no one loses the face. They can still maintain harmony.

This diplomatic way of communication emphasizes politeness and thoughtfulness of the people toward each other. According to Ting-Toomey (1999), instead of rejecting other’s request directly, the Chinese tend to say: “Let me think about it.” Timing is also very important. Instead of expressing negative feelings directly, giving some subtle hints discreetly is considered wise because it reduces embarrassment. However, this tendency towards politeness to maintain harmony can be interpreted by people from low-context cultures as insincere, untrustworthy, or even evil-intentioned.

To recap on the most salient points, facial expression, gestures, mood and, surroundings all contain information from the perspective of people from a high-context culture. It leaves a large amount of freedom to guess and imagine. Consequently, due to their deep-seated cultural characteristics, the Chinese tend to have greater tolerance for uncertainty than Western people.

### 2.5 GUANXI, FACE AND FAVOR

**Guanxi**

“Ren zhe ren ye (人者仁也): ‘The meaning of person is ren.’ Embedded in this phrase is a universe of meaning that reveals how the Chinese regard themselves and their relationship with others. The third character, transcribed as ren, means humanity, as well as core, or the seed of a fruit. The character ren (仁) is composed of the characters for ‘two’ (二), and ‘person’ (人). This etymology (“two people”) suggests in the Chinese context, no person exists except in relationship with others, and that this relationship is the birth of all possibility” (Chen, 2001, p.45).

Guanxi is the key concept of understanding Chinese social, political and organizational behavior. It is used to describe the special connection between the Chinese people (Bond, 1996) In the West, society is grounded in individualism. Human rights, individual personality, personal independence and freedom are core values that are promoted and protected in Western countries (Schwartz, 2012). Human relations in an organization are based on the contracts that define every person’s role in an organization. The Chinese call this “contract society.” What makes Chinese society different from the West is their emphasis on interpersonal relationships. Family (whether immediate or extended) is the root and center of Chinese society. Human relations inside the family unit are portrayed at work and vice versa. It can be argued that the relationship between work, social life, and home is reciprocal. Chinese society
is neither based on a group nor individual but Guanxi based ethics (S. Liang, 1988).

The word “relational orientation” captures the nature of Chinese social mentality. According to D. Y. F. Ho (1991), an individual’s life is not complete. Life has meaning only if the person exists in relationships with others.

The Chinese believe that human beings are basically good. The Chinese also accept that human beings are not equal, but happiness is achieved by finding harmony even in an unequal relationship. To reach harmony, and thus happiness, people should prioritize a communal interest before an individual’s interest, a person should find and settle oneself in his or her rightful place in the group, and behave correctly according to the societal norms. Chinese culture emphasizes the individual’s responsibility and obligation to the community (Z.-F. Yang, 2009). They encourage individuals to sacrifice themselves for the sake of common good. The function of society mainly relies on self-discipline and public opinion. Comparing to other cultures, Guanxi provides also an important mental and physical resource. For example, In American culture, a person who is successful in business is described as “wealthy.” In Chinese culture, he or she is described as “well connected” (M.-J. Chen, 2001).

The Chinese sociologist Fei Xiao-Tong (2013) compared Chinese society with Western society by using the analogy shown in Figure 4. Western societies are like rice straws after harvesting: small units are combined to build up a larger one. Units and organizations are separate concepts. Each organization has its own boundaries, which clearly define who are members and who are not. For example, if a friend comes to visit s/he will tell that s/he will come with his or her family. The family means wife and children in the West, while in China family could also mean other relatives or just people coming from the same town. How the Chinese define family depends on the context?

Fei (2013) described Chinese society as circular ripples that appear on the surface of water when a rock is thrown into it. Everyone stands at the center of the circles produced by his or her own social influence. For the sake of simplicity, Fei believes that the Chinese see relationships in three circles. The first circle consists of family members. While blood relations certainly constitute the strongest bonds, non-blood relatives are also considered highly trusted family members. Non-family members with the strongest connections belong to the second circle. For example, people from the same town or village, former classmates, members of the same clubs or societies, or friends of friends. The third circle involves strangers. From a Chinese perspective, nothing is known about the first-time visitors, so they are not trusted and are treated with suspicion. A wait-and-see attitude is common when dealing with strangers. It is a common source of impatience and frustration for outsiders who fall into this category (M.-J. Chen, 2001).

According to Hofstede, G., Hofstede, G. J., & Minkov, M. (2010), the distinction between in and out groups is so strong in a collectivist culture that it affects business as well. In the West, preferential treatment of one customer over others is considered bad business practice and even unethical. The norm is that everyone is treated equally. In cross-cultural terms this is known as universalism. In collectivist societies, the opposite is true. Treating one’s friends better than others is natural and ethical. Cross-cultural psychologists call this way of acting as particularism (Trompenaars & Hampden-Turner, 2011). Guanxi clearly corresponds to particularism. Consequently, in a collectivist society, trust should be established before any business can be done. To the collectivist mind, only natural persons can be trustworthy, impersonal legal entities such as a company cannot (Hofstede et al., 2010). For the Chinese, an important advantage of Guanxi for business is protection that it offers from outside threats.
and uncertainty. While legal protection exists, law is not enforced by default (M.-J. Chen, 2001). The disadvantage of Guangxi is that it makes the business with outsiders rather time consuming.

Figure 4. Metaphoric comparison between Western and Chinese society

According to Zhai (2012), the key difference between Chinese and Western Guanxi (relationship) is that in China, the relationship is a long term and non-selective affiliation. The Chinese understanding of Guanxi is not something that can exist only one or two days, but lasts for an entire life. The key unit in West is a husband and wife, the relationship is based on a contract. The key unit in China is a son and father-the relationship that lasts throughout life. Furthermore, that Guanxi is non-selective means that one cannot choose his or her parents, brothers or sisters, classmates or people coming from the same village or city. For example, in the dormitory students usually share the same room with other eight students during the entire four years of study. In the West, students usually have their own room. In China, there is no concept of privacy. It is uncommon for the children to close their door at home. It is considered normal behavior that parents can enter their room anytime, check their mobile phones, or diary.

According to Zhai (2012), the question of how to deal with the person you cannot choose to deal with is not discussed in the West. In the West, people have been educated to be independent individuals who are expected to leave their families and start their own life when they turn 18. The Western concepts of attraction, conflict, and interaction are all based on the assumption that relationships are short-term and selective.

Zhai (2012) observed that a challenging element in Guanxi is its non-selectiveness. Guanxi does not depend on one’s own will. This is why harmony is so much emphasized in Guanxi. When someone has to live with a roommate one cannot choose or change, tolerance and maintaining a good relationship is the only choice.

A Taiwanese sociologist Hwang (1987) divided Guanxi into three types: expressive, instrumental, and mixed. The expressive type of Guanxi creates the satisfaction of affective feelings within family members or close friends. Individuals socialize with each other according to the rule of needs. A traditional Chinese family usually has multiple functions which can meet most of an individual’s needs (Hsu, 1967). An instrumental type of Guanxi is used for relationships with strangers. It is unstable and temporary and serves only as a means to an end. The rule of equality is used here. People try
to treat each other objectively and fairly. A mixed type of Guanxi usually happens among acquaintances (relatives, neighbors, colleagues). People socialize with each other according to the rule of Renqing (favor). Of all types, a mixed type of Guanxi is the major tool for the Chinese to obtain social resources.

Favor (Renqing)

*Face, fate and favor are three goddesses who control Chinese life. They controlled before, and still control today.* Lin Yu-Tang (2007) –famous Chinese author

Renqing is a crucial concept for both understanding and cultivating Guanxi relations. Its literal translation is *human empathy* and the actual meaning *favor* or *gift*. Renqing represents a general guideline for how to treat others. It exists in everybody’s mind subconsciously (King, 1980).

Renqing has positive functions: The Chinese show respect to others via politeness and following traditional customs. It promotes togetherness and stability of social network (P. He & Yao, 2015) Using renqing in everyday life is considered a complex and subtle social skill. According to Zhai (2013), there are three types of renqing exchange: *gratitude, investment, and exchanging gifts*. Gratitude is created when one, for example, gets promoted or one's life is saved. The second type is an investment in human relations, for example through good wishes, celebrations, and helping. This also is referred to as send renqing. The receiver will feel guilty/obligated or owes to the sender which leads to a “debt” relationship. In this case, the receiver must later fulfill the supporter’s requirement when they come and ask for help. The third type is exchanging gifts or eating together. The aim is to strengthen the emotional tie with each other.

Renqing can be very tangible such as money or a gift, but also intangible such as providing opportunities or just help. For the Chinese, maintaining relationships is more important than maximizing their own benefit. The exchange of favors does not have to be on equal terms. In fact, it is preferable that the favors do not balance each other out. In this sense, Renqing does not mean reciprocity typical to Western society. The Chinese tend to have a long memory, and they will return the favor after the years or even generations (M.-J. Chen, 2001). The Chinese consider debt as an effective strategy to maintain a long-term relationship. There is a saying, “You honor me with a foot; I honor you with a yard.”

As Hofstede, G., Hofstede, G. J., & Minkov, M (2010) notes, obligations to the family in a collectivist society are not only financial but also ritual. Family celebrations such as marriages and, especially, funerals are extremely important and should not be missed. Expatriate managers from individualist societies are often surprised if, for employees, from a collectivist host society applies for a special leave because of family; the expatriate managers think they are being fooled, but most likely the reason is honest.

To conclude, the true nature of Guanxi is trust. The Chinese trust most their family members, then their relatives and close friends. Strangers are not trusted because a lack of common background. Therefore, in practice, you need to build Guanxi, by sending Renqing. Thus, frequent contacts, present exchanging, always returning more than has been received, and making time to invest in building Guanxi is the norm of societal behavior in China.
Face (Mianzi)

Saving face (Mianzi) is a common feature of all humans (Brown & Levinson, 1987; Ting-Toomey, 2005). However, saving face for the Chinese is not a personal attribute but it is related to an individual’s position in the social system (Hu, 1944). By understanding Mianzi, one can understand every phenomenon (Zhai, 2013). In China, saving face is a state of societal consciousness and a rule of behavior for maintaining hierarchical differences and social stability. Face is about evaluation of one’s self given by others (G. Yang, 1998/2012. pp. 121-188). It can be shown in many ways such as through wealth, connections and achievements (Liu, 2008).

Guanxi controls peoples’ social behavior in three ways: through their own face, the face of others, and the face of the group (Y.-f. D. Ho, 1976). For example, if A makes B feel highly valued, admired, and respected, then A is giving B face. Another situation is when A asks for help from B indirectly via C. B agrees to help A because otherwise C would lose face. The third example is to raise self-esteem of both parties: friends, societies, and even countries (Y.-f. D. Ho, 1976). The bigger face and the wider social network, the greater power an individual can dominate (Hwang, 1987). When people have a different opinion, they do not usually confront the situation directly. Instead, they tend to tolerate or at least publicly agree, but they can do the opposite in private (Hwang, 1987). The reason to avoid a conflict is to protect a group interest. It is argued that Guanxi is the major force in Chinese culture to maintain harmony (Leung, Koch, & Lu, 2002).

In the organizations, members from an individualist culture tend to have a goal-oriented strategy to solve a conflict, whereas members in a collectivistic culture tend to use a process-oriented strategy (Ting-toomey & Kurogi, 1998). In large power distance countries, managers are apt to use indirect strategies to put pressure on their subordinates. Managers from small power distance countries are apt to use direct strategies such as giving criticism or blaming subordinates (Ting-toomey & Kurogi, 1998).

According to M.-J. Chen (2001), saving face and maintaining relationships can be a major source of frustration to a Western executive who has used a direct communication method in making a business decision. Many Westerners doing business with Chinese companies often find that Chinese partners apparently agree to certain terms or conditions but then fail to follow them. Frequently, the problem originates from saving the face. If the Chinese party fails to understand what has been asked, or cannot supply what is being requested, and therefore must say no, they will lose face. At the same time, the Chinese are also concerned about protecting the other party’s face. If the Chinese deny a request with an outright no, the other party will lose face in their eyes, even if the other party is not troubled about face. The inclination to say “yes” is even greater if the request comes from a party higher up in the social or business hierarchy (M.-J. Chen, 2001). In such situations, a “yes” can save the face of superiors.

To conclude, favor and face are the pivotal characteristics of Chinese society. The social norms require persons to recognize their position in society and behave accordingly. The purpose is to establish the social order in unequal relationships. Therefore, in the Chinese culture, equality or fairness functions differently from Western culture in terms of with whom the person deals. For example, with strangers it is expected to use rule of fairness. Favoring family members is not considered unfair. Quite the opposite, it would be considered unfair if the rule of Renqing is not applied when dealing with one’s family.
The term, organizational culture, was first mentioned in academic literature by Andrew Pettigrew in 1979. He described culture as a mixture of beliefs, identity, ritual, myth and linked with the birth of organizations. Scholars view organizational culture from different perspectives. The functionalist perspective treats organizational culture as a tool for management (Kilmann & Saxton, 1983; Wilkins & Ouchi, 1983). The interpretive perspective views organizations as cultures and values emphasizing the symbolic interpretation of what occurs in organizational life (Deal & Kennedy, 2000).

A widely accepted definition of organizational culture provided by Schein in 1985 integrates both functionalist and interpretive perspectives. Schein (1985, p. 18) views culture as: “a pattern of basic assumption discovered or developed by a given group as it learns to cope with its problem of external adaptations and internal integration.”

Organizational culture is often created by the leader (Schein, 2004). Nevertheless, the leader’s basic values mainly depend on their national culture. The basic values are acquired mainly at the age of 0-10 at home and in the school environment (Hofstede et al., 2010).

Organizational culture is acquired when an employee enters the workplace. Organizational culture differs from national cultures, because the members did not grow up in it. On the contrary, they can decide to join or leave it. It therefore tends to be more changeable (Hofstede et al., 2010). If the organizational culture is not satisfactory, competent people will leave and the culture will be changed. The company will lose good resources. The organizational culture must change for the better, or otherwise the company will eventually cease to exist.

3.1 IMPLICIT MODEL

According to Hofstede, Hofstede, G and Minkov (2010), organizations always need to answer two questions: (1) Who has the power to decide what; (2) What rules will be followed to achieve the goal? The answers are associated with power distance and uncertainty avoidance. Stevens (1970) classified an organization into four models: the market, family, well oiled-machine, and pyramid. Hofstede linked these models to power distance and uncertainty avoidance as shown in Figure 5.

Figure 5 shows that Germany, one of the case countries in this study, belongs to the machine model, which is characterized by accepting less inequality and uncertainty. People want to structure activities without concentrating on authority. Additionally, a country in Scandinavia, belongs to the market model. It does not accept inequality but is tolerant of uncertainty. People in this system do not like concentrating authority nor structuring activities. China belongs to the family model in which the owner of the company is the godlike father. People accept both inequality and uncertainty. They like to solve the problems according to manager’s instructions: concentration of authority without structuring of activities (Hofstede et al., 2010). Mintzberg (1983)

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2 The research of organizational culture and cross-cultural studies was particularly popular in 70s and 80s. To explain Chinese society, the most explanatory and thorough theories are created by Chinese scholars. They all graduated in the USA but later returned to China and started their academic career.
analyzed the organizational structure and concluded that in well-oiled machine type organizations, countries like Germany and Finland, tend to emphasize standardization of skills and professional qualification of workers. Operation is the core activity.

![Figure 5. Countries located in the implicit organizational model (Hofstede et al., 2010)](image)

Mutual adjustment fits to the market model of organizations such as Scandinavian countries. The core is to support employees. Chinese organizations (family type) prefer a simple structure. High level managers are the key. Direct supervision is emphasized which means of coordination through personal intervention of the owner or his relatives (Hofstede et al., 2010).

According to Hofstede et al. (2010), not only organizations but also theories about organizations are bound by the culture. In organization theories, the nationality of the author reflects on the implicit assumptions as to how they came into existence, what is the purpose of an organization, and what they try to achieve. For instance, Max Weber understood that because German organizations work like “a well-oiled machine”, real authority within organizations lay in strict application of rules. Fredrick Taylor focused on efficiency. America is considered as a market where neither the leader nor the rules dictate, but the market conditions determine what will happen. Hofstede has listed the driving mentalities from several countries to show how they create organization. For example, in Scandinavia equality is the main principle, whereas in China the family is the model even for organizational structures (see Figure 6).
3.2 CHINESE ORGANIZATIONAL CULTURE

3.2.1 Family business

“One of the most famous sites in Tian-Jing University is a stone, engraved with a copy of the first diploma when Western-style university education was introduced into China. Next to the date on the diploma, 1900, the graduate’s name is printed, along with the names of his father, grandfather, and great-grandfather. Like any individual in Chinese society, the graduate exists primarily in the context of his family. His achievements belong to them all” (M-J, Chen, 2001, p. 19).

The rapid rise of Asian economies (Hong Kong, Singapore, Taiwan, and Southeast Asia) has drawn researchers’ attention to the management philosophy and practices of overseas Chinese businesses (Redding, 1993). These enterprises with Chinese backgrounds completely differ from European and American enterprises. The linkage between the enterprises with Chinese backgrounds and traditional Chinese family culture is clear. The enterprises reflect distinctive traditional values and ethical norms common to Chinese culture. Max Weber concluded that family ethics, derived from Confucian ethics, entirely dominate interpersonal relationships in Chinese society (Weber, 1951, as cited in Redding, 1993). The family is the foundation and serves as the prototypical unit for all organizations, including all Chinese business enterprises (M-J, Chen, 2001).

According to Chen, this family-centered decision making system is practical and efficient, but it can lead to difficulties. Business responsibilities are vaguely defined, and as a result, managers can feel frustrated. The lack of transparency can also be strange to Western business people, who do not understand the principles by which the business family system works. Those Western companies that have been successful in China are usually the ones which have been recognized to work with a different business paradigm (M-J, Chen, 2001).
3.2.2 Parental leadership

In Chinese enterprises, the relationship between the leader and subordinates is like between parents and their children. The leader has absolute authority, decision making power, and responsibility. Subordinates have to show dependence and obedience. The leaders are not willing to consider other’s opinion, and are rather completely self-reliant (d. Li, 2006).

There are many advantages in parental style leadership, such as strategic flexibility, fast response, and easy implementation of the manager’s vision, stable key relationships, subordinates’ compliance, diligence, and persistence (Farh & Cheng, 2000).

Farh and Cheng (2000) distinguished three elements in paternalistic leadership: authoritarian, benevolent and moral. The authoritarian element consists of control and domination which mean unwillingness to delegate, top-down communication, information secrecy and imposing tight control. It also consists of underestimating the subordinate’s ability which is shown as ignoring feedback and depreciating the subordinate’s contribution. Subordinates are generally expected to respond with obedience, show fear and dependency on the leader, and have a sense of shame. This is done, for example, by showing public support for the leader, suppressing dissenting views, avoiding open confrontations, unconditionally accepting the leader’s directives, and displaying loyalty to the leader. The leader cannot be wrong. Subordinates should not publicly express alternative ideas because it may be interpreted as lack confidence in the leader (Silin, 1976, cited in Farh & Cheng, 2000). The leader prefers to maintain a distance between himself and subordinates, both in terms of interpersonal contact and work routine.

According to Farh & Cheng (2000), benevolent leaders refer to behavior that demonstrates individualized, holistic concerns for subordinates’ personal or family well-being. Moral leadership refers to behavior that demonstrates superior personal qualities that arouse identification and respect from subordinates. Two of them seem to stand out in the Chinese context: not acting selfishly and leading by example.

3.2.3 Guanxi in business

One of the important features of the Chinese family business is Guanxi (Fei, 2013). As previously indicated in Chapter 2.4, the Chinese show a high degree of trust in family members or relatives (blood relations). People coming from the same places or organizations are treated with limited trust. Strangers are not trusted and are treated with suspicion. These relations are like invisible lines that connect all Chinese. In the organization, the manager does not treat all subordinates equally, but categorizes subordinates into in-group (we) and out-group (they) members. In general, the leader shows less authority and more compassion to the in-group members than to the out-group members. There are three criteria that determine how subordinates are categorized. These categories are Guanxi, loyalty, and competence (Farh & Cheng, 2000). The management style is often context dependent. Those in-group members are treated by rule of needs. Regulations apply only to those in the out-group by using the rule of fair exchange. Human is the first principle, meaning that emotion is more important than law (Zhai, 2012).

Chinese society emphasizes also manners and the title of one’s position. Confucius said: “orders come from correct name and title.” It means that without proper
position (title), one’s words will not be taken seriously. Therefore, the Chinese in general pursue societal success and position. Marriage is expected to be based on an equal economic and societal status, and a pyramid structure is used in organizations to emphasize the status. On business cards people list many titles to emphasize their status: the more titles, the higher the societal status. Even after retirement, people pay attention to a person’s previous status and treat each other accordingly.

Societal customs and systems strengthen the power distance. Rules and regulations apply differently: managers can break the rules, but subordinates would be punished by doing so. Also, in every matter in society, there is always an order of who comes first. In daily work, in the office space, the person who has higher societal status is prioritized to receive the best available office equipment and the best time slots. These unwritten norms are taken for granted by everyone.

### 3.2.4 Operating overseas

This parental leadership style affects non-Chinese subordinates when a Chinese company is entering the global market. Chen and Kao (2009) studied how the leadership style affects the psychological health of non-Chinese subordinates in 31 overseas branches of Chinese owned MNCs. Their results showed that in the workplace, the moral and authoritarian style of leadership contributed negatively to psychological health. One of their possible explanations is that the moral style stresses self-discipline, unselfishness, and the ability to win the subordinates’ respect and honor. However, the non-Chinese subordinates had different perceptions of the moral style of the Chinese leadership.

Busch (2013) conducted a survey with 40 German employees in a Chinese company established in Germany to find out the main characteristics of the leadership styles. The result revealed that the leadership style of the Chinese managers is seen as problematic and highly dysfunctional. According to their observations, paternalistic leadership was mostly emphasized among the Chinese managers, and Daoistic and Confucianistic styles among the German managers. Legalistic style was equally emphasized. The authors speculated that Daoistic and Confucianistic styles have the same elements in Western participative leadership styles. German employees may not accurately perceive the advantages of the Chinese leadership styles, but suffer from their negative sides.

Kennedy, Fu, and Yukl (2003) found that in small power distance and individualist countries rational persuasion, consultation, and collaboration were considered effective. Gift-giving, socializing, using informal settings and pressuring were rated as ineffective.

Asian employees perceived Chinese management differently. Bunchapattanasakda and Wong (2010) analyzed human resource management approaches in Chinese companies operating in Bangkok. The results showed that the Chinese managers are not adapting themselves to the Thai culture. However, Thai employees were still satisfied working with the Chinese managers.

How do the modern Chinese perceive parental leadership style? Studies conducted in Taiwan (1996) have shown that obedience to authority was not well suited to modern values. Similarly, King (1996, as cited in Farh and Cheng, 2000) found that the Chinese in Hong Kong no longer uncritically followed the traditional Confucian ideology, but instead they had adopted a rationalistic and instrumental attitude towards traditional values.
In summary: Four types of organizations are described. Germany is categorized
as a well-oiled machine, Scandinavian countries as a market place and, China with
family. Parental leadership style consists of three elements: authoritarian, caring, and
moral leadership. Cross-cultural research indicates that it has a negative effect on the
US and German subordinates while the Thai subordinates were satisfied.

The above review suggests that the modernization in Chinese society has weak-
ened the foundation of authority and cultural traditions. One can no longer assume
that obedience to authority is a universal value of all Chinese, especially among those,
who are younger and more educated. This is especially the case in Western organiza-
tions in China where the local employees who have chosen to join such organizations
and are expected to adapt to the participative leadership (Farh & Cheng, 2000).
4 THE HOFSTEDE PROJECT

The most influential work in cross-cultural psychology research was carried out by the Dutch social psychologist, Geert Hofstede. His theory is the product of empirical study without much theoretical framework. In the 1970s, IBM conducted a survey of cultural values among 116,000 IBM employees (mostly engineers) distributed in 40 countries and regions. Based on the questionnaire responses and their factor analysis, Hofstede identified four dimensions. He named these dimensions’ power distance, uncertainty avoidance, individualism-collectivism, and masculinity-femininity. In his later work with Bond, Hofstede (2010) added a fifth dimension - long and short term orientation. More recently, G. Hofstede, J. Hofstede, and Minkov (2010) identified a new dimension known as indulgence-restraint.

Hofstede defined his first dimension, power distance, as “the extent to which members of a society expect and accept that power in institutions and in organizations is distributed unequally” (Hofstede et al., 2010, p.61). In organizational culture this means that subordinates are not expected to disagree with their supervisors, and the supervisors are not expected to consult with their subordinates in the decision making process. The examples of cultures with large power distance include Arabic speaking countries, Russia, India, and China. Small power distance cultures include, for example, Nordic countries and Germany.

The second dimension, uncertainty avoidance, means avoidance of ambiguity. Hofstede et al. (2010) notes that many writers have understood his concept as risk avoidance. However, he argues that this is a misinterpretation, and that in high uncertainty avoidance cultures, risks may sometimes be taken simply as a way to escape from uncertainty. For me, this concept is also very confusing because it is a double negative. Therefore, in this research the concept of uncertainty acceptance is used to reduce confusion. High uncertainty avoidance nations are, for example, Greece, Portugal, Guatemala, Uruguay, and Malta; those rated lowest in uncertainty avoidance were Singapore, Sweden, and Hong Kong. China, other Nordic countries and Germany are in the middle.

The third dimension, referred to as individualism-collectivism is defined as those cultures in which individuals see themselves as having a relatively separate identity, whereas collectivist cultures are those in which identity is more strongly defined by long-lasting group memberships. Nordic countries and Germany are higher than average on the scale, which means they belong to individualistic countries. China is lower than average on the scale, which means it represents a collectivist country.

