A Systematic Review of the Impact of Cultural Differences

on American-Chinese Partnerships

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Abstract

After China implemented the Open Door policy in the late 1970s, the Chinese economy grew rapidly in the following three decades, making the Chinese market one of the most attractive investment environments in the world. Under these circumstances, the joint venture model became the most popular cooperative way to enter the Chinese market. However, conflicts frequently occurred when two parties from two different cultural backgrounds worked together. This paper aims to examine the culture gaps between American and Chinese parties to minimize their negative impacts on business practices. The author applied Hofstede's Cultural Dimension Theory (Hofstede et al., 2010) and conducted a systematic review to reveal the differences between American and Chinese cultures and their implications for business practices in a multinational environment. This review examined 17 studies and included 13 other sources for introduction and discussion. It found that due to their cultural differences, Chinese and American business people have different approaches/behaviors in terms of social style, conflict management and human resources management. However, after learning more about the cultural practices of their respective counterparts, these conflicts could often be resolved, or at least minimized. Implications and recommendations for business practice were explored. The paper concludes with limitations and suggestions for future study.

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Introduction

China's Economy

Today, it is hard to deny that China has one of the fastest growing economies in the world, and this has been credited to the initiation of China's 'open door' policy in 1978 (Boisot & Meyer, 2008). The Chinese government planned to take a few important steps to implement this policy, which included the central government delegating authority for decision making to local governments regarding export and import trade. This plan also included opening a series of special economic zones which enjoyed favorable tax policies. These policies attracted foreign investments and modern technology, and facilitated economic development(Wei, 1995). In the 1980s, China's average annual rate of trade expansion was more than 10%, double the world trade expansion of 5%. Meanwhile, China's annual GDP growth was 9.5%, while the global growth rate was less than a third of this level (i.e. 3.1%) for the same period (Wei, 1995). Furthermore, since China became a member of the World Trade Organization in 2001, it has heightened its position in global trade (Selmer, 2006).

China has one-fifth of the population of the world (Selmer, 2006), and Chinese per capita income has increased eight times since 1978 (Zheng, Bingsten & Hu, 2009). The emerging economic environment and vast market have attracted many foreign investors to enter the Chinese market to expand their businesses (Chan et al., 2005). This has helped China to become one of the most desirable business development countries in the world (Selmer, 2006). As a result, the amount of foreign direct investment (FDI) was US$53 billion in 2003, which was fifty-three times that of 1983, and continued to increase to US$60 in 2004 and 2005 (Boisot & Meyer, 2008).

Joint ventures became a major way for foreign investors to move into the Chinese market, which meant foreign partners would provide advanced technology, managerial expertise, cash flow and machines. In exchange, Chinese partners would offer access to the local market, a competitively-priced workforce and experienced managers who were familiar with local regulations and policies (Chan et al, 2005). As the operational model of a joint venture necessarily involves two parties with different cultures, conflicts between two parties are hard to avoid. For instance, they each have different ways of problem solving and different ways of managing employees within the organization (Chan et al, 2005).

To illustrate, consider the case of Guangzhou Peugeot, a joint venture established in 1985 during the early stages of the open-door policy implementation in China (郝泽华, 2004). In this company, the French partner held a 22% share, while the Chinese partner held a 66% share, an investment company held an 8% share and a French bank held a 4% share. However, this business partnership did not last very long. Guangzhou Peugeot has suffered cumulative losses of approximately 100 million US dollar until 1997, and ultimately, their partnership stopped in 1997. People who reviewed this case (郝泽华, 2004) commented that the main reasons for the collapse were the cultural differences between the two parties - those differences made it difficult to get alignment in order to make critical decisions. For example, the French partner had a tendency to make short-term decisions, while the Chinese partner preferred to make decisions based on long-term strategy to grow business in the field of Chinese auto industry. Therefore, the Guangzhou Peugeot case was instrumental in educating the business community about the impacts of cultural gaps when two parties from different cultural backgrounds work together (郝泽华, 2004).

Chua's (2012) study about how Western people build effective business relationships with Chinese partners provides insight into this situation. Chua related a short anecdote about the case of an unnamed American executive who stated that culture played a crucial role in business cooperation. The executive explained that when his company was working on a $20 million project in China, the Chinese company requested that they gather more ideas and select the most promising. However, the Americans were focused on innovation as their highest priority. The two sides never came together, and ultimately, they did not sign a contract (Chua, 2012).