Hofstede’s fourth dimension is masculinity-femininity. This dimension differentiates nations that value confidence from those that value nurturance. The most feminine-scoring countries are Nordic countries. Anglo countries, Germany, and China belong to masculinity countries.

The fifth dimension is long and short-term orientation. It refers to a cultural emphasis on tradition. Hofstede found that the four Asian countries and regions - Hong Kong, Taiwan, Korea and Singapore - have a common characteristic: emphasizing on the tradition with a tendency of being future oriented. This means that one-shot deals with short term consequences are not valued. The most long-term orientation-scoring countries are China, Korea, and Japan. Germany is ranked in sixth place. Nordic countries are located in the middle.
Some critics argue that Hofstede country scores were obtained so long ago that they cannot any longer provide valid guidance as to explain differences between nations (Holden, 2002; Schmitz & Weber, 2014). One reason for their criticism is that the economic strength, especially of Asian countries, is increasing and thus has a potential to change more toward Western values. Hofstede, however, considers cultural differences as robust and unlikely to change fast. In the revised 2001 edition, he notes numerous instances of his country scores that even 30 years later still serve as significant predictors of the effects measured by other researchers.

Despite changes in individual countries, Hofstede’s two basic dimensions, power distance and uncertainty avoidance, seem rather appropriate while doing cross-cultural research in business organizations. Economically some countries develop faster, but cultural discernible changes are much slower. The relative differences between China and the West are still expected to exist.

Based on previous research, Hofstede’s two basic dimensions, power distance and uncertainty avoidance, seem fairly applicable in research of business organizations. Below I will describe each in detail.

4.1 UNCERTAINTY AVOIDANCE

The concept of uncertainty avoidance was first introduced by Cyert and March (1963), but in the 1980, Hofstede started to use the concept in the wider context of cross-culture research. Operationally, the uncertainty avoidance index (UAI) measures the levels of anxiety, rule orientation (the idea of breaking a company rule), and employment stability (changing employers). High uncertainty avoidance is expressed by accepting existing norms and rules in a particular organization, the preference for employment stability, and the desire for a low stress level. Therefore, Hofstede emphasizes that to avoid high level anxiety, a person needs predictability and both written and unwritten rules to secure it. People believe that “different” is dangerous, whereas in uncertainty accepting cultures, people believe that “different” means curious. Uncertainty avoidance can be therefore defined as, “the extent to which the members of a culture feel threatened by uncertain or unknown situations” (Hofstede et al., 2010, p.191).

4.1.1 Uncertainty avoidance index

National UAI scores are shown in Figure 7. China, my home country; Finland, the country of my present studies; Germany and one of the Scandinavian country, where the case studies for this research were conducted, are emphasized in red. UAI scores ranged from 8 for the country with the strongest tolerance of uncertainty to 112 for the country with the weakest tolerance (highest uncertainty avoidance).

As indicated in Figure 8, none of the countries included in this study had either extremely low or extremely high UAI score. However, there are relative differences: China (30), Norway (50) and Finland (59) have higher tolerance to uncertainty than Germany (65).
4.1.2 Truth, communication and trust

Uncertainty avoiding cultures raise a question of one’s belief in an absolute truth. Western logic implies that if A is true, B (which is the opposite) must be false. Eastern logic implies that if A is true, its opposite alternative B, may also be true, and together they produce a wisdom superior to either A or B. People in the East and Southeast Asian countries have no problem in adopting elements from different religions. Science must benefit from analytical thinking, but management and government are based on the art of synthesis. In Eastern cultures, what is true or who is right is less important than what works, and how the efforts of individuals with different thinking patterns can be coordinated toward a common goal (Hofstede et al., 2010).

In individualist cultures, speaking one’s mind is a virtue. Telling the “truth” is a characteristic of a sincere and an honest person. Confrontation can be useful; a clash of opinions is believed to lead to a higher truth. In collectivistic cultures, direct confrontation is considered rude and undesirable. Keeping harmony is the most important (Hofstede et al., 2010).

Uncertainty avoidance is related to high and low context culture. As indicated in Chapter 2.3, in high context cultures, the communication style is vague and inexplicit. A message or information depends on mutually adopted and accepted implications embedded in culture. As for the low context cultures, the message or information must be expressed explicitly (Hofstede et al., 2010).

In high uncertainty avoidance societies, the desire to establish rules allows predictability of behavior (Kale & McIntyre, 1991), which in turn, leads to trust both at the organizational and societal levels. People in low uncertainty avoidance societies, having less regard for stability and performance in relationships, would be less willing to trust other people and institutions than those from high uncertainty avoidance societies (Doney, Cannon, & Mullen, 1998).

As suggested in Chapters 2.3, the reasons for China being an uncertainty accepting country can be traced back to its long history. According to Hofstede et al. (2010), both Roman and Chinese empires were powerful centralized states where people received orders from the center. These two empires, however differed in one important respect. The Roman Empire had developed a unique system of codified laws that, in principle, applied to all people with citizen status regardless of their origin. The Chinese empire never had the concept of law in Western terms. The main principle that the Chinese administration advocated throughout the millenniums can be described as moral persuasion “government of man.” In contrast to the Roman
idea of “government of law”, the Chinese judges were guided by broad general principles, attributed to Confucius.

In summary, although there are not very many rigorous studies conducted on uncertainty acceptance (M-J Chen, 2001), a review of prior research suggests that uncertainty avoidance is related to the assumption of believing in one truth, communication, and trust.

4.2 POWER DISTANCE

4.2.1 Power distance index

According to Hofstede et al. (2010), power distance index (PDI) describes the dependency on relationships in a country. In small power distance countries, subordinates depend less on their superiors. The emotional distance between subordinates and superiors is relatively small. In large power distance countries, subordinates depend considerably more on their superiors. The emotional distance between subordinates and their superiors is large: subordinates are unlikely to approach and contradict their superior directly. Operationally, power distance can therefore be defined as the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally (Hofstede et al., 2010, p. 61). Individuals from large power distance countries have higher tolerance of unequal distribution of power and wealth. Individuals from small power distance countries pursue equality and democracy, expression, and protection of their personal rights.

PDI scores are shown in Figure 8. China, Germany, Finland and Norway are emphasized by red color.

![Power distance index chart](image)

Accordingly, Germany (35), Finland (33) and Norway (31) are at the bottom of the scale, and thus they belong to small power distance countries. In contrast, China (80) belongs to the large power distance countries.
4.2.2 Sense of power

Anderson, John, and Keltner (2012) viewed power not only as controlling resources but also as a psychological state—a perception of one’s capacity to influence others. It does not directly correspond to real power (Fast & Chen, 2009). The sense of power, however, will affect the real power, which in turn has an impact on power related behaviors (Bugental & Lewis, 1999). For example, a person who thinks he or she has a great amount of power will act more effectively, which in turn, will enhance his or her actual influence.

Many studies have found that high power holders have more positive emotions, higher self-esteem, and more assertive understanding of the world than small power holders (Keltner, Gruenfeld, & Anderson, 2003). Sense of power seems to have more influence over one’s own behavior than the actual power (Haidt & Rodin, 1999).

4.2.3 Leadership style

According to Elizabeth Wolef Morrison and Milliken (2000), in large power distance cultures leaders have an implicit assumption that employees are egoist and are, therefore, not trustworthy; they do not understand the problems inside the organization. Leaders believe that consistency leads to a healthy organizational culture. Leaders in large power distance countries, such as in China, focus on self-expression and find it important to protect their authority. They do not expect any objection from subordinates (Georgesen & Harris, 2006) and consider themselves as sole decision-makers in the organization (Ilgen, Fisher, & Taylor, 1979). They believe that subordinates only need to execute their orders. Leaders are afraid of negative feedback because it will embarrass them (Argyris & Schön, 1978). Large power distance leaders tend to criticize and suppress employees; sometimes they even use their power to punish employees who make proposals (Ilgen et al., 1979). Thus, employees tend to remain silent because their good intentions of proposing may lead to revenge (Jantao Zhou & Liao, 2012). Employees tend to keep distance from their leaders and show lack of interests in the organization (Landau, 2009).

It has been found that the leader’s attitude and behavior directly affect employees’ socialization process in the organization (Avery, McKay, Wilson, Volpone & Killham, 2011). Employees will observe a leader’s behavior, develop a cognition map to guide their own behavior, and detect when it is the right time to express their ideas. If they perceive that the leader prefers power and control, they will choose to avoid the risk of taking initiative but rather obey instructions (Detert & Edmondson, 2011). This kind of behavior is very common in Chinese organizations. The leadership style therefore has very significant effects. Chinese employees are very used to adapting to this behavior, whereas in European cultures this kind of adaptation is mostly lacking. In small power distance countries, subordinates are encouraged to break away from their roles to maximize their potential (Paine & Organ, 2000).

Liao, Zhao, and Zhang (2010) analyzed power distance as a factor in Chinese economic reform. He suggested that autocratic leadership should be changed to transformational leadership. Leaders should increase the possibilities for group decision making, empower more, decrease enforcement, respect employees, and use efficient communication styles.
4.2.4 Empowerment

Empowerment refers to organizations allowing employees to choose and be independent (Spreitzer, 1995). Moye and Henkin (2006) believes that a high level of trust can increase employee engagement. Likert (1979) points out that a democratic participative leadership style is the most effective for employee participation. Hammuda and Dulaimi (1997) noted that some leaders worry about undermining their own power if they grant more power to their employees.

Pasa (2000) points out that in large power distance cultures people do not expect their leaders to adopt democratic management or involve subordinates in the decision making process. Instead, it would be considered as poor leadership. Accordingly, leaders from such cultures tend to be less willing to give up their power.

Napier and Ferris (1993) on the other hand, consider power distance as psychological distance. Less distance will create a more attractive work environment, higher employee satisfaction, and appreciation of subordinate’s performance. Hofstede et al. (2010) found that in small power distance cultures, managers consider their subordinates’ suggestions before making any final decisions, while in large power distance cultures, only managers are involved in the process. De Souza and Klein (1995) emphasize the importance of the leaders to involve their subordinates when they plan company goals and objectives. Accordingly, they argue that supportive leaders initiate their subordinates in the process because it makes them feel valued within the organization.

Y. Zhang (2010) studied how power distance impacts empowerment and team participation in two types of organizations in China: fully Chinese owned R&D companies, and China-based American R&D companies. The results show that these two companies have different perceptions of individual power distance. The Chinese employees in American companies prefer a lower power distance than the Chinese employees in Chinese companies. This implies that the Chinese employees - after gaining work experience in American subsidiaries make better leaders in the long run.

4.2.5 Employee voice

Van Dyne and LePine (1998) define employee voice as a constructive challenge rather than criticism. Hirschman (1974) suggested that employees respond to work-related problems in one of two ways: voice or exit. Exit means that the employee terminates his or her employment relationship. The exit/voice decision is affected by the degree of feeling of loyalty to the organization. More loyal employees are more likely to voice and less likely to exit when they are dissatisfied. Organizational researchers view employee voice as a positive way to contribute to organizational effectiveness (Borman & Motowidlo, 1997).

Hierarchical structure can make exchanging ideas threatening (Waldron, Hunt, & Dsilva, 1993) because employees fear that voicing their ideas to higher level managers will trigger punishment and other negative consequences (Ryan & Oestreich, 1998). Employees from large power distance country are therefore less likely to voice their opinions (Elizabeth W. Morrison, 2014). They believe their opinion will not be taken seriously. Botero and Van Dyne (2009) reported that large power distance is negatively correlated with employee voice. Individuals in large power distance countries do not think it is their responsibility to speak up even if they have opinions. They will
not report their problems but simply choose to ignore them (Pronovost & Freischlag, 2010). In contrast, employees from small power distance countries expect authorities to share their power in decision making process by freely expressing their opinions.

According to Ma (2002) subordinates in Chinese companies are more reluctant to make proposals because they are influenced by traditional farming culture: parental control, and obsession with hierarchy. Only those subordinates with higher statuses or personal influence dare to make proposals (Duan & Ling, 2011; Duan & Huang, 2013). The correlation can also be seen via power distance; Chinese culture has large power distance, which causes the lack of voice.

### 4.2.6 Employee silence

Elizabeth Wolef Morrison and Milliken (2000) defined organizational silence as a collective-level phenomenon of doing or saying very little in response to significant problems in the organization. It is a major obstacle to organizational development and reform. Dyne, Ang, and Botero (2003) classify silence according to three different types of motives: acquiescent, defensive, and social. Acquiescent silence is a passive behavior, when employees avoid expressing their opinions because of the requirement of obedience. Defensive silence is motivated by fear. Voicing can cause harm to the employee. Social silence is motivated by altruistic purposes or cooperation. Harmony in the work place is valued more than efforts to make changes. Dyne et al. (2003) claims that no matter what the motivation is, employees voluntarily choose not to share their information or opinions.

Studies show that employee silence has both positive and negative impacts on the organization. For instance, Tjosvold and Sun (2002) indicate that employee silence can reduce conflicts in organizations. Employee silence maintains harmony and strengthens organizational teamwork. In contrast, employee silence limits decision makers’ ability to collect information, and thus, reduces the capability of error correction and can lead to failures in organizational reform (Milliken, Morrison, & Hewlin, 2003). Subordinates may agree with the managers publicly, but privately they have many complaints. This will lead to cognitive dissonance which makes them feel stress and anxiety (Vakola & Bouradas, 2005).

According to Milliken et al. (2003) the main reasons for employee silence is that they are afraid of harming their image (losing their face) that leads to lack of support in the organization. Employees are afraid of destroying relationships, losing support, reprisal or punishment, and being labeled as a trouble maker. In large power distance cultures, silence is the only choice. By analyzing the Chinese culture Yao, Deng, and Zheng (2009) found that hierarchy is the key factor to understand employee silence in Chinese organizations. People are used to follow orders without questioning the authority.

### 4.3 CRITICAL CONSIDERATIONS

Taiwanese scholar Z.-F. Yang (2009) and Chinese scholar Zhai (2012) challenged the concept of power distance. Instead of concluding that all of the Chinese follow the orders blindly, they suggest that the Chinese are grown up in a society which respects authority. From this starting point, it is easier to understand why and how the Chinese
either obey or disobey societal rules. According to Zhai (2012, p. 89), “it doesn’t matter which skin you have, if you were born in a hierarchical society, you will exactly behave the same as the Chinese: respect authority”.

Z.-F. Yang (2009) and Zhai (2012) also argued that characterizing China as a collectivistic culture is too simplified. Other scholars who had lived in China or foreign scholars who have a thorough understanding of Chinese culture agree with Yang and Zhai in challenging a stereotypical view of China as a laboring collectivist culture. They all emphasize that the Chinese have no spirit for teamwork and can behave very individualistically. From philosophical and historical points of view, Chinese traditional culture emphasizes an individual, not a group. According to Yang, Zhao (1986) analyzed proverbs to test whether Chinese culture is collectivistic or individualistic. He found out that there is an equal number of proverbs belonging to these two categories. The Chinese sometimes emphasize group power, sometimes individualism. It entirely depends on the situation.

In my view, Hofstede’s theory is still valid. As argued by the Chinese scholars, Chinese culture cannot be simplified into stereotypes. However, Hofstede’s analysis derives from the idea of relative differences among cultures. It merely states that Chinese culture is more collectivistic than many other cultures.

Schwartz (1992) argued that one cannot compare national level values until one has first conducted more basic research on differences on individual levels. How can one be sure that when persons in different parts of the world accept values such as honesty, freedom, or loyalty the meaning is the same? Based on scholarly literature, the following conclusions can be drawn.

The word yes does not necessarily mean approval. In most collectivist cultures, it is used to maintain communication. In Japan, yes means “yes, I heard you”. The word no is seldom used, because direct confrontation is considered rude and undesirable. “You may be right”, or “we will think about it” are the examples of polite ways to turn down a request (Hofstede et al., 2010)

Shame is understood differently in different cultures. In individualist countries, people feel shame because they did something wrong. In collectivistic cultures, the feeling of shame depends on whether others know about it or not (Hofstede et al., 2010).

In the West, organization is a familiar concept but very unfamiliar to the Chinese. This is because based on the Chinese long agricultural social system, a term equivalent to organization did not exist. The Chinese understanding of the concept of can be understood as an extension of family. Organization functions exactly the same as family providing all basic life necessities. The Chinese can eat, sleep, and socialize in the organization. If using a Western organizational concept to study Chinese organizations, the essence will be lost (Zhai, 2012). Therefore, we have to be careful while adapting Western concepts in analyzing Chinese culture.

### 4.4 SUMMARY

A review of prior research suggests that power distance is related to leadership style, empowerment, decision making, employee silence, and voice. Literature demonstrates that power is a very complex phenomenon. Power is understood differently in different cultures; some view it as relational others hierarchical. Therefore, it is of utmost importance to realize that culture matters, and furthermore, the following
questions must be considered, especially in the international organizational domain: What does culture mean to an organization? How do members of different cultures interact when they have different understandings of power? How could an organization deal with differences? According to Smith, Bond, and Kagitsicibasi (2006), measures of power distance on individual and national levels are more successful predictors of cultural differences than other areas of psychology.

In its 4000-year history, large power distance and accepting uncertainty are firmly rooted in Chinese culture. Uncertainty relates to intuitive thinking and language. Intuitive thinking is characterized as open, non-logical and metaphoric description. The Chinese language is characterized as a spiral mindset, ambiguous, flexible and high context language. One symbol is a picture, which contains much information unlike western alphabets. The ability to understand Chinese expressions depend on one’s background, knowledge, and understanding.

Large power distance correlates to collectivistic cultures (Hofstede et al., 2010) where holistic thinking is the core. It means that in Chinese culture, the entity is more important than a part; integration is more important than separation; seeking a common ground is more important than preserving differences.

Guanxi metaphorically means “backdoor.” Opening the backdoor means that one has a supporter (Zhai, 2012). The Chinese mindset is a correlation mindset. When someone asks, who you are they usually want to know what kinds of connections you have. The Chinese pay attention to the relationships between each other. The true meaning of Guanxi and face represent an individual’s societal status. These are all the characteristics of large power distance culture.

Consequently, in investigating the perceptions, opinions, and experiences of local employees in Chinese international companies, the cultural foundations of the Chinese people, particularly those pertaining to power distance and uncertainty, must be understood.
5 RESEARCH QUESTIONS

I entered the field with the expectation that differences between Chinese and European cultures will become clearly visible in daily activities too. After interviewing several employees, I soon found that the local employee tended to dis-identify with the company both on the organizational and national level. The main complaints were related to the Chinese way of running a business. Local employees constantly compared the Chinese way with their own culture. My original plan was to study organizational culture. However, I soon noticed that many of the complaints did not initiate from the organizational level but from the national and cultural level. Therefore, it seemed reasonable to focus on cross-cultural aspects.

By analyzing the interviews, the main problems for local employees turned out to be an unstable environment, language barrier, lack of trust and motivation. The biggest challenge for analyzing the data was that it could be done from many different perspectives such as the communication, organizational, or cultural points of view. I noticed that several theories could be applied for interpreting the data. For instance, I studied communication theory (Dennis, 1974), trust theory (Markova & Gillespie, 2008; Puusa & Tolvanen, 2006), Schein’s concepts (1985) and motivation theory (Maslow, 1943; Herzberg, 1964; McGergor, 1960). Subsequently, during the whole analyzing process, I switched back and forth between data and theories. In the end, I found that Hofstede’s theory fit the data best mainly because his theory addresses two issues pertinent to my research: 1) Who is given the power to decide and what? 2) What rules or procedures will be followed to attain the desired ends (see Chapter 3.1)? My research problems were formed in the course of many-sided processes as is usually the case while doing qualitative research (Taylor et al., 2015). At the end of this process, the following key questions were formed:

1. How do European employees perceive working in an environment containing much uncertainty?
2. How do European employees perceive the use of power in decision making processes?

Based on the data analysis, I formulated more specific sub-questions to concretize the two main questions. As to the first question, I asked how local employees dealt with an unstable environment (Chapter 7.2.1), indirect communication (Chapter 7.2.2), empty promises (Chapter 7.2.3), and unclear salary system (Chapter 7.2.4).

To specify the second research question, I formulated the following sub-questions: How do local employees deal with organizational structure (Chapter 7.3.1), empowerment (Chapter 7.3.2), shared information (Chapter 7.3.3), their chances to be promoted (Chapter 7.3.4), and organizational privilege (Chapter 7.3.5)?
6 METHODOLOGY

6.1 RESEARCH PARADIGM

A research paradigm is a basic set of beliefs or worldview about reality and knowledge. According to Denzin, Denzin, and Lincoln (2011), a paradigm encompasses three basic components: ontology, epistemology and methodology. The main paradigms are positivism, constructionism and critical realism. Positivism refers to the knowledge of the world that is obtained through applying the scientific methods to experiences and to empirical world. Constructionism refers to the knowledge of the world that is obtained with subjective and shared meanings. Realism combines some of the idea in positivism and constructionist thinking. It agrees with positivists that there is an observable world independent of human consciousness but at the same time suggests the knowledge about the world is socially constructed (Eriksson & Kovalainen, 2008). According to Hammersley (1992, p.43), "Realism is the idea that there is a reality of the researcher whose nature can be known, and that the aim of research is to produce accounts that correspond to the reality." This study subscribes to a critical realist paradigm which takes reality as material, but acknowledges that people interpret it differently in different times and contexts (Eriksson & Kovalainen, 2008). Reality is only realized through individuals’ (inter)actions, including their meaning making. I assume the accounts given by European employees are their reality constructed according to their social cultural background in specific organizational context.

6.2 QUALITATIVE STUDY

Qualitative methodology refers in the broadest sense to research that produces descriptive or interpretative knowledge - people’s own written or spoken words and observable behavior (Taylor et al., 2015). Denzin and Lincoln (2005, p.3) described qualitative research as involving “… an interpretive naturalistic approach to the world. This means that qualitative researchers study things in their natural settings, attempting to make sense of or interpret phenomena in terms of the meanings people bring to them.” Based on Taylor et al. (2015), the following characteristics of qualitative research can be summarized (see Table 3).

In this research characters 1, 2, 3, 4, 8 are particularly essential because initially I did not set any particular theory based hypothesis but rather kept my mind theoretically open while entering the field. There were no structured questions designed beforehand. In fact, using surveys was my original approach, but it did not succeed. Therefore, I decided to apply for an internship. Once I got to work inside the company, they gave me permission to conduct both a distribution survey and contacting interview. I chose qualitative research as the general design because of the following reasons.
First, rather than working with just numbers I was interested in understanding how people interact with each other, how they describe and interpret their experiences. My aim was to explore interactions and episodes relating to cultural encounters which cannot be addressed via questionnaires. For example, rather than finding out how many people want to quit their job which could be done though a survey, I was more interested in what people think about their job and why they want to quit. These questions are about understanding their experience and perceptions and would call for a qualitative design.

Second, the reliability of a questionnaire based-survey for Chinese respondents may well be dubious (Zhai, 2012). Chinese are likely to “save face” for the researcher. It is therefore natural for them to accommodate the researcher resulting in that and they are unlikely to give their honest opinion. As indicated above (Chapter 2), the Chinese way of responding is also highly contextual. Distributing the same questionnaire at different times could well provide different answers depending on the context situation. Another problem is that in the company setting, only very few would like to answer the survey voluntarily unless they felt direct pressure from their supervisors. People do not take surveys seriously because nobody believes it can actually have an effect. According to Di Minin, Zhang, and Gammeltoft (2012), questionnaire-based survey is unsuitable for in-depth empirical analysis in Chinese companies.

### 6.3 ORGANIZATIONAL ETHNOGRAPHIC APPROACH

Organizational ethnography (OE) is a multi-method approach (observation, interviewing, and document analysis) whose major feature is participant observation in natural settings (Eberle & Maeder, 2011). A fundamental difference between classical and organizational ethnography is the geographical and cultural distance (Tota, 2004). To research an exotic tribe means an ethnographer would travel far from home whereas an organizational ethnographer usually returns home for the night (Eberle & Maeder, 2011). Based on Ybema (2009), the following characteristics of organizational ethnography can be summarized (see Table 4).
Table 4. Characteristics of organizational ethnography (Ybema, 2009)

<table>
<thead>
<tr>
<th>Key element</th>
<th>Illumination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined field work methods</td>
<td>Observing, interviewing and close reading of documentary sources</td>
</tr>
<tr>
<td>At the scene</td>
<td>First hand observation and clear information</td>
</tr>
<tr>
<td>Hidden and harsh dimensions: Power and emotions</td>
<td>Conceal emotional and political aspects in the organizational.</td>
</tr>
<tr>
<td>More nonverbal communication</td>
<td></td>
</tr>
<tr>
<td>Context-sensitive and actor-centered analysis</td>
<td>Sensitive about broader social settings and historical and institutional dynamics</td>
</tr>
<tr>
<td>Meaning making</td>
<td>Analysis the symbolic representations of the specific language.</td>
</tr>
<tr>
<td>Multivocality</td>
<td>Describe tensions and discrepancies between official pronouncements and unofficial practices.</td>
</tr>
<tr>
<td>Reflexivity and positionality</td>
<td>Recognize that we are part of the world we study.</td>
</tr>
</tbody>
</table>

In this research all characters are necessary because of the following reasons: Firstly, organizational ethnography allowed me to be close to the field and collect first-hand experience. Compared to survey, interviews and informal discussions yield more information. People are more likely to talk about delicate matters in interviews, especially if they know a recipient personally. Because of the opportunity to live with the participants for two months, the data is not only numbers but reflects the soul behind the data. I was able to build a professional and trusting relationship with the staff. Therefore, in a way, the process of collecting the data became also an auto ethnographical experience.

During my field research, I observed much tension and many dilemmas because of clashes of two cultures. Several practices have strikingly different meanings for different groups. For example, Guanxi means trust in Chinese culture; in the West it is viewed as corruption. Hierarchy means order in China; Westerns interpreted it as a form of dictatorship. Besides the language issues, the Chinese and Westerns not only disagree on what to do, but also disagree on what is important and what is the truth. It is normal in Germany to criticize others openly whereas in Chinese culture it is offending to criticize a manager in front of his or her subordinates because he or she would lose face. Working habits are different as well. Taking a nap in the middle of the day is considered beneficial in China while in Europe taking a nap seems inappropriate. Through analyzing language and observational data, I therefore could challenge the reader to question their taken-for granted beliefs about the international organization culture.

Inconsistency not only exists in different cultures but also between official materials and unofficial practices. For example, some of the images a company promotes to the public contradict employee perceptions in reality.

As a researcher, I am aware that my role will shape the knowledge and I am part of the research process. I therefore wrote a great number of field notes about my perceptions as well such as my mistakes and improvements.

There are different perspectives when analyzing an organizational problem (Morgan, 2006). According to Eberle and Maeder (2011), one can consider organizations as organisms, political systems, or as psychic prisons. “If you consider organizations as machines, you will focus on efficiency, technical precision but has difficult taking account of the human factor” (p.123). My feelings are just the opposite, as I consider organization as culture with a focus on human factors.
Furthermore, my approach is in accordance with motivated ethnography, meaning that my study was relatively focused (Lloyd & Duveen, 1992). They studied social identities of gender in school in the UK. Rather than aiming at understanding the entire cultural system, which is the case in classical anthropological ethnography (Hammersley & Atkinson, 2007), the researcher embarked on their study of children starting school with the belief that gender was a significant phenomenon in the organization of social life within the school.

In my study, however, I kept an open mind for the unexpected and peculiar events. I did not pay attention to every aspect in the company, such as financial or strategic matters. Instead, I particularly observed issues related to organizational culture. After one month in the company, I already felt that I gained enough information; i.e. the data seemed to become saturated (Mason, 2010). Admittedly, I could not empirically verify my assessment of the saturation of the data.

It is important to note that I did not speak the local language. English is the official language in the company, and everybody could speak it. So, I did not need to learn the local language. Besides, I could communicate with all the Chinese colleagues using my native language. Admittedly, some participants could have felt it difficult to express all their thoughts in a foreign language.

6.4 RESEARCH SITE

6.4.1 Pilot study

My two case companies were CDD and KBB. All the names of the companies are anonymous due to research ethics. They are fully owned subsidiaries of two large Chinese companies. Each utilized a greenfield entry mode. In such enterprises, according to Caprar (2011, p. 611), “employees choose to become members..., whereas workers in newly formed international joint ventures seldom have such a choice.” Both of the MNCs had existed for about twenty years, but their subsidiaries had been operating for less than five years in Northwestern Europe. Their business had expanded to cover over 140 countries. In 2011, the KBB headquarters was listed as a Fortune top 500 company.

CDD Scandinavia, a representative office of a Chinese telecommunication company, was established around 2005. Due to project delays and falling margins in emerging markets, CDD’s headquarters lost a total of $460 million in 2012. After getting to know the HR manager of CDD quite well, I found out the reason why they assigned me to a Nordic country is because they thought a Scandinavian office would serve as the best example of successful cultural integration between local and Chinese employees in the whole CDD group. Based on their experience, they have had more conflicts with other countries than with Nordic cultures.

Scandinavian countries are characterized as having a high standard of life, high salary and excellent education. I speculate that for Scandinavians money is not the main motivation to work in a Chinese company. Unlike other local companies taken over by Chinese companies, people actively choose to work for this particular company. Their main motivation is because it is an international company. They wanted to gain some experience and achieve skills that cannot be achieved in monocultural Scandinavian companies.
The second company was located in Germany. It represents the heavy machinery industry. Germany is a developed country, which is characterized by punctuality, a focus on exports, hierarchical bureaucracy and respect for orderliness (Hammerich & Lewis, 2013). The heavy machinery industry is characterized by traditional manufacturing, skilled workers, and a low level of mobility. Many of the local employees were transferred from the previous company because it was taken over by a Chinese company. Unlike people in the IT industry, many workers have not changed their job for their entire life. Therefore, this was the first time they would work for an international company. Based on the interviews, they hoped CDD would be successful so that they would continue to have a stable job. The company was in a restructuring process, and, therefore, everybody was very nervous about losing their jobs. Stability and certainty were their major concerns. A profile of the selected multinational companies is presented in Table 5.

Table 5. A profile of Chinese multinationals chosen in the study

<table>
<thead>
<tr>
<th>Entry mode</th>
<th>Year founded</th>
<th>Host location</th>
<th>Employees</th>
<th>Industry</th>
<th>Employees</th>
<th>Year founded</th>
<th>Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenfield</td>
<td>2000s</td>
<td>Scandinavia</td>
<td>over 20</td>
<td>Communications</td>
<td>over 80,000</td>
<td>1980s</td>
<td>Partially state owned</td>
</tr>
<tr>
<td>Greenfield</td>
<td>2000s</td>
<td>Germany</td>
<td>over 200</td>
<td>Machinery</td>
<td>over 60,000</td>
<td>1980s</td>
<td>Private</td>
</tr>
</tbody>
</table>

Note. No specific year and number of employees are given due to research ethics to protect anonymity.

6.4.2 Entry into the field

I completed all the fieldwork within a period of two months. The first step was to negotiate gaining entry into the two companies to commence data collection. Gaining access to the companies was the most challenging part of my fieldwork as there were different research sites I had to visit and a number of gatekeepers to deal with. My targets were multinational companies with headquarters located in my hometown, Shenzhen, China.

My first visit to the CDD headquarters was on January, 2012. Without knowing the people who were working there, it was almost impossible to enter the company. Therefore, I tried to call the contact person listed on their official website, wrote letters to higher ups in micro blogging (a popular social media in China). Simply reaching the correct person was a very difficult task. Even though when I was finally able to talk to someone who would pass on information, I did not receive any reply.

One of my friends told me there are many foreign people usually hanging out in local bars, at night and I might find people there who are working for the Chinese company. Therefore, I went to the famous bar street in my hometown at midnight (23:00). I mustered the courage to ask someone who looked nice: “Are you working for the Chinese company?” Unfortunately, all of them were working for foreign companies located in China.
Later on, I asked my father’s colleague who used to work for the CDD Human Resource department, and she introduced me to meet to their current HR manager. I again explained my research: a quantitative study requiring approximately 100 persons to fill-out my questionnaire. She told me frankly that it would be impossible because they cannot give information to outsiders and the answering rate would be extremely low even if HR department itself sent it. Furthermore, they had a doctoral student who conducted the same kind research just recently. However, this research had not been very useful for them. In the end, she said if I am able to convince her boss, she would let me do the research. I was not surprised about the result, because such a big company like CDD normally does not easily allow people to do research within their company.

I contacted the Chinese embassy in Finland and Germany, hoping they could introduce me to the company. Unfortunately, they refused my request. A week passed without finding any companies. I was desperate and explained my situation again to one of my friends who is an experienced manager. She said, “Why aren’t you applying for an internship? A student looking for an internship sounds very normal. A doctoral student who wants to conduct research and get 100 questionnaires back sounds too formal. People are scared that you will steal their information.” Inspired by her, I immediately changed my strategy. I called the HR manager I met before, she said she would try to contact her overseas manager and call me back. However, her tone of voice made me skeptical about receiving a call from her.

After staying a month in China without any progress, I returned to Finland in February 2012. I continued contacting companies by phone and E-mail. I approached all friends and relatives who might have some connection with the company and might provide help.

A few weeks later, in March 2012, I received a call from the CDD HR manager that they received my application from the headquarter and after reviewing my application, they decided to offer me internship in the Scandinavian office. However, they would not pay any salary or provide accommodation. Nevertheless, I was bursting with joy over the good news. After one week they phoned me again to inform me that they could provide me an empty room that nobody wants to live in due to the loud street noise there. I immediately agreed because I did not want to lose the chance to have a place in the company’s dormitory.

Two weeks later I got another call. KBB Shanghai R&D director recommended me on the basis of my friend’s recommendation. In other words, I gained access through “Guanxi”– a feature that has been seen as characteristic of Chinese culture (see Chapter 2.4). I was surprised that I gained access to KBB so fast. In other words, I have Guanxi with the second, but not with the first company.

### 6.4.3 Managing relationships with the participants

At the beginning, everybody thought I was a university student. After recognizing, I am actually a doctor (in Chinese there is no difference between a doctoral student and doctor) who is conducting research, there was a more respectful attitude toward me. The intercultural trainer at KBB even said, “I might ask you to assist me in doing something small if you are a university student, but you are a doctor, so I feel embarrassed asking you do simple things; let me support you.”

At CDD, after they found out my major is psychology, everybody seemed quite curious about my profession. Every day I was asked different questions like: How is
it possible to solve the problems of stress and sleeplessness? What do I think about Stockholm syndrome? Do I know what is in their mind? During the fieldwork, I served in the roles of both insider and outsider. Since I received an employee badge in the beginning, I was able to enter the building without checking in and eat at the company canteen at staff discount. In KBB, I was issued a computer, a staff E-mail box, and, therefore, I gained access to all staff contact information and received all internal information. As an insider in CDD, I was a “psychologist”. In KBB, I was a trainee working closely with a technical and intercultural trainer. I participated once a month in the intercultural training program and once a week German language-learning program. Therefore, I had several opportunities interact with many employees in class. As an outsider, I interviewed employees, observed staff meetings and, meetings with customers. As a female, when entering to the field, of which 90% employees are male, I received much help from my fellow workers. I was invited to dinner, birthday parties, company picnics, welcome and goodbye dinners, in CDD they even organized a goodbye party for me when I had to leave the company.

6.4.4 The role as a researcher

My identity influenced this study. I am biased in several aspects. I was constantly placed in an ambiguous position because I am an intern, a PhD candidate, Chinese and a female. Some information was blocked because I did not share the same status, experiences, or background with others. I was often invited to dinners by Chinese expatriates. In this sense, I had more access to Chinese employees.

My role in the company was an intern working in the HR department. The Western employer saw me as a researcher, and their attitude toward me was very open. They hoped I could deliver the messages to the upper levels of the business hierarchy, because the messages they had tried to convey to their leaders many times, had gone amiss. They strongly wished the company could change. The Chinese employees, however, were very careful about what they told me, and I could not get much information from them.

6.5 DATA COLLECTION AND PROCEDURES

6.5.1 Interviews

In this research, interviews constitute the major data collection method. The interview material was treated as accounts in terms of participants’ opinions, comments and explanations. I prepared a set of questions that varied depending on whom I interviewed, for example, managers, engineers, or administrative assistants.

In Germany, I always asked the intercultural trainer who worked for more than a year in the company about the background of my interviewees. I usually visited each person’s desk, explained my research, and asked if they were interested in being interviewed by me. I was issued a Staff-Email box, so I obtained a list of people’s contact information automatically. Sometimes I emailed or phoned people whom I could not easily get in touch with due to their frequent business trips or meetings. If they did not reply, in order to have their cooperation, I scheduled the interviews when they
were having a lunch in the canteen or when they were walking through the building. A meeting room in the company was reserved. Very often after lunch, I conducted interviews in the open air while having a walk on the sports ground. None of them refused to have an interview with me when I asked. A short account of the interview guides used in the fieldwork is given below:

The one-on-one semi-structured interview guide was designed in order to gain an insight into how the employees and HR manager experienced their work, how they were involved in decision-making processes, what expectations they had before joining the company, and what suggestions they wanted to make. There were 150 pages of transcribed interviews. In the empirical section many of the quotations were given by Temper, who was an account manager from CDD. In fact, I gave everybody equal voice. Admittedly, Temper’s expressions were very clear and elaborate. To my judgment, his opinions were in line with others.

The following questions were put forward to everyone and usually employees were always willing to talk more: What kind of special challenges have you had in the cooperation with the Chinese until now? In which aspects do you think company could improve?

Furthermore, I also focused on daily conversations. I joined in employee gossip to learn more about their activities. Informal conversations were performed incidentally. For instance, after one meeting, I clarified some of the points or abbreviations that I could not understand during the meeting. I also asked some participants brief questions about the meeting results. When I was walking around in the building, I asked simple question such as, “How are you?”, “Are you busy?” or “How was your trip to China?” I sometimes ended up staying at someone’s desk or in an office for a long while, asking questions or about things I did not know. Sometimes I asked the employees to drive me home if it was on their way. Such spontaneous, unplanned, informal interviews were not tape-recorded. The number of the informal conversations was countless; dozens daily. These informal talks turned out to be very important because they helped me to build rapport with my participants.

6.5.2 Observations

As a requirement of in-depth analyses (Robben & Sluka, 2012), I observed daily activities, working conditions, office environment, interactions and company events. My roles as an observer ranged from outsider, to semi-participant to an active participant depending upon the contextual, practical and ethical realities and requirements in the field. I used several types of notes during the fieldwork including (1) key words, phrases or sentences as aids to memory; (2) descriptive notes; and (3) a dairy where I recorded my personal reactions and concerns over the period of my field work. The total number field notes amounted to thirty. I made the field notes during the day or at the end of the day.

6.5.3 Site documents

Two major types of documents were analyzed in this study: official papers and magazines (Hammersley & Atkinson, 2007). The information collected from these documents was used to compare and corroborate the data obtained from other data sources.
such as interviews and observation. I read the company newspaper daily and took three newspapers and three magazines with me.

6.5.4 Transcription

Transcription is the process of turning recordings into written text (Howitt, 2010). I listened to the recording several times, named the speakers for each segment. I kept transcription as simple as possible. **Bold** is used to indicate speech spoken louder than the surrounding text. The square brackets [ ] enclose comments made by the transcriber that indicates some clarifications to the context of the speech. Rather than a completely routinized process, transcribing is a focused activity. I listened to the recorded interaction that I was to transcribe a number of times. For me the process of transcribing recoded speech was not a tedious, time consuming activity but a part of the analysis (Psathas & Anderson, 1990).

6.6 PARTICIPANTS

The measures presented below represent the demographic characteristics of this study (see Table 6). All the names are pseudonyms due to research ethics to protect anonymity of the subjects and companies. In the age and education columns, the information is not complete with all the subjects. In Scandinavia, everybody calls each other by their first name regardless of their nationality or gender. In Germany, the male employees are called by their first name regardless of their nationality. Also female employees are called by their first name. This name system was also applied accordingly in the text. Quotations are authentic. However, some language corrections were made for better readability.

The number of European participants in this study was 20 (15 males and 5 females). The age distributions show that the category 36 - 45 is represented most frequently. The mean age of respondents was 47 years. In terms of education, practically all participants had a university degree. This shows that the sample represents individuals who are highly skilled. The department distributions show that marketing and R&D (research and development) are represented most frequently. In terms of working years, practically all participants had worked less than three years. This is understandable since the subsidiaries have existed less than five years. Additionally, 55% of the respondents held a supervisory position.

The number of Chinese participants was 14 (8 males and 6 females). The age distributions for this group show that the categories 25 - 35 and 36 - 45 were represented most frequently. The mean age of respondents was 35 years. In terms of education, 100% of participants had a university degree. Thus, the sample represents individuals who are highly skilled workers. In terms of working years, 86% of the respondents had worked less than three years. Additionally, 28% of the respondents held a supervisory position.
<table>
<thead>
<tr>
<th>Name</th>
<th>Nationality</th>
<th>Age</th>
<th>Gender</th>
<th>Position</th>
<th>Education</th>
<th>Work years</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moss</td>
<td>Scandinavia</td>
<td>49</td>
<td>M</td>
<td>Senior manager</td>
<td>≥Bachelor</td>
<td>&lt;1</td>
<td>CDD</td>
</tr>
<tr>
<td>Johan</td>
<td>Scandinavia</td>
<td>54</td>
<td>M</td>
<td>Senior manager</td>
<td>≥Bachelor</td>
<td>2-3</td>
<td>CDD</td>
</tr>
<tr>
<td>Erik</td>
<td>Scandinavia</td>
<td>47</td>
<td>M</td>
<td>Formal CEO</td>
<td>≥Bachelor</td>
<td></td>
<td>CDD</td>
</tr>
<tr>
<td>Temper</td>
<td>Scandinavia-Italy</td>
<td>45</td>
<td>M</td>
<td>Senior manager</td>
<td>≥Bachelor</td>
<td>1-2</td>
<td>CDD</td>
</tr>
<tr>
<td>Cosimo</td>
<td>Scandinavia-China</td>
<td>44</td>
<td>F</td>
<td>Administrator</td>
<td>Master</td>
<td>3-5</td>
<td>CDD</td>
</tr>
<tr>
<td>Li Chi</td>
<td>Scandinavia-China</td>
<td>38</td>
<td>M</td>
<td>Vice CEO</td>
<td>≥Bachelor</td>
<td>2-3</td>
<td>CDD</td>
</tr>
<tr>
<td>Antoine</td>
<td>France</td>
<td>47</td>
<td>M</td>
<td>Senior manager</td>
<td>Bachelor</td>
<td></td>
<td>CDD</td>
</tr>
<tr>
<td>Ahmad</td>
<td>Brunei</td>
<td>37</td>
<td>M</td>
<td>Junior manager</td>
<td>≥Bachelor</td>
<td>1-2</td>
<td>CDD</td>
</tr>
<tr>
<td>Katya</td>
<td>Azerbaijan</td>
<td>39</td>
<td>F</td>
<td>Chief account</td>
<td>Master</td>
<td>1-2</td>
<td>CDD</td>
</tr>
<tr>
<td>Ping Dong</td>
<td>China</td>
<td>38</td>
<td>M</td>
<td>CEO</td>
<td>Bachelor</td>
<td>&gt;5</td>
<td>CDD</td>
</tr>
<tr>
<td>Wu Wei</td>
<td>China</td>
<td>38</td>
<td>M</td>
<td>Project manager</td>
<td>≥Bachelor</td>
<td>&gt;5</td>
<td>CDD</td>
</tr>
<tr>
<td>Xu</td>
<td>China</td>
<td>40</td>
<td>M</td>
<td>Account manager</td>
<td>Master</td>
<td>&gt;5</td>
<td>CDD</td>
</tr>
<tr>
<td>Jia Ke</td>
<td>China</td>
<td>38</td>
<td>M</td>
<td>Senior manager</td>
<td>Bachelor</td>
<td>&gt;5</td>
<td>CDD</td>
</tr>
<tr>
<td>Gao</td>
<td>China</td>
<td>29</td>
<td>M</td>
<td>Junior manager</td>
<td>Master</td>
<td>&lt;1</td>
<td>CDD</td>
</tr>
<tr>
<td>Si Si</td>
<td>China</td>
<td>40</td>
<td>F</td>
<td>Senior manager</td>
<td>Bachelor</td>
<td>&gt;5</td>
<td>CDD</td>
</tr>
<tr>
<td>Mr. Schneider</td>
<td>Germany</td>
<td>50</td>
<td>M</td>
<td>Engineer</td>
<td>≥Bachelor</td>
<td></td>
<td>KBB</td>
</tr>
<tr>
<td>Mr. Hoffmann</td>
<td>Germany</td>
<td>56</td>
<td>M</td>
<td>Sales</td>
<td>≥Bachelor</td>
<td>2-3</td>
<td>KBB</td>
</tr>
<tr>
<td>Mr. Wolf</td>
<td>Germany</td>
<td>30</td>
<td>M</td>
<td>Engineer</td>
<td>≥Bachelor</td>
<td>&lt;1</td>
<td>KBB</td>
</tr>
<tr>
<td>Mr. Hunter</td>
<td>Germany</td>
<td>50</td>
<td>M</td>
<td>Senior manager</td>
<td>≥Bachelor</td>
<td>2</td>
<td>KBB</td>
</tr>
<tr>
<td>Mr. Fischer</td>
<td>Germany</td>
<td>60</td>
<td>M</td>
<td>Trainer</td>
<td>≥Bachelor</td>
<td>1-2</td>
<td>KBB</td>
</tr>
<tr>
<td>Mr. Weber</td>
<td>Germany</td>
<td>40</td>
<td>M</td>
<td>Senior manager</td>
<td>≥Bachelor</td>
<td></td>
<td>KBB</td>
</tr>
<tr>
<td>Mr. Müller</td>
<td>Germany</td>
<td>60</td>
<td>M</td>
<td>Senior manager</td>
<td>≥Bachelor</td>
<td>1-2</td>
<td>KBB</td>
</tr>
<tr>
<td>Clara</td>
<td>Germany</td>
<td>38</td>
<td>F</td>
<td>Senior manager</td>
<td>≥Bachelor</td>
<td>1-2</td>
<td>KBB</td>
</tr>
<tr>
<td>Claudia</td>
<td>Germany</td>
<td>25</td>
<td>F</td>
<td>Secretary</td>
<td>Master</td>
<td></td>
<td>KBB</td>
</tr>
<tr>
<td>Sabine</td>
<td>Germany</td>
<td>40</td>
<td>F</td>
<td>Sales</td>
<td>≥Bachelor</td>
<td></td>
<td>KBB</td>
</tr>
<tr>
<td>Benjamin</td>
<td>Belgium</td>
<td>50</td>
<td>M</td>
<td>CEO</td>
<td>≥Bachelor</td>
<td>&lt;1</td>
<td>KBB</td>
</tr>
<tr>
<td>Daria</td>
<td>Russia</td>
<td>40</td>
<td>F</td>
<td>Sales</td>
<td>≥Bachelor</td>
<td></td>
<td>KBB</td>
</tr>
<tr>
<td>Mr. Wang</td>
<td>Germany-China</td>
<td>M</td>
<td></td>
<td>Cross-culture trainer</td>
<td>≥Bachelor</td>
<td></td>
<td>KBB</td>
</tr>
<tr>
<td>Mr. Miao</td>
<td>China</td>
<td>61</td>
<td>M</td>
<td>CEO of entire group</td>
<td>≥Bachelor</td>
<td>≥20</td>
<td>KBB</td>
</tr>
<tr>
<td>Mr. King</td>
<td>China</td>
<td>50</td>
<td>M</td>
<td>Formal CEO</td>
<td>≥Bachelor</td>
<td>≥20</td>
<td>KBB</td>
</tr>
<tr>
<td>Mr. Da Li</td>
<td>China</td>
<td>20</td>
<td>M</td>
<td>Assistant</td>
<td>≥Bachelor</td>
<td></td>
<td>KBB</td>
</tr>
<tr>
<td>Mr. Hui Hai</td>
<td>China</td>
<td>40</td>
<td>M</td>
<td>Vice CEO</td>
<td>≥Bachelor</td>
<td></td>
<td>KBB</td>
</tr>
<tr>
<td>Mr. Zhao</td>
<td>China</td>
<td>40</td>
<td>M</td>
<td>Team leader</td>
<td>Doctor</td>
<td>1-2</td>
<td>KBB</td>
</tr>
<tr>
<td>Li Jie</td>
<td>China</td>
<td>28</td>
<td>F</td>
<td>HR assistant</td>
<td>Bachelor</td>
<td>1-2</td>
<td>KBB</td>
</tr>
</tbody>
</table>
6.7 ANALYSIS

The data were analyzed by thematic analysis (TA), which identifies relatively broad themes to summarize the content of the data (Howitt, 2010). There were no strong theoretical perspectives to drive the analysis. Many of the procedures are shared by other qualitative data analysis methods such as grounded theory which is relatively simple and easy to understand (Howitt, 2010). Coding is the primary process for developing themes (Boyatzis, 1998). My analysis was mainly data-driven, though it has theoretical connections as well (see Chapter 5).

First, I created codes from initial data without any theory. Then I categorized these codes in broader themes partly based on theory and partly based on data. After that, I created the broadest categorization called dimensions; they are obtained from Hofstede’s theory. The most difficult challenge was that the data could be analyzed from several different perspectives. The second challenge was to decide how to categorize the codes. I created themes to group similar codes. However, there were always codes belonging to more than one theme. Putting the codes in the most proper place required me to read of the data. I read and re-read the categorization and made many revisions until I was satisfied. During the whole process, I switched back and forward between data and theory (Howitt, 2010). In the end, I found Hofstede’s theory would be the most useful to understand and structure my data. Therefore, the two broadest categories were generated: power distance and uncertainty avoidance. The number of themes I came up with was 20 and there were approximately 1000 individual codes. The unit in the analysis could be words, sentences or paragraphs depending on the content.

Table 7 illustrates how the data analysis was done.

Table 7. Example of the coding process in the data analysis

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Theme</th>
<th>Code</th>
<th>Original data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power distance</td>
<td>Limited decision making</td>
<td>Not able to make decision</td>
<td>Somehow as a Scandinavian, I think I am not regarded as a person; we are not able to make decisions. Everything is about the Chinese.</td>
</tr>
<tr>
<td></td>
<td>(theory based)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Hierarchy</td>
<td>Hierarchy</td>
<td>A typical Chinese leadership is based on more centralized thinking and in this way is more like the military style of leadership.</td>
</tr>
<tr>
<td></td>
<td>(data based)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Follow the order</td>
<td>Never ask</td>
<td>Never ask, I don’t know why, but never ask.</td>
</tr>
<tr>
<td></td>
<td>(data based)</td>
<td>No discussion</td>
<td>No one has discussion with the employees, like whether or not we should do something. No thoughts around it, no communication to the employees.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No explanation</td>
<td></td>
</tr>
</tbody>
</table>

In addition to the interview data, I also processed my notes and the site documents in the same manner as the interviewee transcriptions. As a result, the whole package into the Atlas-ti program consists of three types of data as illustrated in Table 8.
Table 8. Example of the coding process for three different types of data

<table>
<thead>
<tr>
<th>Source</th>
<th>Example of original data</th>
<th>Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interview</td>
<td>Mr. Miao is a liar, he promised no one will lose their job but you see what is happening now.</td>
<td>Empty promises</td>
</tr>
<tr>
<td>Observation</td>
<td>In Europe people always do what they have promised; they do not commit something if they are not ready to do it.</td>
<td>Kept promise</td>
</tr>
<tr>
<td>Site documents</td>
<td>Mr. Müller deeply experienced the Chinese way of flexibility, Mr. Miao always promises something after drinking, now Mr. Müller does not know what should or should not be taken seriously.</td>
<td>Flexibility, Empty promises</td>
</tr>
</tbody>
</table>

6.8 VALIDITY AND RELIABILITY

There are a number of ways for evaluating qualitative research. However, there is no general consensus on the appropriate criteria (Seale, 1999). (Howitt, 2010) reviewed three opposing views about the evaluation of qualitative methods. They are extreme relativists, antirealist and subtle realist.