Furthermore, I witnessed how culture impacted decision-making processes during my own ten-plus years working for Western companies in China. For instance, when we tried to develop a new customer, the local manager thought building a solid long-term relationship with clients could help the business to success. However, the senior managers from different cultural background were hard to convince, because they believed that having a high quality product was the major stepping-stone for business development. Also, there was a big gap between Western and Chinese cultures in terms of point of view, and traditional reception. It was impossible to avoid arguments in a team discussion. These experiences develop my great interest in cultural differences, and how using Hofstede's Cultural Dimension Theory can help us to understand how cultures can differ.

Hofstede's Cultural Dimension Theory

Culture can be seen as an attribute of society, according to Geert Hofstede (1980). Hofstede was a professor of organizational anthropology and international management at the University of Limburg at Maastricht Netherland and a director of the Institute for Research on Intercultural Cooperation. In addition, he served as an international consultant to companies

and organizations (Hofstede & Bond, 1988). He and his co-authors claimed in their book, *Cultures and Organizations: Software of the Mind* that, "Culture is learned, not innate. It derives from one's social environment rather than from one's genes" (G. H. Hofstede, G. J. Hofstede, & Minkov, 2010, p. 6). Hofstede and his colleagues asserted that culture is a mental program for a person, like "software of the mind", and it reflects the pattern of people's thinking, feeling and human behaviors. Thus, they defined culture as: "the collective programming of the mind that distinguishes the members of one group or category of people from others" (Hofstede et al, 2010, p. 6).

In order to better understand cultural differences, Hofstede developed a questionnaire asking about employees' basic values and beliefs to measure culture (Hofstede & Bond, 1988). According to Hofstede, "the term values is generally reserved for mental programs that are relatively unspecific; attitudes and beliefs refer to more specific mental programs". (Hofstede, 1998, p.17). This survey was conducted within IBM international organizations from 1967 to 1973. The questionnaire was translated into 20 different languages, with employees from 40 countries participating in the research (Hofstede, 1980). Hofstede analyzed the data using nations as the units of analysis. He identified four cultural dimensions for interpreting cultural differences between countries. Hofstede explained the reason for using nations as the unit to measure culture,

> …. as nations can host many cultures in the anthropological sense, and cultures
>
> can bridge more than one nation. Many potentially culturally relevant data are
>
> only available at that national level, so the nation becomes a surrogate for more
>
> suitable units (Hofstede, 1998, p. 17).

In 1980, Hofstede first presented four dimensions of national culture, which he named: Power Distance; Individualism versus Collectivism; Masculinity versus Femininity and Uncertainty Avoidance.   This theory provides a practical and extremely popular research model in the field of cultural studies and cultural comparison (Minkov & Hofstede, 2012); thus, it aptly becomes the theoretical foundation for this paper.   Because Hofstede's Cultural Dimensions theory is integral to the understanding of the paper, the major dimensions are described below:

   Power distance. The term of power distance refers to "the extent to which a society accepts that fact that power in institutions and organizations is distributed unequally" (Hofstede, 1980. p.45). In a small power distance workplace, hierarchical structure is not emphasized in the organization; the manager is accessible, and subordinates expect to be consulted. In a large power distance workplace, the manager is inaccessible, and subordinates expect to be told what to do (Hofstede et al., 2010; Hofstede, 1980).

   Individualism versus collectivism. Individualism implies "a loosely knit social framework in which people are supposed to take care of themselves and of their immediate families only, while collectivism is characterized by a tight social framework in which people distinguish between in-groups and out-groups" (Hofstede, 1980, p.45).   In an individualistic society, people take care of themselves, individual interest is emphasized, and people pursue a private life and opinion.   In contrast, in a collectivist society, the group is emphasized in many ways.   For instance, people take care of each other in the group; to achieve a group target, individuals' interests could be ignored; and the value standards of the in-groups and out-groups are different (Hofstede et al., 2010).

Masculinity versus femininity. This dimension measures what the dominant value is in society. In a masculine society, sex roles in society are clearly differentiated, money and things are important and competing with each other is prevalent. In a feminine society, there should be equality between the sexes, pursuing quality of life is emphasized and being a winner is not admirable (Hofstede et al., 2010; Hofstede, 1980).

Uncertainty avoidance. This dimension indicates to "what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. Unstructured situation are defined as novel, unknown, surprising, or different from usual" (Hofstede & Harris, 1988, p. 11). In a strong uncertainty avoidance society, people feel threatened when unexpected situations occur; written rules or regulations are required and if rules are broken, people feel guilty and people have great concern about security. In contrast, in a society with weak uncertainty avoidance, people easily accept when something different, or unexpected happens; rules are less formal and set up only when absolutely needed; if rules cannot be followed, people can change the rules; and people can tolerate vagueness and chaos (Hofstede et al., 2010; Hofstede, 1980).

Long-term versus short-term orientation. A fifth cultural dimension was added later (Hofstede & Bond, 1988). The research that led to the long-term versus short-term orientation dimension will describe later in the paper, in the context of the systematic review. Nevertheless, as a dimension in modern CDT it will be described briefly here. Long-term orientation stands for "the fostering of virtues oriented toward future rewards. Short-term orientation stands for the fostering of virtues related to the past and present" (Hofstede et al., 2010, p. 239). The values of long-term-orientation cultures can be described as learning, being honest, self-discipline, and pursuing long-term personal relationships (guanxi); while with

short-term-orientation culture, people pursue freedom, rights, achievement and individual interests (Hofstede et al., 2010).

Since cultural differences do indeed exist in multi-cultural business dealings, one question that was raised was what the cultural differences were in the multi-cultural organizations, and how to minimize cultural gaps. The purpose of this research was to analyze the impacts of cultural differences between American and Chinese business people, and find ways to mitigate the conflicts they cause. In this paper, I conducted a systematic review using Hofstede's Cultural Dimension Theory as an organizing framework to synthesize existing research and support an evidence-based approach to cross-cultural management practice involving the USA and China.

Research Method

Search Strategy

A systematic literature review is "a comprehensive review of literature which differs from a traditional literature review in that it is conducted in a methodical manner" (Hanley & Cutts, 2013, p.4). A systematic review was conducted to support an evidence-based management approach. I searched for literature in Academic Search Complete, Business Source Complete, and PsycINFO databases, as well as through Google Scholar. In order to identify the relevant literature, keywords were developed based on the theme of the paper (see Table1). Meanwhile, since Hofstede's Cultural Dimension Theory is the key theory used in this systematic review, and it was developed in 1980s, the time period of searches conducted for this reviewed was from 1980 to May 2014. Another criterion for inclusion was that a given article had to have been published in a peer-reviewed journal.

Table 1

Key words	Number of Articles
Cross-cultural + Leadership	152
Cross-cultural + China	90
Culture + Comparative	163
Economic Reform + China	186
Expatriates + China	198
Conflict Management + Culture	203
Culture + Dimension Theory	112
Guanxi + Multinational	42

Study Selection

I screened study titles and abstracts for overall relevance. Selection criteria for all relevant articles were as follows: 1) culture studies are focus on Chinese and Americans 2) the analysis of cultural differences with cultural dimensions 2) impact of cultural differences on business practice. I also excluded commentaries and editorials.