Extreme relativists reject all quality criteria for qualitative research by arguing that all the qualitative methods are unique. Antirealists reject the realist idea that there is a single social reality; thus, conventional criteria such as reliability, validity and generalizability do not apply; subtle realists fundamentally accept that there is a basic reality that can be studied. I employed the realist perspective with the belief that there are a set of criteria that can apply to both qualitative and quantitative research. Several authors have identified a common procedure for establishing validity and reliability in qualitative research (e.g., Guba & Lincoln, 1994; Maxwell, 2012; Merriam, 1998). Qualitative research routinely employs member checking, triangulation, thick description, peer reviews, and external audits (Creswell & Miller, 2000). I applied these procedures in the following way.

Thick description: I described with as much detail as possible why and how I choose a particular approach. I also provided sufficient detailed information about when, how and where the study was carried out (Hammersley & Atkinson, 2007). I paid special attention to the empirical part: I described everything in the field in a manner as detailed as possible. My data analysis is transparent because I can present the whole table of analysis if I asked. This is why I did not assess the quantitative reliability score by calculating a formal inter-rater agreement percentage.

Relative prolonged engagement in the field: I devoted four months to gain access to the company, during which two months were in China negotiating with headquarters. Later I spent two months in the field. My field diary consisted of about 30 pages. Transcribed interviews amounted to 150 pages. After completing the internship, I still keep in touch with some of the employees in both companies via E-mail and Skype. The prolonged engagement in the field will allowed me to carry out repeated and substantive observations, in-depth interviews and inspections of relevant documents. On the other hand, the stays in the field were rather short as compared to a full-scale ethnography study (Guba & Lincoln, 1994).

Data triangulation: Data was collected through multiple sources including interviews, observations and documents, which makes possible to see things from different angles (Mays & Pope, 2000). For example, I observed that people were grouping at
different tables for lunch depending on their nationality, which is also confirmed by my interviews. I felt KBB is an open and friendly place for people to work. I did not see any sign of inequality or discrimination; however, my interviewees disclosed a completely different result than what I had observed. Third example the company magazine, where I found that some content was contradictory to the ways employees perceived reality.

Joint analysis: I shared the data with my supervisors and academic colleagues as part of the analyzing process. Accordingly, part of my data and its interpretations were discussed in the research group. I have presented my research at conferences and seminars and received useful feedback.

Member check: Although I did not send my transcripts and field notes to the participants to check for perceived accuracy and reactions, I shared part of my analyses and interpretations of data with one German colleague. He said, “You write very tough. It is like you exactly know what happened in the field.”

Reflexivity is a central element of ethnographic work (Reeves, Kuper, & Hodges, 2008). I am aware of how my role as an intern, a PhD candidate, a Chinese person and a female affect the relations between participant and researcher. I discuss these in detail including how my reflexive role helped me get access to the company, build relationships and gain trust from the employees.

6.9 ETHICAL ISSUES

The American Psychological Association recommends a researcher to follow the following principles (APA, 2002): Beneficence and non-maleficence; Fidelity and responsibility; Integrity including accuracy, honesty and truthfulness; Equality of access to psychological benefits and respect for people’s rights and dignity. All of these aspects are vital and applied to my research, too.

I first wrote an official letter to the company: informed how, when, where, and by whom the research is conducted; what the benefit will be for them, and how acquired information will be used and reported. Under the permission and support from the high levels of the company, I could collect data. The manager introduced me in the weekly meeting, so employees would have a brief overview of who I am and what I am doing here. Before conducting the interviews individually, I re-introduced myself and research. All participants gave their consent to become participants in the study. The aim was to build a rapport with them, gain their confidence and trust in my work. Considering that this research project touches on private and confidential issues at work, I present these accounts in a way that readers cannot recognize the identity of respondents.

“One of the strength and challenges of ethnographic research is the reflection on the relationships that the researcher builds with the participants” (Eriksson & Kovalainen, 2008, p. 143). I managed to establish a good relationship with practically all of my colleagues except one who had a suspicious attitude toward me. As Van Maanen (2011) said, “you are part spy, part voyeur, part fan, part member.”

Ethnographers tend to look downwards to people with less power. For example, there is almost no ethnographic study about politicians or CEOs. I had a great time in the field and people (both Chinese and Europeans) treated me very well. They were very open-minded and helpful. In order to avoid the situation where my results will have negative impact on them, I try my best to protect their identity.
EMPIRICAL RESULTS

Unstable working environment, communication and disempowerment were the major issues that arose European employees were talking about their Chinese companies. Based on content analysis, European employees’ comments were classified into the following coding theme (see Table 9). The classification was not exclusive, i.e., if the respondents had given several different explanations for one theme, they were assigned to several categories. However, if the respondent gave several explanations from the same category, they were coded only once.

Table 9. Frequencies of given comments among non-Chinese respondents

<table>
<thead>
<tr>
<th>Theme</th>
<th>All (n=22)</th>
<th>%</th>
<th>Germany (n=15)</th>
<th>%</th>
<th>Scandinavia (n=7)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unstable environment</td>
<td>18</td>
<td>81</td>
<td>11</td>
<td>73</td>
<td>7</td>
<td>100</td>
</tr>
<tr>
<td>Closed communication</td>
<td>17</td>
<td>77</td>
<td>10</td>
<td>67</td>
<td>7</td>
<td>100</td>
</tr>
<tr>
<td>Incentives</td>
<td>14</td>
<td>64</td>
<td>9</td>
<td>60</td>
<td>5</td>
<td>71</td>
</tr>
<tr>
<td>Disempowerment</td>
<td>12</td>
<td>54</td>
<td>8</td>
<td>53</td>
<td>4</td>
<td>58</td>
</tr>
<tr>
<td>Empty promise</td>
<td>11</td>
<td>50</td>
<td>7</td>
<td>47</td>
<td>6</td>
<td>85</td>
</tr>
<tr>
<td>Language</td>
<td>10</td>
<td>45</td>
<td>4</td>
<td>27</td>
<td>6</td>
<td>85</td>
</tr>
<tr>
<td>Mistrust</td>
<td>10</td>
<td>45</td>
<td>5</td>
<td>33</td>
<td>5</td>
<td>71</td>
</tr>
<tr>
<td>Hierarchy</td>
<td>10</td>
<td>45</td>
<td>6</td>
<td>40</td>
<td>4</td>
<td>58</td>
</tr>
<tr>
<td>No feedback</td>
<td>10</td>
<td>45</td>
<td>6</td>
<td>40</td>
<td>4</td>
<td>58</td>
</tr>
<tr>
<td>Positive comments</td>
<td>10</td>
<td>45</td>
<td>6</td>
<td>40</td>
<td>4</td>
<td>58</td>
</tr>
<tr>
<td>Efficiency</td>
<td>9</td>
<td>41</td>
<td>5</td>
<td>33</td>
<td>4</td>
<td>58</td>
</tr>
<tr>
<td>Inequality</td>
<td>7</td>
<td>31</td>
<td>4</td>
<td>27</td>
<td>3</td>
<td>43</td>
</tr>
<tr>
<td>Promotion</td>
<td>7</td>
<td>31</td>
<td>4</td>
<td>27</td>
<td>3</td>
<td>43</td>
</tr>
<tr>
<td>Human Resource</td>
<td>7</td>
<td>31</td>
<td>1</td>
<td>6</td>
<td>6</td>
<td>85</td>
</tr>
<tr>
<td>Indirect communication</td>
<td>7</td>
<td>31</td>
<td>4</td>
<td>27</td>
<td>3</td>
<td>43</td>
</tr>
<tr>
<td>Work habit</td>
<td>6</td>
<td>28</td>
<td>3</td>
<td>20</td>
<td>3</td>
<td>43</td>
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<tr>
<td>Working condition</td>
<td>6</td>
<td>28</td>
<td>2</td>
<td>13</td>
<td>4</td>
<td>58</td>
</tr>
<tr>
<td>Separate work from private life</td>
<td>4</td>
<td>14</td>
<td>2</td>
<td>13</td>
<td>2</td>
<td>29</td>
</tr>
</tbody>
</table>

As indicated in Table 9, the most prevalent categories were: unstable environment (81% of the respondents commented on it), closed communication (77%), motivation (64%), and empowerment (54%). These problems seemed to pertain to two cultural dimensions introduced by Hofstede in 1980: power distance and uncertainty avoidance. I therefore categorize all the themes into these two dimensions. This chapter is structured as follows: the first part describes my observations of the working environments. In the second part, I report an analysis of uncertainty avoidance and power distance.


7.1 WORKING ENVIRONMENT

This chapter is mainly based on my observations in the field, including cafeteria, office space and equipment, work habits and after work activities.

7.1.1 Canteen

The cultural habits become clearly visible in eating arrangements. The KBB cafeteria serves two food types, including fairly authentic Chinese and German lunches. Most Chinese employees tented to go straight to the Chinese food section while the Germans were apt to go to the German section. It was interesting to note the Chinese food stand was taken care of by a Chinese chef and the German food line by a German one. Based on my observation and own experience, the availability of Chinese food abroad is seen as one of the important factors that influence Chinese expatriates’ satisfaction while abroad.

It seemed that Chinese employees were inclined to have their lunch together and Germans eat lunch together. Only a few people who work in the same position or come from the same department, eat together regardless of their nationalities. In addition, a couple employees preferred to eat alone. Some German employees never eat at the cafeteria and instead brought their lunch to their desk. Their explanations for their dinning behavior was that Chinese lunch is too heavy for them as it contained too much oil.

CDD did not have their own Chinese cooker due to the limited number of Chinese expatriates. Consequently, all of nationalities went to the public cafeteria, which is for all companies located inside the building. However, the Chinese employees were not satisfied with the local Scandinavian food. They were waiting to return home and cook by themselves at night. The Scandinavian employees went to lunch together at 11:00 while Chinese and other non-Scandinavians went to lunch at 12:00. They seemed to get along with each other very well, and English was the major language spoken during lunch. People ate and laughed.

Employees usually had lunch with someone they felt comfortable with. For instance, CEO Ping Pong (CDD) went to lunch with his employee Jia Ke and several Chinese colleagues. Junior manager Ahmad from Brunei criticized, “The leader should not always go to lunch with the same people. It feels like he has some special relationship with them.” Ahmad’s comment could be understood as Ping Pong favors his friends when he makes decisions. Ahmad continues, “Sometimes Ping Pong should have lunch with us or with locals, too.” Ahmad and Si Si (CDD Chinese senior manager), thought that Ping Pong was somewhat insensitive to different cultures.

Ahmad was also willing to give advice, especially to Chinese expatriates who had arrived from China. He asked new arrivals to pay more attention when they were eating in the canteen: “Don’t talk loudly in the canteen and don’t fill your plate too full. Take less food onto your plate if you cannot eat it all.”

KBB senior manager Mr. Weber was worried that people of different nationalities sitting at the different tables showed that cultures have not integrated. He illustrated this fact by sharing this information with the company lawyer.

Yesterday I had a meeting with the lawyer, we sat in the canteen; he recognizes this difference too. He said to me, Hans, what is going on? They told me this is an intercultural
company, but do you see how things are in the canteen? One block, only Chinese, two blocks, German. For me, from the HR perspective, I recognized this and they ask me every day. Why aren’t the team mixing, because this is part of daily life?

I discussed this with some KBB employees. A Chinese engineer told me he works with local foreign employees every day, and there was nothing to talk about during lunch. He was tired of speaking English. Several employees reported similar stories that they wanted to relax when having lunch and not speak in a foreign language. From my observation, the same language is the most obvious factor for group formations. I only saw one Chinese employee who interacted with both Chinese and Western groups. He is the intercultural trainer in KBB; a Chinese person who has lived in Germany for more than 20 years, and speaks Chinese, German and English fluently. It seems knowledge of English is vital while interacting with other nationalities. Accordingly, the use of space related to lunch environment was culturally divided.

After lunch, the Chinese have a nap during the working day, which is not understandable for Europeans. Some of the Europeans described “It doesn’t look good during the day; they even get paid.” There was a debate about the efficiency of work between the Chinese and European employees. In KBB, German senior manager Mr. Müller always had fight with the Chinese vice CEO Mr. Hui Hai. According to Mr. Müller, Mr. Hui Hai said, “Germans are lazy, Chinese people are not so lazy as Germans. We work longer.” Mr. Müller argues,

When I go through the offices, I never see staff sleeping at their desk, but I very often see the Chinese colleagues were sleeping. German people: 8 hours, 100% work, Chinese people, 7 hours, 70 - 90% work. The efficiency by German people is much more than the Chinese people.

From Mr. Müller’s point of view, Mr. Hui Hai’s criticism was not true. The total efficiency is the same as the Europeans. However, the Europeans did not understand the importance of taking a nap for Chinese people. Napping has strong historical and cultural roots in China.

7.1.2 Office space and equipment

When I first arrived at the CDD office, it was amazing at the outset how pleasant the working environment was. The office was located on the fourth floor with a panoramic view. The office space was open and, user friendly. In the center, there was a big table for people who wanted to read CDD newspapers and magazines. The coffee machine was aside for convenient coffee making. Physical layouts were structured in a way similar to Scandinavian communication companies. Individual working space was separated by a low-rise partition, so employees were able to see each other and talk freely. Managers had separate private rooms with windows. One special detail was that every Monday employees had fruit delivery service for free snacks.

CDD in Scandinavia rented one floor in the building whereas KBB in Germany built up their company from the ground up on a completely undeveloped site. They built several buildings for production, offices, a canteen and a hotel.

Chinese and European employees expressed different opinions about the CDD office condition. One local employee described the atmosphere as “cold”, “dark”, “ugly”,

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“not cozy,” and concluded that “no one likes it.” Another European employee made negative comments about using personal laptops:

There are a lot of things they don’t understand, mostly related to the office environment. Look at how we sit, you know? No one cares here, you use your own laptop. In a Scandinavian company there are settled rules for how things need to be done and fixed.

CDD Scandinavia senior manager Temper emphasized issues such as technical support, appropriate equipment and ergonomic chairs. According to Temper, soft values are very important. He commented, “With this office, I am not so happy to meet my customers here, to be honest. One thing is, you know, there is no meeting room here; that’s terrible.”

Temper did not want to meet his customers in the office and therefore he apologizes: “Oh, sorry for this, sorry for that.” He continues:

Look at these things on the paper, this is a company with 90,000 employees, where is the technical equipment for all the meetings? Video meetings, regular meetings, project meetings to present things? Look at these things around you, they don’t invest in anything and I think this is important also for Scandinavians, very important.

Sabine from KBB Germany said that she has never experienced anything like this before. She pointed out the following issues: no standard equipment, no office computer for example. Working in an unorganized space is almost impossible: “For Germans is not so easy to adapt to all this (speak slowly). You learn over the month, but you still wonder, why it is not there [Standard equipment].” The explanation lies in Chinese management does not see this, as she continues:

I guess people from KBB or China would say, “what are you talking about?” You do your job; why are you asking for more (rising tone)? They just don’t understand, because they are not used to it. These are the differences, your experience here, the Germans wonder why we don’t have this here? The Chinese wonder what more do they want? Everything is here (laughs). That is sometimes pretty funny.

Temper stated that it is not enough to just complain but to start moving things forward:

You need to move the things, you know? Here they don’t care about it. Because the Chinese don’t see these things. Look at the office in China. Have you even been to the office in China (desk knock)? They don’t see it, I think it’s a culture thing in the company.

Some employees, who have visited Chinese offices, used the metaphor of a chicken farmer to illustrate the lack of privacy. KBB Germany Senior manager Mr. Müller commented:

I was in Changsha for two weeks. I never would work in Changsha. The people are ok, I have no problems with the people; it’s a different kind of living, ya? I came to the office, [and felt like a] chicken farmer (low voice). In Germany, there is a law [that], each chicken needs a lot of space. You can’t put more chickens in one place, you can’t put 10 chickens in one square meter, or you get punished. If I go to a Chinese office, I think about a that chicken farmer (laughs).
According to Temper, another possible explanation lies in the protective Chinese leadership style. The Chinese want to protect their properties, and European employees are regarded as properties. The profit from the Scandinavian business goes straight to China, and it is not used to make the office bigger. Temper has learned the ways to utilize the system:

If you understand the system here, you can get a lot of things done here, you can go to the and director say, “Listen, I don’t accept that, we don’t have certain equipment.” “Ok, go and buy equipment,” the director will say to you. So (laughs), if I need something, it’s like this project here, we go to the table, I can go to the leader and say, “Listen, this is not acceptable anymore. We can’t take our customer here, we can’t show them this, we need a better system.” And then he will say to me, “How much will it cost?” and I will say, “I don’t know, I will check.” “Ok, check and come back to me.” I check and I find out it cost 1000 euros. “Ok, buy [make the purchases].” Then suddenly it is done.

In summary, the European employees made lot of critical remarks about their working environments such as not adequate work equipment or not enough privacy. However, from the Chinese employees’ perspective, they appreciated their desks, which were twice or three times larger than the ones in China.

7.1.3 After work

Depending whether one has kids or not, the Scandinavians in CDD left work about 16:00 or 17:00. Most Chinese waited until the boss leaves, and someone even stayed longer depending on the deadline for project completion. The company has four or five gender specific dormitories for female and male employees. After work, the first thing Chinese employees did was cook. At the end of the day, finally they could eat good Chinese food that they prepared together and they considered that to be true relaxation.

Overseas life for the Chinese expatriates can be boring. Mostly, the Chinese only spent their time with other Chinese people. During the weekends, some of them went to the museum and female employees went shopping, but mostly they just stayed at the dormitory.

The new-year party seemed to be important for both Chinese and Scandinavian cultures. While Scandinavians tended to choose to dine out in western restaurant, the Chinese tended to eat in Chinese restaurants. According to Chinese manager Si Si, the former Scandinavian manager Eric used to arrange the New Year party in a Western restaurant while the new Chinese manager Ping Pong insisted on having dinner in a Chinese restaurant.

Ahmad expressed his criticism of Ping Pong: “Ping Pong always favors Jia Ke at work. He cannot separate work from his private life. Ping Pong and Jia Ke live together, eat together, work together. It is a mess.” According to Ahmad, a strong leader should be able to separate work from personal life clearly.

Jia Ke also had a strong opinion on the issue between private and working life: “My leader supports me because the leader agrees with me in many matters.” In fact, Jia Ke and Ping Pong have known each other for a long time. Therefore, Ping Pong trusts Jia Ke but not Ahmad.

KBBs senior manager, Mr. Weber from Germany, described when the company was established. At the beginning, they organized travel groups, tourist groups, music
groups and fitness programs. However, the company stopped providing these for the employees because in Germany, no one was willing to spend their free time doing KBB activities.

Katya and several other colleagues from CDD confirmed that they are not interested in after work activities. The most important thing for them was work itself, i.e., they cared more about their job satisfaction during the working hours but were not interested in after work activities.

CDD senior manager, Johan received a questionnaire from the headquarters of CDD: Are your best friends working at CDD?

I found, no (long time laughs). This is my professional life, this is my private life. I was quite shocked, because work and my private life are separate. For us, to work is to enjoy the life. But for the Chinese, work is life (laughs). In Scandinavia, people tend to work for eight hours, and that is it. Then of course, you need to be quite effective at work. So, this is the big difference.

CDD senior manager, Temper, empathized with the Chinese who had left their families in China and could see them only once a year. He commented,

I think it is very difficult. I wouldn’t have done it. In this sense, I have a lot of appreciation for the Chinese. They are offering a lot (pause)! They are offering also their life (Pause). We will never do these things, never (pause)! Leave your kids and wife in China and come here for two years, and see your kids and wife once in a year, I will never do it. That’s not why I got married. [If I only see my kids and wife once a year] then I don’t need to get married. So in this sense, I understand a lot of Chinese have a difficult situation.

According to Temper, this is the reason why it is important to integrate with the Europeans. Because the Scandinavians can show empathy and affection toward the Chinese when they have a difficult time.

CDD senior manager, Johan, was amazed by the level of commitment by people towards their profession. Because of living in the company dormitory, I had a close connection with Chinese expatriates. It was very common for my roommates to work throughout the night because of their job requirement. One of my roommates was a young lady who, due to a severe sleep deprivation looked sick. The Chinese usually come back at 19:00 or 20:00, or even much later. It was enjoyable to cook with them and listen to their news about their everyday life.

During the day, they must face demanding European customers. At night, they have to pass a variety of exams held by CDD for testing the competency of their employees. In other words, they must cope with the challenge from both outside and inside company. I wrote the following sentences in my notes.

Don’t value others by your own values. Have you ever seen their real life? Do you understand their happiness and sadness? People work regardless day and night, for surviving. Without understanding, you have no right to criticize others. A leader cannot be a leader if he or she never worked in the front line. An intercultural trainer cannot be a trainer if he or she never worked in a multinational company. Don’t take everything for granted. Go and see. Imagination and reality are largely different.
To witness how they work and how they lived, deeply touched me. According to the company magazine, a CDD employee has an even more difficult life in Africa than in Europe. Some countries are politically unstable, and wars can be waged anytime. Employees might lose their life.

In 2007, two CDD employees came to Somalia. All local customers picked them up with bodyguards and guns. Outside the hotel where they had settled, there was a battle going on with gunfire. However, nothing can stop CDD employees from selling their equipment in every corner of Africa (CDD magazine xx, 2011).

7.1.4 Summary

From the European point of view, office equipment and office space were not good enough. The European standard is higher than that of the Chinese. From the Chinese point of view, however, they were quite pleasant. In fact, I personally would like to work in the Scandinavian or German office. It seemed as though the Chinese appreciated more the pleasant atmosphere while European focused more on practical staff issues, such as missing important equipment. All the details mattered more to European employees.

The work habits were different. The Chinese came later and left later. Some of them waited until their leader left. Lunch was divided by nationalities. Roughly, a group of Chinese employees ate lunch together; a group of Europeans ate together. After lunch, the Chinese were used to have a nap, which is not understandable to the Europeans. This enhances the stereotyping of Asian nationalities: work very long but they sleep at work and socialize there. The Europeans spent less time in the office, showing less commitment compared to Chinese.

7.2 UNCERTAINTY AVOIDANCE

The feeling of uncertainty is a central issue that was raised by the European employees. Accordingly, the data was examined in order to discover the elements related to the perceptions of uncertainty. Uncertainty could be categorized in the following themes: unstable environment, indirect communication, empty promises and incentives (see Figure 9).
7.2.1 Unstable environment

An unstable environment was the theme most repeatedly referred to by the European employees. The frequency of 82% suggested that they hoped to have a more static and orderly environment. Concluding from the data, an unstable environment contains following sub themes: change within a day, flexibility is not always bad, and loyalty.

Change within a day

After one year working for KBB, a German senior manager Mr. Weber deeply experienced how fast people can change their mind. He describes:

They very often change their minds, change their ideas and change the targets. For example, when we are recruiting 20 engineers for mining position, we get requests. Then we are thinking about how to deal with the requests [work applications]. To ask specific questions from them, we developed some concepts: we are looking at some job specific targets, [application recruiting process] is hard work. Then two days, or four days later, we got to know [from upper management], stop recruiting: we are not interested any more.

Moreover, Mr. Weber often received message from China that he must finish a difficult task in a very short time that was often impossible. He continued:

I will give you a concrete example. Today [Monday] I got a request at 10:47. 13 minutes before 11 o’clock. I got the request that I received one hour before the report was supposed to be finished. This was absolutely crazy, nobody in Germany will work like this, ya?

Mr. Weber has a Chinese colleague who told him how to deal with this unreasonable request. He said:

That was a lucky solution that I have Lijie, she is familiar with Chinese culture. She has a very good feeling about their expectations. She told me to write 10 sentences. This is not our quality expectation.

Changing decisions was not only shown at the HR management level, but also throughout the entire company. Temper from CDD said,

One day they, the leadership, decide like this [to move to the right]. On the next day they can change to the left. So you don’t get any explanation. The company doesn’t communicate these things; the company doesn’t communicate strategy, tactic, or thoughts either. They don’t even try to.

Today to the left, tomorrow to the right; Temper did not know where to go. He expected the company to be more systematic:

Yeah, you need time to achieve all these things, I am not saying [this can’t be done]. I have been here only for two years. But that’s again, when you go to a company of this size, come on, CDD has almost 100,000 employees around the world, they must have
some kind of a system. So you expect certain things than to sit in the place, you know, already! But I must say that [rise tone], you know as an employee, you cannot change the company strategy, but you can only change your everyday [working environment]. It is the small things that matter (desk knock), not the big things (desk knock, speak slower), because you cannot do anything with the big things.

The situation in Germany was rather special. The company was facing the restructure. A German secretary, Claudia, explained that KBB hired all the good people and experts when they established the company: “They promised a lot of things, a lot of development, opportunities. Then, within one day they took all away, left behind all the employees.” Consequently, all the employees were scared about being fired the next day. They used phrases such as “crazy”, “unlucky” to express their feelings.

The company executives abruptly left KBB. This was announced by teleconference. Claudia continued,

He is not a managing director anymore. Now he is working in Beijing for investment stuff (laughs) that was a total [shock], you could not imagine the behavior of the colleagues, so we were here completely without a leader, basically, we did not know how to work anymore (laughs); we did not know how to develop; what about the future, you know? So people are in a very insecure position, anyway. And they were angry.