After the first screening, I evaluated each potential article in the various areas: 1) The purpose of study (if the research question related to the theme of my project). 2) Sampling and research method (if the samples were from two different cultures). 3) Findings (if the findings correspond the purpose of study).   Each study included in the present study was reviewed and summarized in Table 2 (presented at the end of the report). Moreover, the search flow chart is displayed as follows in Figure 1,
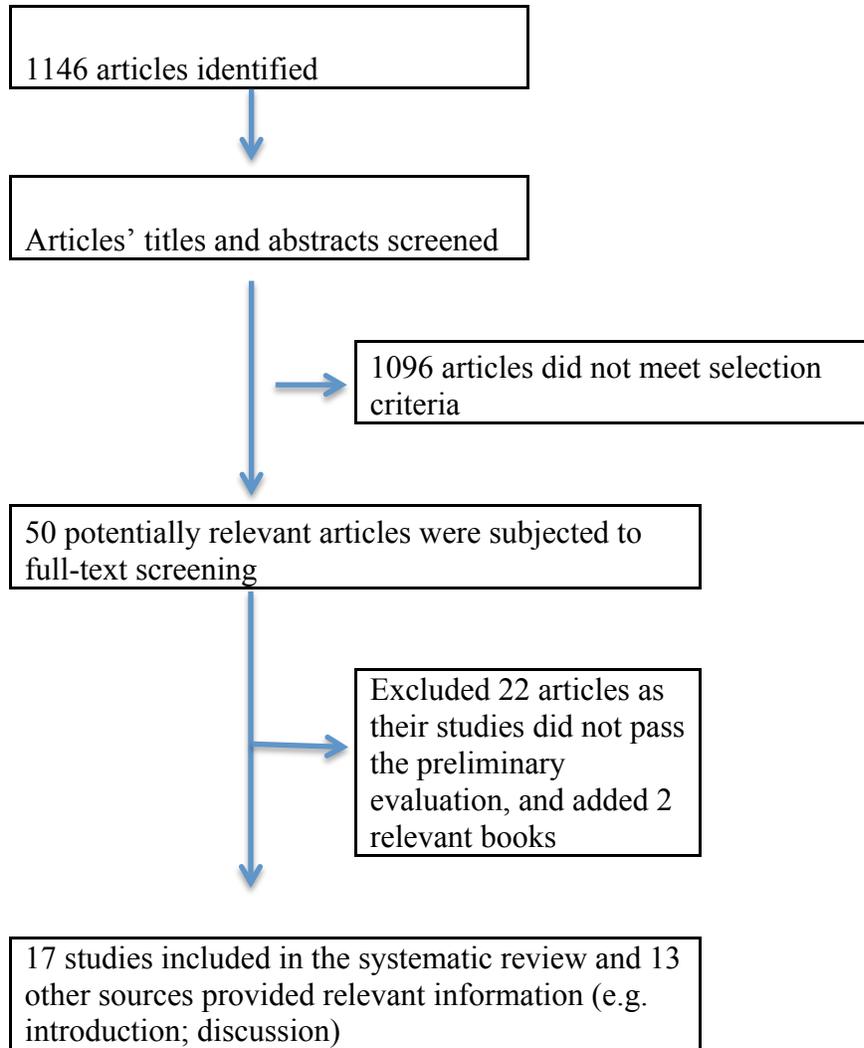
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┌─────────────────────────────────┐
│ 1146 articles identified        │
└─────────────────────────────────┘
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        ├───────▶│ 1096 articles did not meet selection │
        │        │ criteria                        │
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│ 50 potentially relevant articles were subjected to │
│ full-text screening             │
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        │        ┌─────────────────────────────────┐
        │        │ Excluded 22 articles as         │
        ├───────▶│ their studies did not pass      │
        │        │ the preliminary                 │
        │        │ evaluation, and added 2         │
        │        │ relevant books                  │
        │        └─────────────────────────────────┘
        ▼
┌─────────────────────────────────┐
│ 17 studies included in the systematic review and 13 │
│ other sources provided relevant information (e.g.   │
│ introduction; discussion)       │
└─────────────────────────────────┘
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Figure 1 – Literature Search Flow Chart

Results

Hofstede did not stop his research with his important and groundbreaking work in development of the dimensions of culture (Hofstede & Bond, 1988).   He claimed that he had concerns about the validity of the theory's application, as the questionnaires were developed by Western researchers, and therefore, could be biased by the influence of the researchers' own cultures (Hofstede & Bond, 1988).   Fortunately, Michael Bond, a senior lecturer in

psychology at the Chinese University of Hong Kong, as well as a cross-cultural management trainer in Hong Kong, conducted a Chinese Value Survey (CVS). He asked a number of Chinese social scientists to list the basic values of Chinese people. This work led to the development of a 40-item Chinese questionnaire, which was subsequently translated into English. One-hundred students (50 males and 50 females) in the country were selected to participate in the survey. Ultimately, the data collected, using a similar procedure, from 22 countries was analyzed. The results showed that the three cultural dimensions were very similar to Hofstede's cultural dimensions of Power Distance, Individualism/Collectivism and Masculinity/Femininity. This finding supported Hofstede's cultural dimension theory, as these two studies used completely different questionnaires, which were conducted in different time periods and in different countries (Hofstede & Bond, 1988). Also, Hofstede (1988) developed a fifth dimension referred to as 'Long versus Short-Term Orientation' (LTO) based on the result of the Chinese Value Survey. Later, in order to measure the validity of LTO, Minkov and Hofstede (2012) analyzed the data of the World Value Survey, a database of global values analysis which originated in 1981, collecting data between 1994 and 2004 attempted to find out what factors correlated with economic growth. This analysis illustrated that one factor was very similar to LTO, which strengthened the validity of the fifth dimension of Hofstede's cultural dimensions (Minkov & Hofstede, 2012).

Since the fifth dimension was identified, Hofstede's Cultural Dimension Theory became a more integrated framework for measuring the cultural differences between countries, as the definition of each dimension can be correlated to an attribute of national culture.

Comparing the American and Chinese cultures with Hofstede's Cultural Dimension Theory, the review revealed major cultural gaps in the dimensions of Power Distance,

Individualism versus Collectivism and Long-term versus Short-term orientation (Hofstede et al., 2010; see Figure 3 & Table 3).
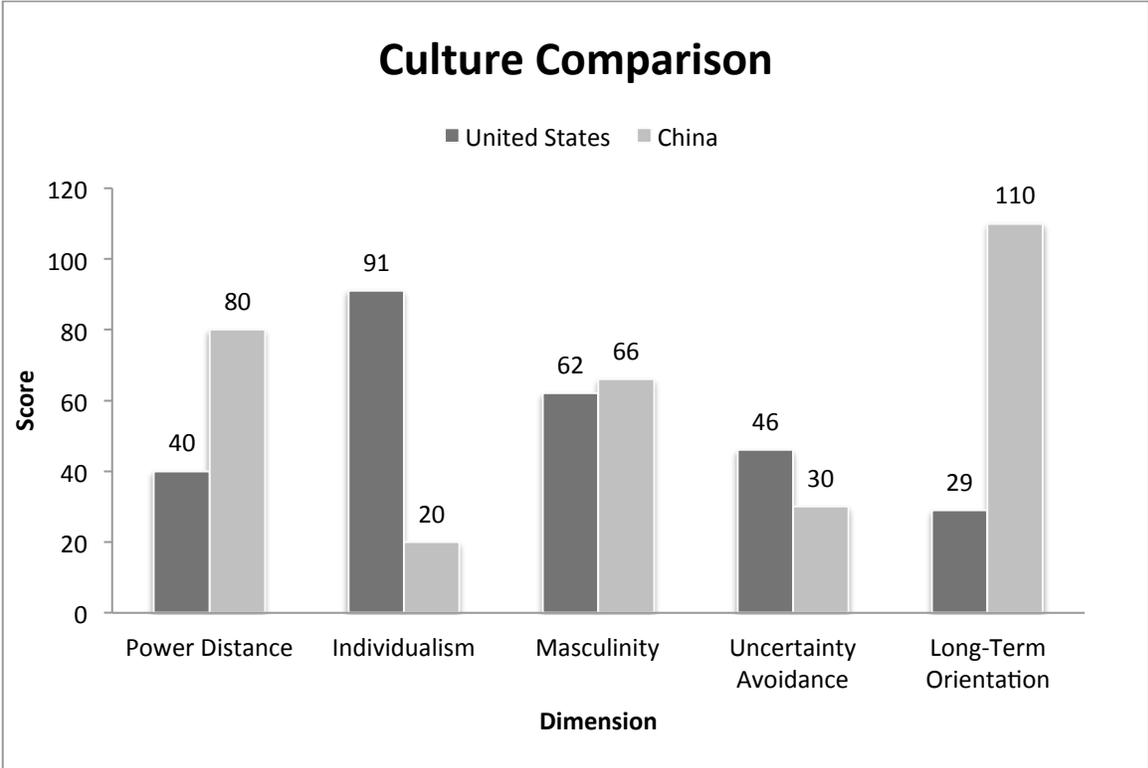

Figure 3: Culture comparison

Data source: Cultures and Organizations : Software of the Mind (G. H. Hofstede, G.J Hofstede & M. Minkov, 2010)

Cultural differences between China and the United States

Table 3

	Individualism vs Collectivism	Power distance	Uncertainty Avoidance	Masculinity vs Feminity	Long-term vs short term orientation
United States	Individualism	Small power distance	Weak uncertainty avoidance	Masculinity	Short-term orientation
China	Collectivism	Large power distance	Strong uncertainty avoidance	Masculinity	Long-term orientation

As shown in Figure 3 and Table 3, China is a larger power distance, collectivistic and long-term orientation society; while the US is a small power distance, individualistic and short-term focus society. Power distance and individualism are factors that greatly impact leadership style (Hofstede & Harris, 1988). In a country with a small power distance and individualistic culture, for instance the United States, the ideal leader should be a good resource for subordinates, and incentives should be given to the individual. Also, employees work in an open communication style environment, and they are involved in the decision-making process in the company. On the other hand, in a large power distance and collectivistic culture, for example China, the leadership will be respected; group loyalty is emphasized in the organization and communication tends to be a one-way process (Rawwas, 2003).