A KBB Germany senior manager, Mr. Hunter, pointed out that this team was lost. KBB was waiting for instructions from the headquarter. However, even the headquarters did not know what to do. It seemed they had no experience with how to manage the company overseas. The headquarter itself was just learning by doing. Therefore, KBB could not have high expectations for the headquarters instructing them. A KBB trainer, Mr. Schwarz, pointed out: “In Germany, trust means stability. If there is no stability in a job, no one will take it.”

According to a KBB Germany general director, Benjamin, this company lacked a long term vision. As he said,

Suddenly the core business was taken away, that’s one of the biggest things for this company. It was losing trust and confidence among its customers, leaders, and suppliers. If they had had a long time plan, the situation here would have been will be much more stable.

Benjamin explained the Chinese way of decision making:

The time to make the decision is very short, but the time to implement it is very long. You have to spend so much time for correcting things you have not thought before. You are improving it all the time, and at the end, the time is the same.

Benjamin compared KBB with a Japanese company: “In Japan, the time of making decisions is very long. A lot of thinking, a lot of confrontation (arguments). But their time to implement is very short; they don’t make all these mistakes, so implementation time is much shorter.”
Flexibility is not always bad

There are also good sides about fast changes. A CDD Scandinavia service manager, Johan, pointed out: “That is impressive how fast things can be done and how committed people can be.” Temper confirmed that if one knows how to utilize the system, it will benefit him or her:

There are good things about it you know? The company is flexible. If you need help they will help you. If you know how to use the system, you can be flexible. If you don’t care about it, [Not] having settled rules all the time (desk knock), then you can do as you want.

Mr. Hunter (KBB) criticized that Europeans are not flexible enough: “German engineers must change their attitude. They do not have any international experience, and they will not be successful if they are not flexible.” However, a KBB senior manager Clara argued, “From the Chinese point of view, I hear very often that the Germans are not so flexible, but this is not the truth. The truth is from my point of view, we are more organized.”

Mr. Weber concluded that the best way is to combine two cultures: The German way of structure with Chinese flexibility. He said:

The main differences are I think that the Chinese culture is very fast, very flexible, and we in Germany, are more long time or mid time orientate; very structured. These are the advantages. The negative side in Germany is that we are not so fast, we are not so flexible, we are more stable; ya? The Chinese are very flexible, very enthusiastic, very fast, but sometimes they are changing the direction. The best would be mixing the best of these two cultures, ya? To be as fast, and as flexible as the Chinese are, but with a clear direction.

Loyalty

A KBB senior director, Mr. Müller, observed that the Chinese company has a high rate of turnover: “They lose experience within five years. A low fluctuation in China is nearly 20%, up to 60% or more while in Germany 1% or less. I do not know the exact number. Consequently, China has low loyalty to the company while in Germany really has a high loyalty to the company.”

Temper was very surprised that Chinese are not loyal to their own brand. He was amazed that in front of their international customers, the CDD employees were using brands other than their own. He said:

Look at these small things. Like you work for CDD, they produce xx. But when they go to customers, everyone was sitting with our competitor’s product. I am not even talking about me, I am not Chinese but I sit with a CDD product, always. Chinese directors in China can sit in front of our international customers with a competitor’s product. I mean, (desk knock) that’s shocks me, you know? I say who are you working for? Why are you doing this? So, it doesn’t seem like Chinese people have this loyalty as we have to the companies we are working for. For them, it is (pause) yap, I don’t know, it’s a bit different. That’s a small thing and we are always shocked about it. So here in Scandinavia, if they go to customers, they always have a CDD product. But I have been
to other countries where I see the Chinese go to customers with competitor’s product, I say, that’s (pause) crazy! Crazy! You know?

Temper used “crazy” three times, “shocks me” three times to express his astonishment. My interpretation is that using the famous international brand instead of their own product is a sign of showing their status: the level of CDD product is not high enough. They are afraid of losing face in front of their customers. However, this also shows that the Chinese do not focus on details. They are not professional enough.

There are different perspectives of loyalty. The Chinese are loyal to the leader, while Scandinavians are loyal to themselves. According to Temper,

The Chinese are very dedicated people. They are working hard. They are dedicated to the target. They never give up. If he fails that is it. He will lose face, so he will try his best. But the Scandinavian, if he fails, he will go to the manager and say: “Sorry, it is not possible, because of the following reason… So I will do something else now.” That’s it. He will forget about it. It’s not a failure, or that you are not fit for it, or that the job is too difficult for you, or that there are other elements disturbing, whatever! There is always a reason.

A CDD senior manager, Johan, had a similar view: “My feeling is that in China, a staff member, and employees, are very devoted. They are devoted to the supervisor.”

In summary, an unstable environment made the European employees feel uncertain, uncomfortable, and anxious. The tension was very high inside the company. At the beginning, everybody was proud to work for KBB Germany and everything went well. However, when the company was facing restructuring everybody become uncertain, insecure and angry.

7.2.2 Indirect communication

Concluding from the data, indirect communication contained the following sub-themes: language problem, unclear instructions, yes or no answers, and one has to guess (see Figure 10).

Figure 10. Themes of communication in the perceptions of European employee
**Language**

According to 45% of the employees, language was a severe, difficult, complicated problem. I often heard the employees say, “A lot of Chinese don’t speak good English.” One European remarked, “Sometimes they are not able to say even one word.”

Temper was amazed about the fact that sometimes his company sent out people to work abroad who do not speak English. He confirmed,

> It is ridiculous; no one can understand what they say. Why are they here? I do not understand that in an international company like CDD, this can happen. If you work abroad, you have to speak English. It is a basic rule.

KBB trainer Mr. Fischer emphasized that since English is the language of business in today’s world, good English is the key. KBB culture must be based on good English skills. He said, “People from XX province come here without adequate language skills, sorry. Always have to talk better English, better English, better English.”

Mr. Weber (KBB) routinely receives E-mails from China in Chinese, so he must use the Google translation all the time. Translation is a struggle and he did not always know what they mean. Ahmad from CDD agreed, “When you write E-mails to foreign employees, please don’t add suddenly any Chinese sentences at the end.”

During one conference, CDD vice CEO Antonie felt irritated because “they [the Chinese co-workers] suddenly throw in some Chinese during the meeting.”

Chinese employees from CDD also agreed about the importance of adequate language skills. Wu Wei was an experienced project manager who has done business with Nordic customers for a long time. According to his experience, language is essential. Most Chinese never argue or discuss with their Nordic customers mainly because of their low level language skills. Wu Wei stated,

> Chinese colleagues simply feel that the customers do not understand them. They don’t realize how important it is to express their opinion and state their case in front of the customers. If they don’t realize this needs to be done, they will lose the deal. Smart foreigners know that it is beneficial for them to communicate with the Chinese frequently.

From the Scandinavian customer’s point of view, Temper confirmed how they feel about their Chinese colleagues,

> Scandinavian customers are very frustrated with meeting the Chinese. Certain times they [Scandinavian customer] say to us, do not take the Chinese with you to the meetings, because (pause) the customers maybe need to use another 45 minutes to explain something while it may be takes 5 minutes for a Scandinavian guy.

Even a small misunderstanding can cause more discussion and more time is needed. In the end, as Temper concluded, “Customers get frustrated.”

Not only because of the poor language skills but also, as Johan from CDD argued that the Chinese seem to lack confidence in speaking in English, and they do not indicate by any expressions that that do not understand. Johan commented,
The Chinese do not for example say, “I don’t understand, please repeat. I think it is because the Chinese feel that it is a bit rude not to understand, so it is easier to say yes and we don’t understand it (laughs).

According to KBB company magazine, the company was aware of the importance of the language. A KBB Journalist wrote,

Mr. King (CEO) was involved in building subsidiary companies overseas, for example in India and the USA. He deeply understands the importance of language: ‘If a German employee directly communicates with a headquarters in China, first of all, the language is a big obstacle. Moreover, every department has their own communication logic. Chinese colleagues clearly understand better their logic.’

When I lived in the CDD dormitory, my roommates were preparing for the English test during the nights. I even helped them improve their English. In CDD, the company required expatriates to participate yearly in the English examination. CDD will screen out employees who cannot pass the exam. The aim was to increase the proportion of the European employees gradually because hiring expatriates is expensive. The yearly expenditures of expatriates were the same as hiring a European work force. The intention of the company was good. Expatriates did suffer while trying to pass the exam. Despite the hard work during the day, they still had to prepare for the English examination at night. They were facing challenges from both outside (Scandinavian customers) and the company itself.

Despite the complaints about the poor level of English skills in the company, there were also many positive comments about the communication environment in general. CDD senior manager, Moss, remarked, “For most of the people, I like them. I think we have very good communication. We respect each other.” Temper adds, “But in general, I think the communication is going quite well.”

To conclude, language issues are very important. Most of the employees felt that the language skills are not adequate. A few of the employees felt that the communication environment was functional.

Unclear instructions

According to my observations, Scandinavians and German employees expected clear communication. Temper talked about the uncertainty in the organization: “A task is unclear, a bonus is uncertain, deadlines are uncertain.” All this made him feel uncertain about how to function in the company. Temper illuminated the level of anxiety people experience:

In Scandinavia, you agree about bonuses on a yearly bases; you work according to the bonus, if you have fulfilled this parameter, you should get bonus money by this and this date (desk knock). But (pause) it’s never (pause) like this, you know? You never know how much [the bonus is]. They don’t inform you, they don’t. Things come like this (snapping finger), ups! Suddenly they are here, suddenly they are not there. So you have to work, to know your ways, and we are not used to these things.
Temper explained why certainty is important for Scandinavians: So you don’t leave things hanging to this (pause), because people plan their life according to their income. So, (pause) these things (loud) are not in place in CDD, unfortunately, and these are basic things; this is a fundamental thing, you know?

European employees want to know their rights. Instead of just following the orders; everything must be clearly written down. Temper continued,

The Scandinavians do not just follow orders. They expect to know where they go to and what they get and how to function; when it [bonus and salary] will be paid, what are my tasks (desk knock), you know? All these things should be written very clearly (desk knock), and if the company doesn’t fulfill [their responsibility], then the company has a serious problem.

People felt anxious about the uncertainty concerning to their tasks. If all things are not clearly stated, this created a great deal of pressure. Some of the employees feel unlucky and passive, a KBB German engineer, Mr. Wolf, stated, “No one knows what the next steps will be.”

Temper compared Chinese society to Scandinavian society: Compared to China, Scandinavia is a very regulated society, for all aspects, so we like to know what is coming ahead. We would like to know the environment, the frame, what are we work on, how it functions.

According to Mr. Schwarz, in Germany there is a saying: ‘Stability is not everything, but without stability everything is nothing.’ Schwarz concluded, “In Germany, if the job is not stable, nobody will take it.”

Yes or No answers

In terms of personal communication, Temper commented that he never receives a clear answer from the Chinese, when it comes to yes or no decisions:

The Chinese people do not commit themselves to anything (pause). It’s lays in their culture; they cannot say no and they cannot say yes. They will always say I will try to do my best.

In fact, many of them were confused about the Chinese way of saying yes or no. A CDD Scandinavia senior manager, Johan, interpreted the situation in the following way: “I know that ya, ok, he is not telling me [the truth]. Because I am losing my face or he is losing his face.”

Johan reflected on the issue of yes or no answers,

I think we are more direct, and it’s difficult to understand that there could be some other agenda behind things. That is too sophisticated or complicated for us to understand (laughs). We are more like asking bluntly is this the way? Yes or no? So that makes it little bit harder for me to understand.

Mr. Weber described the indirectness of his Chinese manager, “If my Chinese boss has a problem with me, he will never tell me. He will tell my assistant, and my assistant will tell
to me. In Germany, you will tell directly because ... the Chinese way of thinking is completely different.” Mr. Weber added that “arguing” in Germany is only used for solving the problem. It is not a personal way for communicating.

Not all European employees were direct in their communication. Temper comes from Israel, and felt that Scandinavians will not say their opinion if they do not feel satisfied with something. He said,

They do not say, that's a problem. Here our cultural differences come. Because we don’t say it, but we feel it. If we feel it, we take a wrong action. Because the general approach is that I am not the one to tell my leaders that this is not to the way how to do things. They [the Chinese managers] do not see themselves that there is something wrong with the whole company.

KBB CEO Benjamin from Belgium had a similar view: “In the Scandinavian model, discussion continues without any direct confrontation.”

One has to guess

The Participants paid attention to non-verbal communication, as well. Temper made this point:

That’s the other thing of the Chinese. Lucia every day comes to me and says, “Today you don’t look good!” and I say, “why?” Lucia answers, “Because you don’t smile,” And I say “Who said I need to smile?” Or she comes to me and says: “You are mad at me today.” I say, “Why?” She answers, “Because you said this and this.” The Chinese are very much like, they rely on feeling [intuition].

When I visited CDD, one night I went out for a walk with my Chinese colleague after dinner. He told me that misleading and inefficient communication within the company is due to the language issues. As my colleague illustrated this fact: “As far as the Chinese boss Ping Pong speaks only two words, everybody [the Chinese employees] understands immediately what he means except the foreign employees.”

Mr. Weber said that he has to guess. Sometimes he must look at the whole face of the speaker. The Chinese are very difficult for Germans to understand.

Johan (CDD) added:

Sometimes I feel there are hidden messages or another agenda behind. What we hear is only the part of the truth or part of the explanation. In general, I think the communication is quite ok, but it’s always like (pause), you have to guess a little bit.

Mr. Weber (KBB) does not know the expectations and the thoughts of the Chinese:

Are they happy with my job? Are they happy with my results? Are they happy with my work? Sometimes we don’t know what they are thinking about us, ya? Because they are so, like a wall, you know what I mean? That’s a very big challenge.

Mr. Hunter (KBB) highlighted that guessing is not knowing. Guessing could be wrong: “So they have to change the communication style in China. Communicating internationally should not involve guessing.”
The guessing culture is not only difficult for foreigners but also for the Chinese to understand. CDD Chinese manager Si Si compared the current Chinese manager with the former Scandinavian manager Erik. She thinks that Erik is more excellent and explicit in his communication. Ping Pong on the other hand, is not so explicit. There is a double agenda included in his words, some meaning in his words. You have to guess. He does not take responsibility.

7.2.3 Empty promises

Temper used two cups as an example. Scandinavians will do what they promised, the Chinese are flexible with the date. Temper said,

If I order two cups from China, by the first of May. The Chinese will come and say, ‘You know what? Maybe we will deliver one cup and another cup the week after.’ The Scandinavian customer will say: ‘no, why you don’t understand, I need [the cups] (desk knock) on the first of May. Can you deliver or shall we go somewhere else (desk knock, tone rise)?

Temper continued,

The Chinese will say, ‘A, no, no, no, don’t worry, it will come. ‘But I ordered two cups by the first of May. ‘no, no, don’t worry, the second will come, but it will come two weeks later.’ ‘Ok, but I want two cups today.’ ‘No, no, you will get them, what’s the problem? Don’t worry!’ That’s Chinese, you know?

Temper described the Scandinavian point of view,

But [for a] Scandinavian, it’s like this: I order today (pause), and I say to you I want a delivery here, I mean I want to delivery (desk knock). I don’t want to hear that you give me one cup and another two weeks after. I am not interested because then this cup is not interesting any more. Because I need it now. That’s Scandinavian. The Chinese don’t understand these things.

CDD Brunei engineer Ahmad was not content about their colleague promising things too easily:

Do you know why we are so tired, working like crazy? Because our colleagues promised a lot for Scandinavian customers for winning the project. Some of them are impossible to accomplish. If you can’t make it, please don’t promise, ok?

KBB engineer Mr. Schneider argued that the Chinese would do a bad job just to please the manager, whereas the Germans will tell the truth:

They [Employees] never do 100% because they just have two days to do the job. So it means that they will say: ‘Yes boss, this is done.’ But it is not done. Nothing is properly done. It is that I just put something on paper so that the boss is happy. The Germans would say: ‘I am sorry boss, I have only two days’ time to do. So I cannot do this. You have to do this (aggressive), he [the Chinese manager] says. It will not be done properly.
Mr. Müller confirmed that in Germany not telling the truth is very dramatic, a tremendous thing, as people could lose their jobs due to this. Mr. Hunter observed in China that you get promoted even if you do not tell the truth. He softened the word “lying”:

_In China_ (long time thinking), I won’t say that not telling the truth or telling everything is not dramatic. I can see that, for example, when I am sitting with some senior managers at the table, right? You come to the situation where you ask him why didn’t you tell me that? It is very important information to me. So you should tell me that. And, then I would not make any mistakes. Then he [my colleagues] starts to laughs, because for him this kind of guidance, not to tell the truth means get promoted. You can see this is a communication style, so it is not a fault or a problem to not tell everything. It is a kind of managing?

In Germany, KBB secretary, Claudia, described the situation: A Chinese headquarter promised many things in the beginning, so that people have high expectations. But in the end, nothing was completed:

_When they [Chinese] came, they markedly promote themselves: we are investing one hundred billion Euros; we employed 600 people. Everybody knows those numbers, because they are in the newspaper every week. There is a lot of press, TV, articles locally but also in the business newspaper. Of course, the expectations are quite high. Now, they did not really fulfill the target, they did not invest one hundred billion yet._

KBB trainer, Mr. Fischer, concluded: “But they are losing their words. That is a big fault. No one will now trust their words. Really, forget it.”

_During the daily conversation, a KBB salesperson, Mr. Hoffmann, said that when he came to the KBB office, the KBB employers promised to give him an Audi A5 but only gave him an Audi A4 instead. He found other people have Audi A5s, so he fights for his right and he got an Audi A5 in the end. KBB should have kept their promise. Mr. Hoffmann adds bitterly, “This kind of little things I never forget.”_

Sabine from KBB commented:

_When you first hear nobody has to be afraid of losing his or her job, right now you see what happens. You feel as if they are _lying_ to you. Maybe they should have said it in the first place: ‘folks, we don’t know what is going to happen, we will try our best not to dismiss anyone.’ But you can’t first say, nobody has to worry about their job. That was not the right way to go._

Mr. Hoffmann used a word “hate” to describe people’s feelings: “People hate Mr. Miao’s promising things too easily. Nobody is making this kind of promise or guarantees.”

Consequently, German employees call their boss a “liar.” According to Mr. Hoffmann:

_In Europe, [your] word is [your] word. Your word is a contract. If you break your contract, you lose trust. The only trust the Germans have is on the paper written down, nothing more. That is the point they are losing. Because in China a written word does not have the same power as in Europe._
Many Westerners discovered that the Chinese partners apparently agreed to certain terms or conditions at work but then failed to follow them through. Three explanations for this phenomenon were described: dishonesty, saving face, and advancing one’s career. Some concluded that the Chinese are not honest; some explained that the Chinese are not completely truthful because they must save their face or advance their position in a company.

A Cultural barrier between European and Chinese workplace culture is related to issues of trust. The violation of the issues of trust can lead to potentially serious consequences, such as increasing the employees’ willingness to quit.

Based on the European interviewees, they were open minded and motivated in the beginning when they started to work for the Chinese companies. However, later on they became disappointed partly because of the conflicting differences in communication styles.

7.2.4 Unclear incentives

Salary system

First of all, the reward system was regarded as vague by the European employees. In Scandinavia, many employees complained that they do not have a clear idea of the bonus system: where it comes from and how much it will be. They have to “fight” for their right all the time. It is very “unusual” for them. Second, people expected that the salary will grow every year according to the local living standard. Nobody in the human resource department explained to them why their salary is not increasing. Third, in Scandinavia and Germany, everything is communicated very clearly. People do not expect anything which is not written in the contract. Thus, to get an extra bonus is in comprehensible.

Mr. Hoffman told about his experience. In Germany, it is very expensive to hire an engineer. He recommended one of his friends to KBB. During the meeting, KBB wanted to reward him for bringing in an engineer. The leader said to everyone: “Now I will give you 1000 Euros.” Mr. Hoffman refused the money and explained, “I am doing this only for my friend, not for getting money.” According to Mr. Hoffman, his Chinese manager Mr. King was astonished by his behavior. This was the first time when he heard that someone could refuse the reward.

Reward-punishment

According to a KBB German technical trainer, Mr. Fischer, once upon a time, a journalist asked CEO Mr. Miao how to motivate employees. Mr. Miao answered, “If my employee performs well, I will give him or her a flat.” Mr. Schwarz concluded that these material rewards such as a flat are not so important. The most important issue to a German employee is freedom. Give them a task, and let them accomplish it without controlling the details. In contrast, the Chinese manager wants to know everything. Mr. Schwarz maintained,
KBB made a mistake before, to motivate people is not to give money. If the package is not ok, they will leave. Of course they like to work for KBB, otherwise they wouldn’t come.

The incentive system is different between the Chinese and European companies. Open praise for the Chinese is encouragement but embarrassing for Scandinavians. Temper used the word “stupid” to describe how he feels about voting for the best employee of the month,

It is very strange for all of us to receive all these E-mails conveying the message of excellent employees of the month. They nominate hundreds of the people to be the best employees of the month, and all the other employees have to vote (desk knock) on this person. Come on, no one is going to vote [for] him (laughs), that’s the most embarrassing stupid thing you do. You earn your reputation by doing good things, by doing good business. You don’t need to tell them you are good, everyone knows you are good. I am not going to vote for you to be the best employee. That’s embarrassing, we don’t do it.

According to Europeans, punishment is unusual in Europe, even not allowed. For Mr. Hoffmann, when he joined KBB Germany two years ago, the first interesting thing to discover was the punishment system. He described the meeting:

Everybody who participated in the project had to be evaluated by scores. The full score is five. If you completed the task, you received five. If you did not complete the task, you get minus one. If you received minus five in the end, your salary decreased. Once upon a time, during a meeting, the manager was angry because the team failed to finish the project within one month. He asked, ‘Who made the mistake?’ A young gentlemen stood up, pointed at another lady sitting on the other side of the table: ‘She did this.’ ‘-10!’ Mr. King said immediately.

Without any knowledge about the background, Mr. King made the decision. “This is crazy.” Mr. Hoffman was completely shocked. Since German employees were strongly against this punishment system, it was cancelled after one year.

In Scandinavia, Johan had a sarcastic experience while he was training in CDD. For him, the training was more or less like a joke. The training was not suited for what he was doing. However, the training was mandatory. In questionnaires were almost impossible to understand due to the poor English. Nevertheless, the company expected everybody to do it and to spend a lot of time on it. The bonus will be decreased if the questionnaire was not filled in. Johan commented, “So for me the training is a little bit ridiculous (laughs).”

A CDD French vice CEO Antonie claimed that the company has a clear punishment system but not a clear rewarding system.

Furthermore, KBB German trainer Mr. Fischer stated that in China making a mistake is a severe problem that will be punished. In Germany, making a mistake is not such a severe incidence. Making a mistake costs money, but motivates a worker to perform better in his next task.

Mr. Müller also described that in China a worker receives less salary if making a mistake while in Germany one just needs to explain why. He said,
If a Chinese colleague made a mistake, he will be punished. If the task took him longer to accomplish than the time [that was allocated for it], a worker was punished. This is really opposite (laughs) to German system. No German gets punished if she or he make mistakes or needed longer time to accomplish a task.

had a research and development team of hundreds people both in Germany and in China. He wanted to have a discussion with his Chinese colleagues if they made a mistake. “Anyone can make mistakes without punishment.”

Mr. Müller’s German subordinate confirmed that it is possible to go to the director and ask them directly without any problems. He does not have to be scared because it is a very open situation, and consequently this makes them very easy to communicate with. “You can’t be successful. I am so sure, you can’t be successful if punished.” Mr. Müller clearly stated his opinion.

Mr. Fischer suggested that the Chinese must learn that punishing is not the right way. He comments, “Give a worker a chance to do it better next time. Punishing will not motivate, he must feel he did it wrong. However, feeling it is not getting punished.”

To conclude, the Chinese salary system remained unclear for Europeans. Moreover, the understanding of how to drive people’s motivation is different. In China, a worker will be punished if making a mistake while in Europe this is not allowed. Chinese tend to motivate the employees with an extra bonus while Europeans tend to appreciate more the job itself (if it is interesting, challenging, controlled by themselves). They do not expect anything more than what is detailed in the contract.

7.2.5 Summary

According to my findings, European employees perceived that an unstable working environment, indirect communication style, empty promises given by the company and unclear incentives were key feelings about KBB and CDD. The main results are summarized as the following:

1. Unstable environment contained three concerns: change within a day, flexibility is not always bad and loyalty that made the European employees feel uncertain, uncomfortable, anxious and angry.
2. Language issues turned out to be very important. Most of the employees felt that the language skills in Chinese companies were not adequate. Only a few of the employees felt that the communication environment was functional or the communication environment was good. European employees expected to have everything clearly written and communicated. Seemingly, they needed to know what the information is all about, where it comes from, and what to do with it. On the other hand, the Chinese communication style is ambiguous. Both yes and no could carry a variety different meaning.
3. Many Westerners discovered that the Chinese partners apparently agreed to certain terms or conditions at work but then failed to follow them through. Three explanations for this phenomenon were detected: dishonesty, saving face, and advancing one’s career.
4. The Chinese salary system turned out to be vague for Europeans. Moreover, the concept of motivation differed. For the Chinese, public praise is encouragement while for Europeans it is an embarrassment. In China, one will be punished for making mistake while this is not allowed in Europe.
5. European employees’ emotional expressions gave the impression that the tension is quite high in their companies. At the beginning, the interviewees seemed to be proud to work for Chinese companies. Later on, however, unanticipated changes in strategy, for instance, were apt to cause insecurity, frustration and irritation.

7.3 POWER DISTANCE

Decision making or rather, not to be able to make decisions, turned out to be a pivotal issue that was raised by the European employees. Approximately 45% of them indicated dissatisfaction with the degree of their autonomy in decision making processes. Subsequently, the data was examined in order to discover the related details in the perceptions of decision making processes. It was revealed that disempowerment tended to reflect the following themes: hierarchy, closed communication, promotion and Guanxi (see Figure 11).