Doing business in a country requires knowledge of the factors affecting business efficiency and success. In the 1990s, Hofstede and three co-authors conducted a study regarding business goals among more than 1800 MBA students with work experience from seventeen countries. They asked those MBA students to rank the business goals attributed to the business leaders in their respective countries. They concluded that culture is one of the most important elements for successful business operation in a certain country. In the report

on culture in organizations, the important factors for China that were highlighted were respecting ethical norms and honor, face and reputation. Whereas, American's leading cultural factors were pointed out to be growth of the business, the current year's profits, and personal wealth (Hofstede et al., 2010, p. 324).

These factors were derived from the national values which were influenced by the history of the country. More than 2500 years ago, Kong Fu Ze, a great scholar in China, surrounded by a group of his students recorded the theory and knowledge of his teaching. Today that is known as Confucianism. Confucius' teachings emphasized three key elements of the society, which were summarized by Hofstede et al. (2010) as follows:

1) *The stability of society is based on unequal status relationships between people* (p.237). It differentiated between relationship levels in the society, for instance, parent to children, older child to younger child and senior to junior.

2) *The family is the prototype of all social organization* (p.237). Harmony is the basic tone in the family, and society.

3) *Virtue with regard to one's task in life consists of trying to acquire skills and education, working hard, not spending more than necessary, being patient and persevering (p.238).*

The above elements can be interpreted as persistence; thrift; relationship in order (i.e. father-son, older brother-younger brother, senior friend-junior friend); having a sense of shame; respecting tradition and face protection. Thus, it helps explain the implications of relationships in the Chinese context, as well as the importance of building up a strong relationship in the community (Hofstede et al., 2010; Hofstede & Minkov. 2010).

American culture was described as having a small power distance, individualistic and short-term orientation. With this sort of cultural profile, encouraging competition between individuals becomes the principle of control management in American organizations. It causes American employees to have a strong tendency toward individual interests in the organization (Hofstede, 1993). American employees desire power and money, and expect to get praise from supervisors as motivation; Performance assessment is conducted on an individual level, and rewards are tied with individual performance (Rawwas, 2003).

These cultural differences could bring various problems to Westerns business people working in China. In Goodall et al.'s (2006) study, semi-structured interviews were conducted within 10 senior-middle level expatriate managers, 12 local employees and 4 human resources managers. They found that one of major issues was the responsibility and motivation, as the leadership style local employee expected differed from what Western manager did. Moreover, Chan et al. (2005) asserted that the cultural differences caused conflicts between Western management style and traditional Chinese industrial practice. What is more, the conflict management styles were found to be different in Yuan's (2010) study. Based on qualitative research, the findings indicated that American managers and Chinese managers would apply differing approaches due to their different cultural background when conflicts came up (Yuan, 2010).

It is necessary to take a closer look at relationship, termed guanxi, in China, since they plays a crucial role in business operation in China (Gao et al., 2010). Gao's study on relationships in China indicated that relationships have three guanxi circles which include an outsider circle, an intermediate circle and an insider circle. For Western businesspeople whose relationship with Chinese people is located in the outsider circle, it is hard to move the

relationship into the middle circle or the inner circle, as each circle has different rules (Gao et al., 2010). Chua et al (2012) interviewed 231 American managers and 203 Chinese managers to figure out how to build effective business relationships in China. They found that gaining trust from Chinese business people was fundamental to building relationships in China. Moreover, performing a proper face practice could help to establish a Chinese social relationship (Cardon, 2009). Having interviewed 34 Chinese businesspeople and 8 American businesspersons, giving face and protecting face were found to be two major face practices in the Chinese context (Cardon, 2009).