![Figure 11. Themes of disempowerment in the perceptions of European employees](image)

7.3.1 Hierarchy

Based on the data, hierarchy consisted of opinions concerning distant leadership and emphasis of the leader instead of task.

Various levels

Hierarchical organizational structure is very clear in Chinese companies. KBB German senior director, Mr. Müller, observed, “In China, we have 1, 2, 3, 4, 5, 6... could be more, minimum 15 hierarchies (laughs). In Germany, we have 1, 2, 3, sometimes 4.”

Temper argued that the leadership and the managerial system in general in China are colored by Communism, “It’s not a secret. That’s the old way of doing things. One person sits on the top and everyone has to follow.” He continued by describing the situation when the Chinese leader visited the local office:

*You haven’t seen the top chief of CDD coming here. There are ten people going behind him (desk knock). No one [Chinese] dares to talk to him. If we [Europeans] see him, we go and shake his hand, and they [Chinese] look at like as if you are going to kill him; they will be shocked. How can you go to him straight away?*
Temper previously worked for SIPU (a Korean company). The power distance in Korean culture is even longer than in China. In the following, Temper described his experience,

> When I was in SIPU, the top chief used to come to visit Scandinavia. He used to come on his own plane here; he has his own limousine, when he comes; he has ten (desk knock) Koreans walking, five meters behind him; only one guy was allowed to walk one meter behind him, all the others, they couldn’t approach him directly. They had to approach the one who was walking one meter behind the chief. But we, we come [and say]: ‘hey, how are you? I show you this and this.’ That’s the difference. I mean it’s too deep in the culture, it’s obeying orders, following the system.

The CDD Chinese colleague Wu Wei added that when the leader, positioned on the third or fourth hierarchical level, comes to visit the local office they do not say hello; they greet no one. They are not aware of it consciously; they do not understand the importance of greeting in the European work culture. Wu Wei concluded that the company training is not enough to prepare the employees to work in the international environment.

Mr. Hunter from KBB stated that the Chinese organization he works for is like an army. “It’s more hierarchic thinking that is typical for the Chinese. Their training was qualified to military training.”

Too many hierarchical levels seem to lead to false information in the end. Mr. Müller observed:

> A relatively fast way to solve the problem is to work together in teams. You need fewer people, less time. In China, problems go to different levels. Every level gets different information. No.1 level gets the most information; No.2 gets less information. At the end, No.15 doesn’t know why we have this problem?”

Mr. Müller was convinced that if KBB wanted to enter to international markets, it would not be successful with hierarchical structures in working culture.

**Distant leadership**

KBB Germany secretary, Claudia, described the situation when the new CEO Benjamin came to company. According to Claudia, everybody was surprised that he was so easy to approach. The colleagues kept telling her that they saw Benjamin appear everywhere. If he felt he needed to talk to someone, he just went there. Claudia continued,

> Oh, my god, I saw the director on the floor (laughs). What is he doing here? Oh, my god, he is leaving his office; actually going to meet other people, he is not expecting people always to come to him, which is normally the way.

Compared to the previous CEO, Mr. King, the new European CEO Benjamin’s behavior was totally different. Claudia continued her description,
With Mr. King [the Chinese], for example, [you felt] distance. Mr. King was the managing director, but he was never in the building where we were working. None of us saw him on these floors. That is what the colleagues said that he never came to the building; he never walked to this building, never ever (laughs).

A CDD Scandinavian senior manager, Johan, also confirmed that the Chinese leadership is very distant: “Sometimes too distanced; [requiring] too much respect.”

The expectations of what the leader’s job description includes also varied. Johan worked under both Chinese and Scandinavian managers simultaneously. Johan did not think that any of the Chinese leaders would ever ask him what they could do for him in order to insure that he could increase his performance or better his productivity at work. What Johan expected was that the management helps him organize his work and consequently, increase productivity. He describes,

I mean my main interest in my leader, is [that] he or she assists me to make sure that I can do my job well. For me it seems like that this does not happen. It seems like, they don’t have any interest in my work or my performance. The distance, you could feel like that, the distance.

Chinese employees seemed to be afraid of their managers. KBB secretary Claudia described her everyday experiences. She and her Chinese colleague Da Li were both working as Mr. King’s assistants. Da kept telling Claudia how to behave in front of Mr. King. Da Li’s advice made Claudia feel quite insecure. She described,

Da Li was like, are you sure you want to go to his office now? Are you sure you want to give him this message now? If the message is negative, are you sure you want to tell him right now or maybe tomorrow or other time (laughs)? I am only a messenger; I am not responsible for the content, you know?

In Claudia’s opinion, one should not worry about these types of issues: “Can I go to his office? Is he really busy now? Should I go inside or not?” Compared to European manager, Benjamin, who was very easy to get along with, you didn’t have to be afraid. With the Chinese, you never know [laughs].” She smiled at the end.

Focus on leader not the task

The Scandinavian organizational structure is relatively flat compared to the Chinese one. In Scandinavia, it is the work that matters the most. Temper observed,

Obviously, one of the most obvious differences is that (pause) in a Scandinavian company the leadership is more included. As I said, we have a common task, both leaders and employees [work] together. The most important is the job target, not the leader. In China, the focus is on the leader. It’s a hierarchy. In China it is like this: 1, 2, 3, 4...7, while in Scandinavia, it’s like this: 1, 2, 3, 4, all of them are on the same level.

Claudia concurred with Temper about the importance that Chinese leaders attach to hierarchical levels. They treat people according to the position they have. She comments,
Sometimes I have the feeling with the Chinese leader: they just care about the hierarchy. You have a director, or you have a secretary; they would treat the secretary worse or not listen to the secretary. Rather they would listen to some assistant director on a higher level.

Consequently, the employee’s hierarchical status becomes more important than the work itself. Scandinavia has a low degree of power distance between managers and subordinates. Temper comments,

In Scandinavia, even a cleaning lady can talk directly to the leader. It’s very flat organization; very short distance from the guy who is cleaning the floor to the director and even higher levels of hierarchy. This cannot happen in China. You have to follow the rules.

The problems arise when practices differ in decision making processes especially in a rule oriented management paradigm. Temper felt that he suffered from not being able to solve the problem immediately. Temper says,

How many times do we have problems [here]? Like now if we had a problem, so I, would say to Lucia: “Ok, who is in charge of the department? I want to talk to him, ‘No, no, no, you cannot do it.’ [Lucia would answer] Why not? I need to talk with the one who is with authority and [is] able to make decision. ‘No, no, no, there is a chain of command you have to follow [Lucia would answer].’ And if I go around this command structure and go directly to the guy who is in charge (desk knock), then (pause) they would not like it. China would not like it.

According to a CDD Chinese colleague, Jia Ke, Temper and Moss tried to challenge the hierarchical order. They once tried to report directly to the higher level leader instead to their own department manager. In the end, the report was returned to their own manager. And the department manager became angry and yelled to Temper and Moss: “what the hell [are] you guys are doing?”

As a Chinese researcher, my cultural background prevents me from seeing the hierarchical system. To me the office was very quiet and friendly. The tension was invisible and intangible, but when I started to interview the Europeans regarding the hierarchical management system, the conflict was gradually revealed.

7.3.2 Authority

Authority means a degree of respect that must be shown to people in senior positions (Hofstede et al., 2010). Concluding from my interview data, accepting authority based on managers’ positions in the hierarchy displays a lack of independence. Never questioning the manager’s decisions and mandates refers to the culturally differing attitudes toward power. Apparently, not challenging the leader is embedded (is one of the core values) in the Chinese work culture.
Lack of independence

With regard to the parent company’s control over subsidiaries, Benjamin saw KBB as a global company but with limited power. Benjamin argued that KBB in Germany was definitely a Chinese company and not a global company. Benjamin, however, seemed to exaggerate the situation when emphasizing the subsidiary’s dependence on the parent company: “Our Chinese colleagues have to go back to the headquarters for every single decision.” Benjamin’s example shows clearly how the tight organizational control is apt to violate Europeans expectations of autonomy and independent accountability.

Wu Wei was a project manager who was directly contacting business with his Nordic customers. Every time he needed approval from the headquarters and that was very time consuming. Wu Wei complained that CDD did not put the customers but headquarters first.

Wu Wei seemed to agree with Benjamin about the over control of the Chinese headquarters. However, from the point of view of the headquarters, they have a reason for not fostering more power in their subsidiaries. CEO Mr. Wang commented,

> We have been learning to give more power to subsidiaries for a long time. It is not [that] we don’t want to give power; it is we don’t know how to empower our specialists. First of all, with the language barrier, communication is a problem. Second, our supervision system is not perfect; it needs to be improved, so it is always a risk there.

According to Mr. Wang, unless the company develops a mature supervision system, releasing more power to subsidiaries is always risky. For example, a subsidiary might steal the headquarters’ business and start their own business. This is the reason why the locus of authority and decision making power reside at headquarters.

Sabine from Germany thought about the power issues with KBB and claimed that a Chinese colleague asks for approval for every little thing. This is very unusual for the Europeans. Sabine observed that “the Chinese don’t decide anything on their own, nothing, absolutely nothing...” She continued,

> Europeans think this is not very effective. Because when you have to go to your leader, there must be a lot of people waiting just to get his approval for the smallest decision. The leader must be busy. What the Europeans did is that they have some a degree of freedom to make the decision; that speeds up the process. The leader comes in only if there are things that are highly important and consequential. [From the perspective of the Europeans] This was very unusual in this company.

Sabine emphasized twice how difficult it was to understand that the Chinese have to ask for the permission from their supervisor to make any kind of decision. Europeans were truly questioning the efficiency of the Chinese corporate control system. Mr. Müller commented,

> I've never seen so many approvals in my life. Approval, approval… (10 times repeat). In China, responsibility for the work depends on reports and proves you are able to present. I never have had a company where you have to write so many reports (speaking slower and louder)! In the end, the reports you can put to trash. It was so senseless (laughs), ya? But you have to do that, you need so many people in order to get anything approved: a minimum of six. It’s unbelievable!
The Chinese manager Mr. Hui Hai noticed that Mr. Müller was not content with the amount of authorization power given to him. As a surprise, Mr. Hui Hai decided to increase Schneider’s authorizing power.

For example, I was allowed to authorize spending up to 7500 euros. It was allowed. I can sign (laughs); Mr. Hui Hai came to me after three weeks and said that he had a surprise for me: good information. I asked him: ‘Oh, what?’ He told me: ‘You are allowed to sign inventories and contracts whatever, up to 5000 euros (laughs).’ So, I get big eyes, my mouth falls down, sorry, but I must laugh (laughs long time), Mr. Hui Hai asked me why I was laughing. My reaction was not understandable. For Mr. Hui Hai, really, it was not understandable, not understandable.

Mr. Hui Hai thought that with this action he was doing a big favor to Mr. Müller. However, the increase of managerial power that Mr. Hui Hai was ready to invest in him was so insignificant compared to Mr. Müller expectations that he took it as a joke.

It seems as if it is very difficult for the companies to establish balance between centralized and decentralized decision making. CDD seemed to also have problems with the organizational control system. However, it still does a better job than other Asian companies. Temper based this conclusion on the reputation of CDD’s competitor who was treating its employees badly and also on his previous working experience for the Korean company, SIPU. He confirmed that in CDD the authority they have as Europeans to conduct business exists: “Even before when the managing director was Erik (the Scandinavian manager) and now it is Ping Pong (pause), the authority is still there. Even though Ping Pong is Chinese, now, there is still a lot of power that we have.” In the end Temper threatens the company,

But if this will change for the worst, every time you go and do something, China comes to say ‘no’, or some Chinese come to say ‘no’, we will leave. Then China can come here and try to do business alone, and I don’t think they will succeed. That’s my opinion.

The accounts related to the lack of independence can be related to the relations between the company and its headquarter. A hierarchical system has also its advantages: it is easy to control and fast to implement. Nevertheless, the example of Mr. Hui Hai and Mr. Müller shows that efforts were made to distribute the power more equally, which indicates the willingness to adapt to the European working culture.

Never questioning

Temper compared the European and Chinese cultures: The Chinese are used to following orders while, for example, Scandinavians do not just simply follow the orders, they also want a justification for doing that. Temper gave a concrete example of this:

If I tell you go ten meters now and do it in 5 seconds, the Chinese would do this. The Chinese would try their best as long as they succeed in running these 10 meters in 5 seconds. But a Scandinavian he will first ask: why do I need to run 10 meters in 5 seconds?
The second example provided by Temper gives an even more specific illustration of the different attitude toward questioning managerial instructions:

*I mean, you are coming and saying to me: ‘The glass is red.’ A Scandinavian will say, ‘Are you stupid? The glass is not red.’ The Chinese will say, ‘Ok it is red,’ he will not discuss with you.*

Mr. Müller complained that even if the Chinese employees follow the orders, the results are not satisfying. This is because the Chinese colleagues’ only aim is to please the manager. Mr. Müller continues, “But if you look at the details, shitty work. In contrast, German employees will tell the truth. If he is not able to finish the task, he will explain why. A Chinese leader will not accept if you are not able to finish the task within the deadline.” In the end, he described the Chinese ways of working: “It is never ask [ing], never ask [ing]. I don’t know why, but never ask.”

Temper supported this view. He told,

*Two months ago, Johan and Moss were transferred from XX to their Scandinavian office, suddenly. This was decided by a conversation between two leaders: Ping Pong and Erik. Suddenly, and no one could explain why? They don’t even know themselves why!*

Temper continued,

*These things are completely un-understandable and that of course creates uncertainty. Because they can decide this tomorrow, Ok, four people have to go; we don’t need them anymore. The day after, you will get a notification that no one needs you anymore. So why? You don’t get any explanation, this is it, and it’s decided.*

CDD Scandinavian senior manager Moss was also very upset about the decision that was made without letting him know the whole process. He used a word “uncomfortable” several times. He complained,

*I feel very uncomfortable. There are the Chinese having the meeting in front, and then call us ‘please come in, we have made the decision.’ I think it’s stupid.*

Moss considered that this kind of decision making does not make him feel appreciated and that he is not important to the company. He is just a “boy, or the messenger. We are wearing Cannes shirt.” Temper pointed out that this kind of decision making is detrimental, “The Chinese companies have to learn much about how to run human resource management.”

As a Chinese researcher, questioning was completely new to me as well. During my field work, I had an interview with Elba and she taught me that in Europe, asking questions is always allowed: “Then you find solutions. If you ask first, then you can avoid the mistake. People can say, why didn’t you ask, this could have been solved very easily.” I heard other employees express the same opinion: “There are no stupid questions, only stupid answers.” or “If you don’t ask, you don’t receive.”

A Chinese employee, Ying, argued that 50 years ago it was the same in Europe: “People did what the managers say directly; what they wanted. The boss was the biggest authority; do as you are told.”
Power relations in this study were made by comparing two opposing cultures, the Chinese and the local. European employees constantly blamed the Chinese way of running the business. However, if this explanation is correct that the reason is cultural, then it means that it cannot be changed. This is because we can only control internal causes but not external ones according to Weiner’s theory (1974).

7.3.3 Closed communication

The communication strategy of managers varies across cultures. In this study, the concept, closed communication, means a particular culture based communication style that ordinarily makes little attempt to foster participation. Consequently, the one-way communication strategy may have an impact on various business practices. Concluding from the gathered data, closed communication reflects the following themes: one-way information flow, not enough information, no discussion, no bad news, no feedback, openness leads to success (see Figure 12).

![Figure 12. Themes of closed communication in the perceptions of European employees](image)

**One-way information**

One element that was associated with the closed communication strategy was one-way information flow. The Chinese strategy of communicating prefers the one-way but not two-way communication strategy. The following example illustrates the employees’ reaction to the one-way communication strategy in decision-making proceedings. The European employees wanted to know why the decisions were made and what they were supposed to accomplish. Temper, made the following observation:

> That is what I am saying, the company CDD as other Asian companies, is very bad in communication with the employees. They *inform*, but they never communicate. It’s not two ways communication, it’s only one-way *information*. Today we have decided to make the regulations for a commercial element. Ok, who has decided this? *Why* has it been decided like this? What does it have to do with us? No, no information; you have to follow it. Because they are used to do this, this is how they do it in China.

Informational exchange did not occur. The meaning or the value of the decision was not understood because the decision itself and its objectives were not explained. Consequently, this type of decision making could not yield work satisfaction. Mr. Müller from KBB, complained about the one-way information flows from Germany to China:
A lot of information goes to China, but no information from China to Germany. This is what we found out. This is really, my experience, that is (desk knock) so stupid, ya? I am so angry about that, and I speak with Mr. Hui Hai for example, but the Chinese colleagues don’t like to change the system, or they can’t do that, I don’t know, ya?

Decision making processes differ in China and Europe. In China, the decision making style usually involves only a few people on the top management level. Consequently, there is no discussion, no explanation or justification, and no transparency in communication. Due to the diverse workforce in international businesses, relying on formal power and authority in decision making processes only, may create problems between the management and the employees. For example, Temper expressed his anger toward this type of authoritarian management style:

Yes, between two leaders, no thoughts around it, no communication to the employees, why are we doing this? No one is discussing with the employees whether we should do it. Normally Scandinavian companies are more involved with the employees. They are representative from the employees sitting there in the management and so on, there it is more, it’s (decision making) a common task, you know?

Because the information does not flow, this causes a lot of guessing around European employees. In the end, the European employees even considered that information distribution is a question of an employee’s nationality. For example, a Scandinavian senior manager, Moss, assumed that the Chinese prefer to make decisions with the Chinese only:

From my point of view, I am just getting to know their final decision, they do not (pause) listen very often to us. The instructions have almost been decided. So again, the Chinese people are talking together, making decisions and inform the rest of us. That makes me feel uncomfortable (convincing).

German engineer, Mr. Wolf assumed that the Chinese leaders want to hide things: “Top leaders do not communicate with the staff members on lower hierarchical levels. In the end, all the engineers become insecure, because nobody is telling them anything.”

The one-way information flow might lead to the negative evaluation of executives’ professional competence and, consequently, will affect to employees’ work effectiveness.

No discussion

Mr. Müller, is an expert in pump engineering. In the following, he talked about his experience when he was working with a Chinese team. He was especially surprised by the number of superfluous workers: “In Germany, they need a maximum two persons for designing the pump, while in China they need about 30 or 40 people. Woo, how it can be, 40 people for a pump? I can’t understand that (laughs).” Mr. Müller questioned the issue of work productivity that is attributed to the fact that the Chinese companies use more workers compared with Germany, to produce an equal amount of work.
Then he interviewed one of the potential Chinese candidates who wanted to work for KBB, and who supposedly had enough technical expertise in pumps. However, Mr. Müller discovered that the concept of expertise differs between Germany and China. Mr. Müller revealed that the Chinese candidate, who was evaluated as an expert on pumps, gave inadequate or even wrong answers during the interview. It took two hours for Mr. Müller to realize that the Chinese candidate had only partial knowledge of the field but not an in-depth knowledge that qualifies someone as an expert.

Mr. Müller compared Germany and China to explain the discrepancy between the Chinese and German views of expertise:

*In Germany, two people who design the entire pump from beginning to the end and they know the whole process. In China there are 10 to 90 people each working a small part of the pump [This kind of working process is potentially more efficient]. However, people do not have any shared knowledge of the building or assembling processes, and they are not able to tell each other about their experiences or learn from each other.*

Mr. Müller continued: “This is really a big difference. After that [the design process], the pump goes to the test: then they found out: nothing fits together (laughs).”

In Mr. Müller’s opinion, European companies have open information flow: “*Everybody is informed, really informed. If they have information, they pass the information to next colleague.*” Mr. Müller also indicated that the opposite, the closed system of communication, is not considered positively in the European work environment: “If there is colleague who does not give information, you can forget the colleague. Never want to work with him.” In the end, Mr. Müller describes the exchange of information between employees in Chinese companies: “*In China the information flows only one way. It seems not to really be a team; supervisor next to supervisor and so on. Lots of supervisors (laughs).*”

**No bad news**

During the interviews, the European employees often expressed their opinion that the Chinese managers do not want to hear negative news. Such an omission is one of the elements of the closed communication strategy that might cause controversy in an international business environment. Temper made this issue obvious:

*If you say: “Listen, everyone here in the office are not happy”, then they start to worry, about what is happening? They do not like [this]. The Chinese leader does not like that people are not happy, everyone should be happy. They always have double agendas, you know?*

KBB German secretary Claudia and her co-worker, Da Li, are both assistants for Mr. King (CEO). Da Li kept telling Claudia how to behave in front of Mr. King. Not being able to behave naturally made Claudia quite insecure, because Da Li’s rules of conduct were entirely different from what Claudia has been used to in her own country. Claudia continued to describe Da Li’s concerns about appropriate communication etiquette with the management: “*Da Li was like, are you sure you want to give him this message now? If the message is negative, are you sure you want to tell him right now? (laughs).*”
As these examples show that differences in norms and rules of behavior interfere with effective cross-cultural communication. However, the examples also show the adaptation process in KBB, especially in the case of the Chinese leader, Mr. King.

**No feedback**

Giving and receiving feedback is central to work motivation. KBB German senior manager, Clara, shared her experience. She had a very good relationship with her boss Mr. King. She “did not feel distance.” Clara was very enthusiastic to contribute to the company and by giving many suggestions. But sometimes she had the feeling that Mr. King does not “believe” her. Last year they had a very important event where they were supposed to introduce their company to German partners. She asked Mr. King in January to make a list of people whom he wanted to invite. He said, “No, we have enough time.” Clara responded:

No, we don’t have obviously enough time because your guests are high-level managers and politicians who need to know far in advanced so they can decide if they come [to] this meeting because their time schedule is fully planned.

However, it turned out that Clara’s suggestion was not implemented and this resulted in numerous cancellations. Many guest cancelled, because the invitation had reached them too late.

Clara totally understands that the Chinese are used to planning their schedules on short notice and that this behavior pattern is difficult to change. Nevertheless, one would think that after a year or two, the Chinese should have learned to conduct business well in advance. She expressed her opinion forcibly,

> They should appreciate the [pieces of] advice we give to them. They all use appreciative, very polite language, such as ‘thank you for your advice’, but they ignored it in the end. Then the result is that they have a problem with a caterer or whatever. They do not learn. This is what I do not understand.

Clara continued to explain further:

> I told (rise tone) them so many times (rise tone), you have to book the rooms, you have to look at… “no, no, no, we do not need.” All my suggestions were ignored, totally ignored (rise tone).

After half a year she feels that the Chinese “do not believe me, they don’t trust me, they don’t respect me. It is like talking to forests. This is not very motivating.” She continued very convincingly:

> They have to trust (emphasize), we are sitting in the same company. It is my deep (emphasize) interest that KBB will have a fantastic imagine. For this reason, I gave all my pieces of advice which they ignored, totally ignored (emphasize). This is strange for me because I have the same interest as my Chinese colleagues that we have a very good show, but it did not happen. This is for me not understandable. I cannot follow this. Many times I ask Lili [my Chinese colleague], if this is Chinese [culture] or KBB [culture](laughs).
The same idea of the management ignoring employee’s efforts to contribute to the company was noticed by a CDD Scandinavian senior manager, Johan:

At least for myself, I think I could contribute a lot to how to reach the targets. Sometimes you feel you are more or less just on the sideline (laughs), serving the company needs in front of the customer like a robot or a puppy (laughs)? More or less.

Johan has high motivation to work toward the company’s set goals, but in the cultural business environment Johan’s skills and experience are not utilized.

In Ahmad’s opinion, receiving no feedback on one’s suggestion was very demotivating:

I told you once, twice, three times. If there is no change, I will give up because I am tired. Especially in the meeting I told Ping Pong, I don’t want to go to meeting anymore. If there is no solution [for the problem], why should I come here.

The Europeans cannot understand why their suggestions are not taken seriously. According to Johan, people are not sure whether the Chinese are interested or not, whether they want to give information or not, or whether they just do not care.

I discussed this with several Chinese employees. They all told me that if the boss does not follow the pieces of advice they were giving, this means the boss does not identify with them. The bosses have different values compared to staff.

CDD Scandinavian-Italian employee, Cosimo, added that there were not many possibilities to give feedback to the management. For him, this was strange. He did not know how and whom he should address if he has any concerns. He gave a suggestion:

I think it is important to have the feedback between the management and the workers; to make sure you are developing; to make sure we get some new ideas on the table, and to make sure we are working in the same direction. So, I feel that it should be more feedback, ya, I think to have a clear agreement on. Because it is essential to look forward.

However, some employees, for example, Italian employees were convinced that they had a possibility to give feedback to the management. Moss stated, “Absolutely, absolutely, weather it [feedback] is from my colleagues, or my boss Ping Pong.”

Many employees had the feeling that their suggestions were ignored, and it was demotivating for them. They expressed strong willingness to contribute to the company to develop better. The Chinese colleagues explained that different values lead to non-recognition with each other.

**Openness leads to success**

One way to remedy the impacts of the closed communication strategy is to acknowledge the problem and then to improve the system. Mr. Müller was convinced that if the Chinese companies want to succeed internationally, the information flow must be open. However, Mr. Müller contends that the leader does not want to open the information because they are afraid of being challenged. Mr. Müller commented,
If he [the Chinese leader] changes that, he will get a lower salary, you [the employee who challenged the leader] get a higher salary. It doesn’t matter which level of hierarchy you look at. That is a really really big problem. And, I try to discuss that and change something, [but] it’s not possible [to change]. It’s really, not possible. If KBB, for example, will be successful internationally, that’s my opinion, ya? They [the Chinese] have to work in another way. However, this system operates well in China and it’s successful. It is ok. It is not bad, it’s different. But they never, never would be successful in the international market with this system. It is not possible.

Johan believed that the only way to progress is to have an opportunity to openly discuss the issues. According to Johan, CDD has not done well enough in this matter.

I strongly believe that the only way to get improved is to get into some fights, to have some high discussions, open discussions, and honest discussions. Of course that can be painful, but that is the only way to get forward. I don’t think CDD is in that mode (laughs). I think it has to move a little bit before we are there. For sure, I have no doubt there are many open and honest discussions on the management level, but on the working level it is not like that. The leaders are a little bit too distant.

CDD Brunei employer Ahmad concluded my interviews on the issue of closed communication: “We are transparent, we trust, we will be succeeding.”

However, some employees, for example, Sabine did not see the Chinese system as the most negative on a global scale. According to her, the Chinese are much more open than the Japanese. She used to work for a Japanese company, she describes her experiences as the following,

I must say the Chinese are much more open than the Japanese. The Japanese hold back very much. You really don’t know what is behind the face, ya. When you meet the Chinese person, you talk to them every day, it is different. They are more open. With the Japanese talking was sometimes, strange.

In the international setting, implementing the norms and strategies of communication that are dominating in one culture only can lead to adverse situations, where the expectations of the other are not met.

7.3.4 Difficult to get promoted

Closed ranks in the organizational structure

People leave the company for various reasons. One of the most prominent reasons for people to quit is not getting promoted. I constantly heard the employees talking about their previous Scandinavian CEO, Erik. Erik left the company several months ago because he did not get the position he wanted. This was not officially stated but widely speculated among the European employees.

Moss compared his company with their competitor Koop, which is also an international company operating in Scandinavia. The leader of Koop supports career opportunities that do not depend on the nationality or “face” of their employees. But in
CDD, they excluded Erik because he was a foreigner. During the seven months he was working for the company, Moss concluded that the Chinese networked only between themselves. Moss commented, “As a foreigner, I do feel excluded (emphasizes, slow).”

Another reason for quitting was that they felt useless. Temper described, “China is taking over all the decision. We are only for punching the numbers or opening the doors or standing in fancy evening wearing nice clothes. We feel meaningless.”

Temper repeated the reasons why the people are leaving the company,

The foreign employees know how much they could contribute. If the company hired them just for “standing and wearing nice clothes at the door” [keeping up the appearance of having an international face], they do not see the point of staying in the company.

Temper tried to quit three times but the manager persuaded him to stay. Eventually a couple of months later, Temper left the company.

Some employees threatened to leave if the company did not let them make participate in decision making processes. Temper continued, “If we are only door openers: if we are just figures wearing nice clothes whom are send to meetings, then none of us will be here. We [came here] because we have a purpose.”

Johan also expressed his wishes to help CDD achieve its aims. However, he felt like a “puppy” while working for CDD.

At least [I] myself I think I could contribute a lot, to reach the targets. Sometimes you feel you are more or less just on the sideline (laughs), serving the company’s needs.
To pretend in front of the customer, but not really (doing anything), ya. Robert, the puppy? More or less.

In Johan’s eyes, the human resource department was not utilizing resources to its potential. When having lunch with CDD staff members, Ahmad commented that Johan is a very experienced manager. “He has many years’ experience working in the industry; he knows how to achieve goals.”

Moss suggested that an international company should have foreigners working in the highest positions:

I am very curious that there are no managers without a Chinese background. For me, that’s a bit strange, because from the cross-cultural aspect, you expect you will have some high level managers from different cultures. But now the management on the level four is only Chinese.

Moss hoped that CDD will start promoting more different nationalities to the higher management level. Otherwise, according to Moss, there is a danger that CDD will lose young talents having strong ambitions. Moss continued with anger: “Show me the examples, how many Chinese managers [existed] compare to locals, please show me.”

Temper concluded that CDD would be much more stable if they started to involve the foreigners working for them in the leading positions. “It would motivate other foreigners to realize that they can get promoted. But I think Chinese or Asian companies they are very very (pause) protected. They want to keep things Chinese, Asian (desk knock). So, that is something I think CDD should improve.”

Some Chinese colleagues in CDD admitted that good employees could contribute much if they are given an opportunity. Temper was acknowledged as a very important European employee, who played a substantial role in the company. According to the HR manager and one Chinese colleague, Moss was not promoted even though
he was qualified for higher position as well. Consequently, his potential contribution to CDD was lost. Some of Moss’s colleagues suspected that the European employees were hired because they contributed to the product quality control and sales.

In Germany, I very often encountered the opinion that people were hoping to have a European leader because the communication would be much easier. According to the local employees, a European leader can understand the European working culture that sometimes is impossible for a Chinese leader. KBB German secretary Clara described the new director, Belgian CEO, Benjamin. When Benjamin arrived, everybody was really relieved because he was European. Everybody had great hopes that he was going to change things.

The strategy to promote foreign managers was also demonstrated conspicuously by the company magazine distributed widely inside CDD and KBB. This effort to create an image of the company that hires foreign nationalities for higher hierarchal positions contradicts the reality that the employees experience in daily working life in CDD and KBB. Based on this image, both companies emphasize their awareness of the importance to hire or promote the European employees to higher management positions. Therefore, on the magazine cover, readers can always see a large full body picture of a foreign leader. The company magazine policy also includes a special feature on an international CDD manager from a particular foreign country.

Having a European leader was very important for the locals not only because they can imagine themselves to be promoted in the company but also that a European leader increases trust in the company. Hiring an European leader also mitigated skepticism of whether the Chinese company investing in Europe has a long term plan to stay. Benjamin puts it in this way:

*Neither customers, nor suppliers, nor leaders, nor political authorities are really confident about this company. They doubt if this company is going to be in the long term, are they serious about their investment in Europe. If you have two leaders in the company, one Chinese, one European, this concern will go away. In this way there will be more trust among customers, leaders, political parties. This needs to happen.*

In terms of motivation of European employees, KBB trainer, Mr. Fischer, added, “People come to work for KBB for a middle term plan.”

**Culture factors**

KBB German senior manager Mr. Hunter observed that in China, the most important thing is to gain trust from the leader. “*Then you can climb very fast in the hierarchy.*” He said, while in Germany, company leadership is earned by knowledge, experience, and professional skills. “*You have to convince people. In Chinese culture, the leader depends on the trust of his superiors, whereas in European culture trust comes from the subordinates; how well they recognize the competence of the leader.*”

Based on my field observations, Mr. Hunter seemed to be the only foreigner who has been recognized by the Chinese leaders. In fact, before I started my interviews, the Chinese leader highly recommended me to interview Mr. Hunter because, “*he is the only one who can understand both cultures; he is very flexible.*” However, his European colleagues in KBB did not evaluate Mr. Hunter highly. Mr. Hunter had the reputation of treating his subordinates badly. Someone even called him as an “ass-licker”. During
the interview, my feeling was that Mr. Hunter indeed understood Chinese business culture. He clearly knew the names of KBB upper level management and their work relations. Mr. Hunter was the only exception I found in KBB who managed to break the invisible obstacle of “foreigner cannot get promoted”. His superiors seemed to appreciate Mr. Hunter very much. After I left the company, Mr. Hunter got promoted to one of the highest position in KBB.

Another employee who was also able to recognize how the hierarchical system works in China was Mr. Müller. He pointed out that the salary depends on the employee’s position in the company hierarchy, and not on the quality of the work as is expected in European work culture:

*Here [in Germany] you need only 10 people, but you need there [in China] 100 people because nobody tells the other people what I know, because I get my salary not from the job. I get my salary from hierarchy. When I move higher on the ladder of hierarchy, I get more salary. In Germany, you get a higher salary if you have done a good job.*

Both his Chinese and German colleagues respected Mr. Müller highly because of his professional skills and integrity. Among my colleagues, no one said anything negative about Mr. Müller. Based on my interpretation, he recognized how the system functions, but unlike Mr. Hunter, he did not start ‘playing the game’. On the contrary, he had many arguments with his supervisor Mr. Hui Hai. Mr. Müller tried to change the system many times but he failed.

In conclusion, multinational companies in these two cases of KBB and CDD are more or less an illusion. International organizational culture was not implemented into everyday practices. The official magazine promoted an image of foreigners working at high hierarchy levels in the company, but in reality, it was the opposite. The European employees worked on the lower level with only a few exceptions. They had expectations to climb into higher positions. However, my interpretation is that the KBB and CDD have a kind of invisible wall in their company hierarchy that prevents foreigners from reaching higher levels. Beneath this wall, on lower levels the employees follow the European organizational culture. They have a transparent structure that supports equal opportunities. Above the wall the hierarchical levels become very steep. This is very typical to the Chinese organizational culture. To be able to break this wall, one needs to gain trust from the Chinese management. It does not matter if one gains trust on lower levels or not. Mr. Hunter learned this and successfully broke the wall.

### 7.3.5 Organizational privilege (Guanxi)

Guanxi is a special characteristic in Chinese culture. Guanxi contains specific philosophical principles that dictate the behavioral conduct in Chinese society (see Chapter 2.4). However, because of Guanxi, with its strong orientation toward interrelatedness, it appeared to European workers that Chinese companies are based on relations but not on any specific law-bound organizational systems.

According to Temper, a Scandinavian system is very regulated: there are rules and they must be followed in order to succeed. He continued,
In a Chinese company, if you have the right connections, you get everything. That is the plus and minus (rise tone). Too much individual [relations], if you are [a] good friend with [the] Chinese, they will help you with everything. You just shout “hi”, you will get. If you are loyal to the company, the company will benefit you, no doubt. Suddenly, you can get a thousand Krona here, thousands Krona there. Chinese people (laughs, pause), I like these people, if you know them.

Good relationships mean success in business. KBB German engineer, Mr. Schneider, concurred that the Chinese way of doing business requires having a good relationship with a salesman, “You go out, drink coffee, go to karaoke. And then you sign a deal (laughs).” He told the following joke,

Mr. Miao will go to Karaoke with Angela Merkel. Suddenly all KBB machines go away [sold] because we have a good relationship with Angela Merkel. You go here and say ‘our boss drinks a beer with Angela Merkel, you know what do we care?‘ (laughs) And we have connections to the German government as well? Oh, yes, how does this relates to me [our company]? We called the service, we have [our] expertise, we don’t have to experiment [with anything], we [just] make our product, [and] this is the perfect. [The customer might ask]: ‘Why should I buy the product of KBB? Because the big boss [was here having a beer] with Angela Merkel.

So it seems that a direct relationship with Angela Merkel makes everything go smoothly and the business makes profit. Guanxi also includes the element of trust and favor. This element is often interpreted by European workers as favoritism or bribery. Temper added that giving money under the table or trying to do so called “monkey business”, is not Scandinavian. More or less it’s not, not on higher levels. Maybe on the lower levels.”

He stated that honesty is a very important cultural value in Scandinavia. Personal relations are an important element but not essential for doing business. He elaborated with the following argument:

Even if I will go and give my [business] partner a present, [it does not mean that] they will buy more products [from me]. They will see it as a nice thing, but they will not buy more products from me. So, your reputation in business is very important, then they will trust you. Good products, good delivery, good systems, yap! It’s rumors, the market is small. If someone starts talking about CDD like this, like that, then you are out! You are out, there is nothing to do. It doesn’t help if you have good relationships with people in Koop or not.

To conclude, the Chinese culture values relationships (Guanxi) the most, while in the European culture, honesty, trust and reputation are seen as the most important characteristics in doing business. Personal relationships matter as well in Scandinavian cultures, but they are not the key element for enhancing the business.

Unequal relationship

According to Europeans workers, people were treated differently inside CDD and KBB. In interviews, this question was addressed by several employees. The following three cases demonstrate unequal relationships in practice.
Case 1: No adaptation. Treating people differently.

German salesperson Mr. Hoffman described that the company was divided into four levels: the first level is German, the second is European, the third is Chinese. The fourth level consists of the Chinese who have previously studied in Germany. Germans are treated best and have the highest salaries, whereas the Chinese employees who had studied in Germany are treated worst.

A possible explanation could be that the Germans receive the highest salaries because the company is located in Germany, and they need Europeans. The Europeans are the most valuable for the company. According to Chinese standards, the average salary in Germany is high, and naturally the Europeans receive the highest salary by knowing and applying the European rules. Europeans other than Germans are treated second best. They are substitutes to Germans, but they are not as valuable as Germans because they do not know German culture and all the details the culture entails. The Chinese who have studied in Germany are treated worst because they are not closely connected to either China or Germany. They do not belong to neither culture. This categorization of people has negative effect on European employees’ motivation. In fact, in European culture, this is considered discrimination.

Case 2: Adapting to the European culture with a negative effect.

German secretary Claudia was one of Mr. King’s two assistants (CEO of KBB). She observed that the leaders treat their Chinese colleagues differently than their Germans colleagues. She presented herself and the other secretary, Mr. Da Li, as an example:

I always compare myself to Da Li in front of Mr. King. Even I don’t understand what they really say, they are talking in Chinese, I could sense Mr. King was giving Da Li a hard time. He was talking in a very rough tone with him. With me, never (laughs, relived). So Da Li was afraid of Mr. King. I wasn’t.

Claudia explained that it was unfair that she was treated differently than Mr. Da Li. As a German, she did not feel comfortable with it. When she finished her work day, she always went home. Da Li always waited until Mr. King left his office; sometimes around 10 pm at night. She always felt very bad that she left the office earlier, especially, since Mr. Da Li was mostly just sitting there for another four hours. He was basically just waiting. Claudia was very convinced that this must be changed. As an international company, “you do not have two classes: you cannot treat people differently because of their nationalities. Especially in Germany, there are many laws against discrimination.” Claudia clearly stated,

This is what is happening here, people are sort of discriminated [against], because they are Chinese: meaning they can be treated in another way. They can work long hours. It is discrimination actually. We have some problems like that (laughs). This definitely is something which needs to be adapted or changed all the time. People need to be aware of that in the beginning.

In summary, everyone tried to meet the expectations and be allowed to follow their own culture. The Chinese assistant, Da Li, followed the Chinese customs of never leaving before their boss. The German worker was allowed to follow the German customs regarding work hours. This flexibility could be interpreted as a positive intention to
adapt to the working culture according to the worker's background. However, the result is still negative because Claudia did not feel good about it.

The categorization of people is reflected everywhere. Some employees felt excluded because of their nationality, especially, when it came to decision making. "Very often the discussion was in Chinese, and after half an hour, local employees were called in, just to be informed that a decision has been made. It does not give me any good feeling about being important to the company. I am going to be the boy, or the messenger", Scandinavian employee, Moss, expressed his frustration. To describe this even further Moss gave another example.

**Case 3: Positive intention with negative effect.**

*We had a meeting, about the upcoming conference held in Paris. Suddenly during the meeting, they [the Chinese] said, 'ok, only the Chinese [will] go.' This does not include the local people. They cannot do that 50 people are here and you make the decision, it's only for the Chinese people. What do the local people think? Firstly, they think, oh, what the fuck is this? Now again, there is something they don’t tell us, so they can hide something from us. Because we know there are a lot of Chinese secrets in this company. Everybody knows it."

Moss reversed this example “Suppose it is a Scandinavian company with only the minority of ten Chinese. Now all the Chinese must stay because the event is only for the Scandinavians.” Moss concluded, “You can’t do like that. You know what this is called in Scandinavia? Discrimination.”

In this situation, the explanation could be that the Chinese do not have so many chances to travel to Paris. The company therefore, with a good intention, prioritized the workers who would appreciate the trip the most. For the Europeans, a trip to Paris would not be considered highly significant, whereas the Chinese would consider it as a significant reward. However, Moss did not understand this reasoning. The intention of the company was good: to give a chance to someone who appreciates the opportunity the most. Nevertheless, because the chance was given based on one's nationality, it was interpreted as discrimination.

According to my findings, in the first case of KBB, people were labeled differently. In the second case of KBB, the leader adapted the German culture. Otherwise, he would have treated Claudia in the same way as Mr. Da Li. However, Mr. King did not expect Claudia to stay at his office waiting for him. But as a result, Claudia was treated differently and she felt guilty about it. Even if the Chinese leader tries to be fair and let people follow their own cultures, the result is negative and affects the worker's motivation. In the third case, positive intention with negative effect, although the motivational level was high, in reality the people were divided by their nationality. This is against one of the most important principles in European culture equality: discrimination cannot be tolerated. Moss put it simply, “you cannot be like that.”

**7.3.6 Summary**

According to Europeans, the company can be characterized as having hierarchical structures, high respect for authority, closed communication, difficulty in getting pro-
moted, particularism in Chinese culture and Guanxi orientation. The detailed result can be summarized as the following:

1. In Europe, the leader’s role is to support employees to perform better while the Chinese leader seems care about hierarchy more than the task itself. This difference may well lead to low working efficiency.

2. According to Europeans, in Europe people are used to ask questions and encouraged to ask why. This helps them to solve the problem. In China, people are used to follow an order and challenging the leadership is considered inappropriate.

3. The Chinese are aware of the problems that may be caused by centralized organizational decision making processes. From the company level, the Chinese are developing a mutual supervision system so they are able to give more power to subsidiaries. On the individual level, they are learning to share the power as well. However, their efforts are still far from the European employees’ expectations.

4. Compared to European open culture, the information in Chinese culture flows in one way. There is not enough information, no discussions, no feedback, opportunities, and the managers do not want to hear any negative news. One of the explanations for managers’ reluctance to hear their staff members was that they want to hide negative and unfavorable information in order to maintain their position in the company.

5. European employees felt it was difficult to be promoted. Having a European leader is very important for Europeans not only because this serves as an example that they can get promoted but also because a European leader can increase the trust level both inside the company and from the outside environment. A Chinese company investing in Europe raises skepticism about whether they have a long term plan to stay.

6. According to Europeans, Chinese culture values relationships (Guanxi) the most, while in the European culture, honesty, trust and reputation are seen as the most important characteristics in doing business. Personal relationships also matter in Scandinavian cultures, but they are not the key element for enhancing the business. In Europe, you are trusted by default. If you lose the trust, you lose if forever. In China, people start with mistrust: you must earn trust later.
8 DISCUSSION

The background of my study is Chinese companies' expansion overseas. However, they have not succeeded as planned and one of the reasons may well be dealing with cultural differences. This study set out to examine cultural encounters taking place in Chinese companies between the European and Chinese employees.

The study was conducted as an ethnographic investigation in two Chinese companies located in Germany and Scandinavia. The data were based on interviews, observations and document analysis. The research problems were developed between the interplay of empirical findings and theoretical concepts. Finally, this study ended up supporting Hofstede's two major concepts that I find useful in interpreting the data.

8.1 UNCERTAINTY AVOIDANCE

The first research question concerned how European employees perceived working in an environment containing much uncertainty. I asked specifically: (1) How European employees dealt with an unstable environment; (2) communication; and (3) salary system. The answers to these questions are related to uncertainty avoidance. Next, I will discuss each of them in detail.

8.1.1 Unstable environment

The accounts given by the European employees related to the following themes: rapid changing of goals, flexibility is not always bad and loyalty.

European employees were shocked about how fast their Chinese superiors can change their minds: “Today to the left, tomorrow to the right”. They do not know where to go. They expected the company to be more systematic and have clear direction. In Germany, European employees felt uncertainty, uncomfortable, anxious and anger because of the restructurings of the company (Chapter 7.2). First the company hired all the experts but then suddenly it announced that the company will change its entire strategy. Consequently, all the employees were scared about being fired the next day. They used phrases like “crazy” and “unlucky” to express their feelings. One employee in the German company concluded that trust means stability. If there is no stability, no one will take it. The director of KBB explained that this is because the company lacks long term vision.

Ability to change fast has its good sides also. One of the European employee was surprised about how fast things can be done and how committed people can be. Some of the Europeans criticized that Germans are not flexible enough and that they must change their attitudes. Some even concluded that “Germans will not be successful if they are not flexible.”

Turnover rate seemed to be very high in Chinese companies. According to the observations made by the European employee, a low turnover was nearly 20%, up to 60% whereas in Germany it was 1% or less (Chapter 7.2). Some of the European employees observed that the European employees are more loyal to the company than
the Chinese themselves. They felt Chinese are more dedicated to their supervisors than to their jobs.

Overall, the tension seemed to be very high because of the unstable environment. As a German employee described, at the beginning, everybody was proud to work for KBB Germany and everything went well (Chapter 7.2). When the company faced restructuring, everything changed and caused a lot of anxiety and frustration.

According to Hofstede et al. (2010), people in uncertainty avoiding cultures, in general, tend to stay in the same job as long as they can. Changing jobs is one of a major source causing stress in their life. The need for security may override other needs. In uncertainty acceptance cultures changing jobs is easily done. The need for belongings (interpersonal, face responsibility) overrides security needs. This may well explain in part why German employees were so anxious about the fast changes. My results are also in line with Doney et al. (1998) that an uncertainty acceptance country like China has smaller requirements for stability and less trust of other people.

My results also confirmed the findings of Ayoun and Moreo (2008) that managers from uncertainty acceptance culture are more comfortable and open to strategic change whereas managers from high uncertainty avoidance culture tended to avoid quick actions and be more resistant to strategic changes.

Overall, Westerns consider uncertainty a threat, which must be fought off. As a consequence, they tend to prevent uncertain situation beforehand (Xie & Fan, 2012). In contrast, the Chinese consider uncertainty a fact of life that nobody can avoid. This is reflected even in the Chinese language and mindset which are flexible and uncertain in general (see Chapter 2). Thus, compared to Westerners, Chinese are able to tolerate uncertain situations and actively cope with them.

8.1.2 Communication

Regarding communication, the European employees were amazed that communication was indirect and contained many empty promises. They expected clear communication. They expressed the need to know what the information is all about, where it comes from and what they have to do with it (see Chapter 7.2). However, they felt the task is often unclear, deadlines are uncertain, and bonuses are uncertain. Accordingly, many of them feel anxious, unfortunate and turned to passive.

Chinese employees use non-verbal communication and make conclusions based on their intuition because is their cultural habit. It was very difficult for German employees to understand or know the expectation and thoughts of their Chinese colleagues.

In terms of personal communication, some of the Europeans commented that they never receive a clear yes or no answer from the Chinese. They have to guess (see Chapter 7.2). Some of them speculated it is for saving the face; some of them considered that there is a hidden message or another agenda in the background. What they heard is only part of the truth. As one of the European employee highlighted, guessing does not mean knowing and can lead to wrong interpretations. However, Chinese employees seemed not to have this problem. One of the Chinese colleagues from CDD illustrated the difference by an example: whenever the Chinese manager, Ping Pong, speaks just two words, every Chinese employee understand immediately understands what he means except the European employees.

My findings concur with Hall’s (1989) theory of low and high context. As China represents high context culture, it is usually associated with indirect communication.
In contrast, people from low-context cultures (Germany and Scandinavia) expected the information to be written or spoken explicitly.

Overall, indirect communication style seems insufficient in the international environment. If the Chinese want to go global, they must change to more open and direct communication. X. Chen (2016) also found that even people from high-context cultures themselves are apt to feel exhausted when interacting with others if they must figure out the meaning between the lines, and pay attention to every detail.

Europeans found that Chinese partners committed themselves to certain principles, but in practice, they failed to follow these principles. This was exemplified by the ‘two cups’ example given by the Scandinavian employee in Chapter 7.2. The Chinese are too flexible with the dates and agreements.

Some of the European employees argued that the Chinese would remain silent or even lie just to please the manager whereas the Germans stick to tell the truth. In Germany, not telling the truth may be very dramatic and have remarkable consequences; people might lose their jobs because of it. Some of the employees even stated that in China that you can get promoted even when not telling the truth (see Chapter 7.2).

The European employees used the word “hate” to describe their feeling when the Chinese manager promised things too easily; they also called such a boss as a “liar”. For example, company manager claimed that nobody will be fired first but in reality the opposite happened. It leads to the employee losing trust because in Nordic countries and Germany, one’s word is usually taken as the contract.

To summarize, one major cultural barrier between European and Chinese employees is related to trust (X. Zhang, 2014). The violation of trust can lead to harmful practical consequences for the company like increasing the willingness to quit.

According to Hall (1989), in high context cultures the concept of time is open and flexible, and the process is more important than the product. In low context culture, time is highly organized: the product is more important than the process. It showed up several times in my study that Scandinavians and Chinese had different understanding on time. Scandinavians were apt to see the agreement on a time as a fixed contract whereas Chinese were inclined to see it just as an estimate, an approximate agreement which does not need to be strictly followed.

Face is a key concept to understanding Chinese behavior and logic (see Chapter 2.4). Chinese do not want to make commitments because they worry that if they cannot meet the commitment, they will lose the face. Therefore, a safe way is to say “I will try my best.”

Germans complained that Chinese hide the truth. However, truth is understood differently. According to Hofstede et al. (2010), what distinguishes Western from Eastern religions is their concern with truth. Western culture shares the assumption that there is absolute truth while Eastern cultures are less concerned about one and only truth.

Honesty is especially important in Nordic countries and Germany (Schwartz, 2006). People also tend to tell so-called “white lies” to avoid conflict, but it is still considered disrespectful if one gets caught. In China, however, telling small lies is commonly used to save the other persons face or to make others happy (Hwang, 1987; X. Chen, 2016). It is considered polite, diplomatic and having a good strategic mind and even as a sign of cleverness. In this aspect, these cultures are relatively opposite to each other and it is very likely to cause conflicts in an organization.
8.1.3 Salary system

How did the European employees perceive the salary system in Chinese companies? The European employees considered the salary and reward-punishment arrangements unsatisfactory.

The salary system was vague from the perspective of the European employees. In Scandinavia, many employees complained that they do not have a clear idea about where the bonus comes from and how much it will be. They also felt that they have to “fight” for their rights all the time, which is very unusual for them (see Chapter 7.2). In Scandinavian and German companies’ things are usually communicated very clearly. People do not expect anything which is not written in the contract. Thus, to get an extra bonus was seen as incomprehensible.

European employees felt embarrassment when receiving public praise such as being selected as the best employee of the month. One of the employee used word “stupid” to describe how he felt (see Chapter 7.2). In contrast, public praise in China is considered positive and motivating.

European employees were very astonished that making a mistake in China is a severe problem that will lead to punishment. One’s salary could be even decreased because of it. For the Europeans this was very unusual (see Chapter 7.2).

According to German employees, their Chinese managers tend to motivate employees who perform exceptionally well using material rewards such as presenting an entire flat or a car. However, the Germans are not only motivated by material rewards, but more from job satisfaction.

The differences between the reward punishment system can be understood by McGregor (1960) theory of X and Y. Theory X assumes that employees are naturally unmotivated and dislike working. Theory Y assumes that employees are self-motivated and enjoy working with greater responsibility. In Chinese organization, the underlying assumption is that employees dislike working and will avoid it whenever possible. Workers must therefore be forced, punished, and controlled to make them contribute to the objectives of the company.

In China it is very common for people to do a job simply to survive (Liu, 2008). The chance of choosing one’s preferred job is rare due to the huge populations. The salary includes two part: basic and performance (Yuan, 2011, p.55). The basic salary is not very high, so the salary depends on their performance in a way. Therefore, people expect to receive an extra bonus. The extra reward given by the manager is very motivating for the employees. If the salary was fixed, people would lose their motivation to perform better (Xu, 2004). Based on my observation, in contrast, most of the Germans and Scandinavians choose their job because they like it, and doing a good job is the way they are supposed to work.

The need for an explicit salary system confirms that people from a high uncertainty avoidance country dislike ambiguity and they need precision and formalization in the organizations. They have more laws and formal rules controlling the rights and duties of employers and employees. In uncertainty acceptance countries, it can be the opposite: “employees have emotional horror of formal rules. They believe that many problems can be solved without formal rules” (Hofstede et al., 2010, p.211).

Overall, uncertainty is reflected in the European employees’ perceptions of the unpredictability of the working environment, including management, communication and incentives. Based on the interviewees, the European employees were open minded and motivated in the beginning when they started to work. However, they became disappointed later on partly because of the cultural differences in communication styles.
8.2 POWER DISTANCE

My second research question was how European employees perceive power in decision making processes. To specify this research question, I formulated the following sub-questions: (1) How people perceive hierarchical structures; (2) perceive empowerment; (3) shared information (4) How they see their chances to be promoted and (5) How they deal with organizational privilege. The answers to these questions are related to power distance.

8.2.1 Many hierarchical levels

The following issues arose in the accounts of the European employees: too many managerial levels, distant leadership, and focus on the leader instead of the task.

European employees in general consider organizational structure in Scandinavia and Germany as relatively flat compared to that of Chinese (see Chapter 7.3). A Chinese organization was perceived as a steep pyramid. The leaders are on the top, and they keep high distance to their subordinates. Illustrative, European employees described the leader as “no one saw the boss appear in the workplace”, “one person at the top, everybody follows, no one dares to approach to him”, “how can you go straightforward to say hello?” One employee described Chinese organization as military like. One of the European employees, who had previously worked in a Korean company, considered that the power distance there is even larger than in China. Some Chinese employees gave the counter-argument that Europe was also very hierarchical 50 years ago.

Admittedly, hierarchical structure has its advantage, too: control by the leader is easier. However, one European employee pointed out that too many levels lead to falsifying the information in the end. In Chinese literature Wang (2001/2014, p.171), there is a research result that the decisions made by the company board in companies, 80% of the information will be lost after delivering the message five levels; Wang estimated that 63% of the information goes no further than the vice director level, 56% stops at the department director level, 40% to the factory manager, 30% left at the operational level, and employees will get only 20% of the information.

The same result is copied in several Chinese research articles and book chapters as such but the origin of the results is unknown. However, the phenomenon is known as serial reproduction and is common sense: if every level loses 25% of the information, only 24% of the original information is preserved after delivering to level five. Studies in other context have shown that the proportion of information recalled drops from 50-70% at the first level down to about 20% at level five (Kashima, 2000), and from 51% to 24% according to Roediger III, Meade, Gallo, and Olson (2014).

European employees usually work at the operational level, which requires immediate feedback from the headquarters when they deal with the customer. However, when the Chinese managers have problems they have to report level by level. Usually it takes a very long time and often the problem remains unsolved. Chinese organizations lack independence in decision making as everything needs to be approved at the higher level. One of the employees used a strong expression: “they have to go back for everything single decision.”

These findings can be understood by Hofstede’s (1980) concept of power distance. In Chinese culture, power distance is much higher than in Nordic and German cultures (see Chapter 4.2.1). Compared to the Chinese model, Western organization is more flat, and subordinate have more equal relationship with their manager (House,
Hanges, Dorfman, Gupta, & Javidan, 2004). My results also confirmed X. Chen’s (2008) theory that hierarchy shows up in the time and space. Usually, if you go to a meeting, you can conclude from the sitting arrangement who is the manager. The person who has the highest position also speaks first and conclude the meeting. This was highlighted especially in KBB, where the Chinese manager has absolute authority throughout the company (see Chapter 7.3).

According to Anderson et al. (2012), the sense of power is equally important as real power because it has a strong impact on all power related behaviors. However, it did not show up in the Chinese employees. This is probably because power is divided unequally in Chinese culture, and everyone is used to this (see Chapter 4.2.2). This concept is probably more relevant in cultures where subordinates are expected to have some power.

In general, my findings demonstrated that the structure of Chinese companies are perceived as very hierarchical, and subsequently, the European employees often had misunderstandings and frustrations with their Chinese managers. I recognized only one exception: a young Chinese manager who had adopted the European style (see Chapter 7.3). According to the German employees, this manager was democratic and easy to approach. He was born in the 1980s and graduated with a master’s degree from a European country. Contrary to this, the KBB founders are usually born in the 1950s and represent the older generation who strictly follow the traditional communication style. It is their first time operating abroad. This exception can also be seen as an indication that the two cultures can adapt to each other. According to literature, Chinese society is changing. For example, Busch (2013); Farh and Cheng (2000) and King (1980) show that the traditional Chinese way is declining in international companies. One can no longer assume that obedience to authority is a universal value of all Chinese, especially among those, who are younger and more educated. Subsequently, the sense of power may also emerge for the Chinese employees.

8.2.2 Empowerment

As to perceptions of empowerment, the findings obtained comprised the following themes: lack of independence and never questioning the senior’s decision.

The Europeans frequently complained that the Chinese do not decide anything on their own (see Chapter 7.3). According to European employees, the responsibility of work depends on the approvals, which you are able to present to the boss, “a minimum of six approvals.” A common reaction to this was simply, “unbelievable.” A Chinese manager noticed that one of his European subordinates was not content with the amount of authorization he got, and therefore the manager decided to increase the authorization power and considered it a big favor to his employee. However, the amount of authorization was far from the European employee’s expectation. As a result, the good intention turned out to be a joke or insult.

Overall, the European employees felt Chinese organizations’ lack of empowerment and challenge and the leadership was considered inappropriate. This can be understood from the perspective of the organization, leader and employee. From the company point of view, empowerment means trust. And Chinese organizations lacks trust in European employees. According to Mayer, Davis, and Schoorman (1995), the level of trust reflects the organization’s willingness to take the risk. One CEO pointed out that because the supervisory system is not developed, Chinese organization are
not willing to take the risk. From the perspective of the leaders, they are not willing to empower employees because they worry it will decrease their power and status within the organization (Hammuda & Dulaimi, 1997). From the employee’s perspective, individuals from large power distance countries tend to lack independence and responsibility, and they consider empowerment as increasing stress. Individuals from small power distance countries expect to have more power because it increases their job satisfaction and performance (Eylon & Au, 1999).

Numerous accounts from my interviews contain complaints about disempowerment. They clearly confirm the main points of Napier and Ferris (1993), Hofstede et al. (2010) that individuals from small power distance countries are willing to participate in the decision making process. However, according to my study, they were just being informed when decisions have been made. In Chinese culture there is a proverb “words from a man of a lowly position carry little weight.” It implies that if you do not have a high position, better keep silent.

My findings also agree with De Souza and Klein’s (1995) conclusion that supportive leaders include subordinates in the decision process because it makes them feel important. European employees were ambitious when joined to an international company to be part of the success but then realized that they after all are not valuable to the companies.

In Finnish culture, silence means respect and learning from others. However, in Chinese culture silence is for a different reason. In a large power distance culture decision making is considered a privilege and a subordinate’s participation is regarded as an invasion for this privilege. Therefore, subordinates feel no responsibility to speak out (Pronovost & Freischlag, 2010). Subordinates consider that their managers know more than them. It is impolite to ask why. Leaders have more information than employees, therefore, they are able to make the right decisions (Miles, 1975). Subordinates are afraid of their manager, or they feel their position is not high enough to have influence (Duan & Huang, 2013). Asking why shows that subordinates are incompetent and stupid and thus be laughed at by others (X. Chen, 2016).

Overall, small power distance cultures are good at tasks demanding initiatives from subordinates. Large power distance cultures are good at tasks demanding discipline. It is important for the management to utilize the strengths of the European culture (Hofstede et al., 2010). My interview data suggested that refusing to delegate power has negative effects on Scandinavian and German employees.

8.2.3 Shared information

This study further explored how European employees perceive shared information within their organization. It was found that the Europeans felt that the communication is one-directional, and that there is not enough interaction. Due to the lack of the possibility to give feedback, the communication channel is not smooth. Employees felt that they cannot participate in the decision making process.

One-way information appeared in the following ways. The manager gave instructions to the subordinates who could only accept and execute it without any responsibility. According to the European employees, the Chinese leaders “inform” but do not communicate (see Chapter 7.3). The information goes from Europe to China but not vice versa. German employees were surprised that the knowledge and experiences are not shared. The communication environment of the Chinese company is a strong
contrast to the European communication environment. According to several Germans, in Europe, the communication culture is open (see Chapter 7.3).

It seemed that both Chinese subordinates and their managers do not like to hear bad news. Chinese employees were worried about when and how to report negative information to their manager. The European employees gave many advices to the Chinese manager, but to their surprise, all the advices were ignored.

These observations confirmed what Bhagat and Triandis (2002) has found in his research. In the vertical culture (large power distance), the information always flows from the top down in one way. Managers consider that they are the decision maker. Subordinates only need to execute the order without proposing any suggestions (Ilgen et al., 1979). Chinese employees choose to keep silence even when they know the answer. In a large power distance country silence is usually the only solution (Yao et al., 2009; Elizabeth Wolfe Morrison & Milliken, 2000). My results are also in line with Zhang’s (2010) finding that Chinese employees are inclined to pay attention to harmony in order to avoid conflict. In contrast, people from individualistic culture emphasize the importance of “self.” Rationality is of much greater importance than relations with others. Competence is very important element of the “self” (Oyserman & Markus, 1998). For individuals from collectivist culture, work is a tool for building relations with others, but not the main aim (X. Chen, 2016).

As for the case of delivering bad news, the following aspects of management in large power distance countries seem pertinent: Leaders tend to be autocratic and conceit. They sense more power than they actually have, and subsequently, believe everything is fine (Haidt & Rodin, 1999). They tend to fear negative news, as it may embarrass them and show their incompetence (Argyris & Schön, 1978); thus, they tend to deny the facts. They are inclined to criticize, punish and suppress their subordinates (Ilgen et al., 1979).

Organizational silence (Elizabeth Wolfe Morrison & Milliken, 2000) in Chinese organization is very common (Yao et al., 2009). This was the case in my study as well. Chinese employees kept silent, whereas German employees pointed out problems directly. They believed this would help to solve the problem, whereas the Chinese would rather to avoid or evade the problem (X. Zhang, 2014). There is a saying in China “Turn a big problem into a small one and a small one into nothing”. Ironically, in Germany there is a saying: “Turn a small problem into a big one and a big one into great one.” Surprisingly, Scandinavians were a bit like the Chinese. As two European employees pointed out, “The Scandinavian model is like the Chinese model”. According to my interview data, instead of speaking out, they tended to keep silent (see Chapter 7.3).

People also use avoidance as a response to conflict. This is typical especially in Finnish culture (Fry, 2000). It has also been shown that the Scandinavian conflict management style has some degree of similarity to that of the Chinese management style (Schramm-Nielsen, 2002). Although it does not include the elements of social harmony in relationships and face saving mechanisms, Scandinavian people try to avoid direct and open confrontation as long as possible in case of severe disagreement and subsequently tend to suppress related negative feelings.

According to my observations, highly skilled employees not only follow the orders but expect to participate in the decision making process, and to use their expert power (knowledge and information power) to influence their manager’s thinking and behavior (Lunenburg, 2012).

There are good sides to closed communication: it is easy to control for the centralization country. Individuals from large power distance countries tend to falsify information when they give feedback. Therefore, the leaders do not trust the information
from their subordinates but only believe in themselves for making decisions. This happens much less in small power distance countries (Varela, Salgado, & Lasio, 2010).

There are numerous consequences of closed one-way communication. First, European employees thought that Chinese leaders want to hide things. Due to the absence of two-way communication, the European employees felt insecure and did not identify with the company. Second, leaders in large power distance cultures have an implicit assumption that employees are egoist, not trustworthy, and employees do not understand the problems inside the organization (Elizabeth Wolef Morrison & Milliken, 2000). However, this kind of assumption is outdated in modern era where everyone has access to all kinds of information. It would just allow the employees to see the inefficiency of their leadership. Third, as the employees felt useless, their motivation to contribute to the company decreased. In the long run, this will lead to the confirmation of the stereotype that Asian companies have poor communication: “This is how they do it in China.”

8.2.4 Promotion

How did European employees see their chances to be promoted? My finding suggest that the European employees regarded the organizational environment as not suitable for employee’s career development. Several employees concluded that salary depends on the position in the hierarchy and not on the performance (see Chapter 7.3). Position was also seen to depend on the relationship with the leader.

European employees easy hit the “glass ceiling”. Chinese enterprises have the tradition of family culture, which influences how promotions are decided (see Chapter 7.3). In brief, employees of the same nationality are given preference. European employees found it strange that the number of foreigners on the management level was very low. They proposed having a European leader because it can increase the level of trust. A Chinese company investing in Europe also raised skepticism about whether they have a long term plan to stay. Many of the employees expressed that they could contribute a lot. However, they felt they are more or less useless.

The accounts about promotion seem to pertain to Hofstede’s (2010) concept of power distance. In a large power distance society, people can have wealth, power and status at the same time. Position is a sign of how successful you are, and the salary difference between the hierarchy levels in the organization must demonstrate this. To get a higher salary, people in high distance cultures indeed treasure the opportunity to be promoted.

In a small power distance country, however, more power does not always bring more money and the motives for promotions are slightly different. According to Greenberg (1993), individuals tend to perceive the distribution of fairness (for example salary) to judge the fairness of the whole organization. In small power distance countries, unfair distribution is an important reason preventing an employee from identifying with an organization, and as a consequence, they choose to leave (Y. Wang, Long, Zhou, & Zu, 2007).

My results also indirectly confirm Fei’s theory (2013) that traditional family culture enterprises categorize people according to the region where they are born, and whether they are relatives. In large power distance countries people are used to the unfair distribution of salary and power, and therefore this does not function as a strong motivational factor.
However, Choi and Chen (2007) found a positive relationship between perceptions of justice and salary system fairness based on a survey of 161 Chinese employees of Sino-foreign joint ventures. This result indicates that not only European employees but also Chinese employees have the sense of fairness. However, the organization culture in the Sino-foreign joint ventures is typically American, which partly influences the results. This present study shows the sense of fairness can be increasing in (international) Chinese companies due to international influences.

In my study, I observed two European employees who were able to recognize the characteristics of the hierarchical system. One employee was an expert in his field. He tried to change the system but failed. The other employee started to please the high level bosses, and as a result, he got promoted. It seems people holding a formal position have more power than experts in Chinese organizations.

Overall, position (status or power) is the sign of the success in China; it becomes the target people pursue. The chance for European employees to get promoted is small because they are in the outer most circle in the societal difference pattern (Fei, 2013) However, if one is able to break this “glass ceiling”, the chances of further career success will become much higher than Chinese peers because the internationalization of Chinese company’s needs “local face.”

8.2.5 Organizational privilege

How did European employees deal with organizational privilege? European employees perceived unequal relationship and a Guanxi orientation. They were treated differently by the manager. In KBB, Germans were treated the best; Chinese were treated the worst. Even the leader adapted to the European culture: for example, the German employees were allowed to go home first. Still, as a result, one German employee felt guilty about her Chinese colleague who did not receive the same treatment. In the third case, the intention was positive but because of the lack of communication, the effect was negative (see Chapter 7.3). Overall, it does not matter how many benefits European employees received, as far as they sensed organizational unfairness, they had negative feelings.

Chinese employees can tolerate more unfairness. Even if they do not get any benefit or they must do more work, they still accept the situation. Based on Fei’s (2013) theory, for Chinese managers, Chinese employees belong to the inner circle, whereas Europeans employees belong to the outer circle. However, in my case it was the opposite: German employees were treated better than the Chinese. According to Trompenaars and Hampden-Turner (2011), China is a particularistic culture where people look at relationships and circumstances in a specific situation to decide what is right. In KBB, the European employees have the privilege because they understand the European culture best and they are more easily able to gain trust from the European government and people. This may be the reason why Chinese managers can adapt to the situation differently.

This categorization of dividing people according to their background is rooted in Chinese culture very strongly: for example, between nationalities, between urban and rural areas, between education and position. However, European employees have the universalism mindset that rules and contracts should apply in any situation. They considered treating people differently as discrimination.

Overall, in a particularistic society people are flexible and willing to adjust their standards and behavior according to the specific situation. In contrast, in a universal-
istic society, “machine-like”, “rigid”, “not good at adaptation” are the characteristics (X. Chen, 2016). These two different society types made the conflicts between Europeans and Chinese appear severe.

Guanxi is an important resource for Chinese society (Han & Xi, 2001). No matter where the Chinese are, they always try to make strangers become acquaintances. Chinese always find commonalities through commonalities, job or even trace a connection back to a friend’s friend. They call this kind of meeting “fate”. European employees perceived this cultural phenomenon through “drinking coffee” and “going to karaoke”. Through these activities, people can develop personal relationship and thus gradually build trust. According to Temper, “As far as you have a good Guanxi, you get everything you want.”

The other character of Guanxi is that the competence of an individual can be achieved by face (Mianzi). In Chinese society, people believe Guanxi can be transitive, reciprocal and intangible (Luo, 1997). Personal ability is not important but the key is to have access to the resources. The wider social connections one has, the better image of power one gets, the bigger face one has (Huang, 1985/2010). This is why Chinese tend to socialize with governmental officers. Having a connection with them such as taking a photo with a celebrity can demonstrate one’s personal competence. In my research, one German engineer complained that Chinese companies like to have a good relationship with the government. This is because with the help of the current leader (such as Angela Merkel), enterprises can achieve more social resources.

From the Scandinavian perspective, success depends on rules and systems. People prefer to conduct business activities based in a fair and open environment. In my opinion, Guanxi is a common phenomenon shared by all human being but the understanding and application of Guanxi is different. Individuals from small power distance countries build Guanxi through mutually learning processes, whereas individuals from large power distance countries use exchange of materials to build Guanxi (Jiantao Zhou, 2013). In my research, Guanxi makes sense in the initial stage when a Chinese enterprise goes abroad. In fact, there are many successful cases. Therefore, instead of simply viewing Guanxi as networking or even corruption, we need to have a broad understanding of Guanxi. As Temper concluded, there are “pluses and minuses.”

In summary, power distance showed up in the European employees’ perceptions of many hierarchical levels, lack of independence to make decisions, closed communication, difficulty to get promoted and organizational privilege. Previous theory confirmed the majority of the empirical results obtained in this study.

8.3 PRACTICAL IMPLICATIONS

The study is timely given that Chinese companies are expanding overseas. There is a dire need to examine how Chinese companies fare outside China. The findings are very important for both companies and individuals who are planning to conduct their business with Chinese.

For Western employees, first, it is important to realize which part of organizational culture can be changed and which part cannot. Values embedded by the national influencers are fairly steady, and difficult to change in the short and medium term. In contrast, cultural values rooted in business influencers are temporary and the management can influence them more easily (Hammerich and Lewis, 2013). Power distance
and uncertainty avoidance belongs to the national character, it is thus most stable and unchangeable. Instead of expecting it to change, better prepare one to adapt.

For Chinese host, flat organization and democratic decision-making has become the future development for adopting western management style. If Eastern countries want to learn, this will likely require long-term effort. Because these kinds of management practices do not fit for a large power distance culture (X. Chen, 2016).

According to X. Chen (2016), in an unequal relationship, the “strong party” should actively understand the needs of employees, show their respect. Let the employee feel like the “strong party” are ready to communicate, encourage them to dare to speak freely with no fear. The “weak party” should try to overcome the mental barriers and, dare to express their needs instead of only obeying orders. If the “weak party” does not show their feelings, the stronger partner will assume that they are doing well and everybody is happy. Therefore, in order to achieve successful results, both parties need to improve.

So the message to Chinese host are: give more authority to the Europeans; let them enter higher levels of the organization; give them a chance let them speak.

The messages to the Europeans are: recognize whether your host country has either large or small power distance; do not be afraid to express your opinion.

8.4 ETHICAL ISSUES, EVALUATION AND FUTURE PROPOSALS

Researchers frequently occupy a more powerful position compared to the participants in their research. Both the European and Chinese managers and employees trusted me. On the other hand, this good relationship may also limit my observation that I unconsciously avoid negative things related to the participant. However, because of their openness and helpfulness, I was able to record such deep and detailed material. To avoid having negative impact on them, I did my best to protect their identity so it will not be recognized.

According to Eriksson and Kovalainen (2008), when a study is based on the realist or critical realist philosophy, one can use the classic criteria (reliability, validity and generalizability) to evaluate qualitative research.

Reliability – In qualitative research, reliability refers to the degree of consistency with which instances are assigned to the same category by the same observer on different occasions or by different observers (Hammersley, 1992, p.67). In my study, the whole analytical process is transparent so everybody can evaluate it. I reported the whole process of how these themes were categorized and constructed. For concrete examples, please see Chapter 6.7. The complete table is available upon request.

Validity: According to Howitt (2010), in qualitative research, the issue of validity is usually interpreted as the extent to which the analysis fits the data. This is done through mainly triangulation. Evidence from multiple empirical sources (interview accounts, field journal, site document) were used to validate the findings. For example, several interviewers commented that the canteen is divided by nationalities. My observation confirmed this. European employees complained about the rapid change of everyday practices, articles written by other journalist reported similar stories. This cross-checking information technique makes me confident about my research findings. Furthermore, apart from Hofstede’s and Chinese organizational theories, several other theories (for example, Hall, 1997; Schwarz, 1992) are used to explain, understand and interpret the cases. For example, my interview data gave strong evi-
dence that Chinese follow orders without questioning why. The major cross-cultural theories such as Hofstede (1980), House et al. (2004) all classified China as a large power distance country compared to the West. However, Chinese scholar Z.-F. Yang (2009) and Zhai (2012) challenged Western thinking that one must understand the historical and cultural background before making a conclusion. Another example is from the interview data: the conclusion can be drawn that European employees view Guanxi as corruption. From the Chinese perspective, the nature of Guanxi is trust (M.-J. Chen, 2001). Schwartz (1992) confirmed that before making cross-cultural comparisons, one must make sure this word means the same in the different culture. It can be concluded that Hofstede’s theory is powerful in interpreting European employee’s perspectives, whereas Chinese theories are powerful for understanding European behavior and logic.

Generalizability dealt with the issues of whether the research results can be extended in one way or another into a wider context (Eriksson & Kovalainen, 2008). It is not always a problem especially in cultural studies. While the object of study is a phenomenon that recurs frequently in everyday situations, the descriptions and explanations are presented at such a level of abstraction that they are thought to apply to all individual cases (Alasuutari, 1996). In my research, these two cases only partially represent Chinese international companies. In future studies more types of companies must be included. There is research evidence on differences between China, German and Scandinavia that provide good examples of generalizations, but on the other hand, there are a lot of common issue between European countries. If the research is conducted in a non-European country, the results might be very different.3

Overall, the biggest limitation of this study is that it was performed only one time at each site, whereas a longitudinal design might provide more insight. In this case developments or changes within the company at both the group and individual level could be traced. In fact, there were many changes that happened after I left the company. For example, in KBB, many employees encouraged me to interview them again after two months when the company would be in a much more stable condition. Then the interview result could have been quite different. Thus, a longitudinal design might provide more insight. Also, Chinese companies have improved significantly during recent years. They are aware of the problems they will face when operating overseas. They are very careful in how they treat European employees and deal with the European environment. According to report from the German trade union in 2016, Chinese companies are welcomed to invest in Europe (Müller, 2016). As Müller (2016, p. 34) mentioned, “According to the experiences so far, especially in metal industry, employees representatives generally assess the entry of Chinese investors positively. They have long term development goal.”

The second limitation is that the interviews with the Chinese managers and employees should have been developed more deeply and I have interviewed only 14 participants. Because of the difficulties with getting truthful answers from them, I did not focus as much on the Chinese managers and employees from the beginning,

3My short two weeks’ visit in another Chinese company located in India confirmed this. Unlike Europeans whom are very motivated to give feedback, Indians provide mostly positive feedback. They asked if I am the representative of the company although I clearly announced that I am an independent researcher. They seemed to be afraid that I would report to the company. Despite the Indian subsidiary operating very successfully, the European subsidiaries were not functioning very well. The organizational structure is exactly the same. The culture is the only explanation: Culture matters more than the organizational management.
but rather decided to focus on the European employees because they provided much more information openly.

In the future, I would like to make a longitudinal design to trace the development of Chinese companies, for instance over the next ten years. During this time, the cooperation between Chinese and Europeans will be far beyond our imagination (Schmidt, 2014). Accordingly, many interesting issues will emerge to research.
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This study examines how European employees perceive organizational culture in Chinese multinational companies. The biggest problems they saw the Chinese organizational culture and structure as an unstable environment with communication challenges and due to the hierarchical structures, they often felt disempowered. These problems originate from large power distance and uncertainty tolerance. They deeply rooted in Chinese culture and much harder to change than management practices and incentives.