How to cope with cultural differences is a major concern for expatriates in China, and cultural adaption could be a recommended solution (Lin, 2004). That author claimed that "cultural adaption is beyond simply adapting business practice, but involves understanding, adjusting to and learning about the other party form a cultural standpoint" (Lin, 2004, p.42). When it comes to what factors can help expatriates to adapt to a culture, Selmer's (2006) study reported that there was no association found between cultural novelty and any sociocultural adjustment among Western expatriates in China. In another study, American expatriates who have extroversion and agreeableness personality traits were found to be better adjusted themselves for their international assignments (Huang, 2005).

Discussion

Since China instituted the 'open-door' policy, the booming economy and huge potential market has attracted foreign investors to the Chinese market. Forming a join-venture company with a local firm is one of the most popular collaborative models for American investors (Goodall & Warner, 1999; Goodall, Li, & Warner, 2006). However, the parties from two

different cultural backgrounds could have very different opinions on and styles for dealing with issues related to, social style, conflict management and human resources management. According to Jan Selmer's (2006) research, "from a Western perspective, China seems as the most foreign of all foreign places. Its culture, institutions, and people appear completely baffling" (p.1210). This was a frequent comment from Westerners who experienced the impacts of major cultural differences.

Impact of Cultural Differences on Social Style

With the culture of collectivism and long-term orientation, the concept of group is emphasized in many ways, including in the social network. Building a long-term relationship (guanxi) between businesspeople and employees can make the work much easier, as it provides access to information and resources (Yao, 2014).

Guanxi is a Chinese term that describes a unique system of social/business relationships. Guanxi is the foundation for building the trust in business in China (Gao et al. 2012). In Chinese, Guan means gate, and Xi refers to the special connection to go through the gate. Structurally, Chinese guanxi networks can be divided into three circles. According to a study conducted by Gao et al. (2010), the innermost circle consists of family members, and they are very close and share resources based on their needs. Close friends and people who feel particularly close are allocated to the middle circle. The others are in the outermost circle, which is the usual place of foreign investors. Moreover, different circles play by different rules. For instance, the innermost circle follows the "need" rule, the middle circle plays the "favor" rule, which involves many emotions; and the outermost circle involves the equity rule which involves little emotion. Their study also revealed that the people in the outer circle have difficulties accessing the inner circle because of the lack of strong connection. Furthermore, in

the Chinese context, business relationships and personal relationships cannot be separated from each other. That is to say, the business relationship could impact the personal relationship, and vice versa. This inter-association is difficult for Westerners to understand due to the varying rules, and as they are from different cultures (Gao et al, 2010).

Table 4

Relationship Circle	People	Rule
Innermost Circle	Family members	'Need' rule
Middle Circle	Friends	'Favor' rule
Outermost Circle	People who just know each other	'Equity' rule

Although Westerners find that it is difficult to understand the pattern of guanxi (Table 4), Guanxi is always crucial for business cooperation with Chinese parties. Its importance impacts the negotiation outcome because guanxi is a platform to establish trust in the cooperation relationship and trust can connect to the degree of confidence as well as the level of risk for the deal (Leung et al, 2011). According to Leung's study (2011) on guanxi, Renqing (favor) and Ganqing (emotion) were two important factors in managing guanxi, and they impacted the level of trust of parties, which can influence the negotiation result. Moreover, in the Chinese context, people's interactions generate the Renqing (favor) and can positively influence Ganqing (emotion). For instance, on Chinese New Year, it is customary to give a gift to friends when visiting. The receivers would feel they owe a favor to the givers, and this will generate more interactions in the future. This model could assist them to gain more insights from each other, and promote their positive emotions as well. Through this

system, people feel they are closer, and become members of each others' connection network (Leung et al. 2011).

However, Westerners have strong concerns when they build relationships with Chinese people, as gifting is part of Chinese culture, and they believe it could be suspected as bribery if it is not performed properly. As noted above, gifting is a customary social interaction in guanxi. People show their respect to their elders, their friends and working partners, as well as give and enhance mianzi (face) and generate renqing (favor) through this activity. Additionally, gift giving is a social activity to make new friends, and turn new friends into old friends. In an article that appeared in the *Journal of Business Ethics*, Steidlmeier (1999) stated:

> For Chinese, gift giving is a natural dynamic of any relationship: it shows a
>
> relationship is valued and is a means of expressing respect and honor of the
>
> other people (p.124).

Not only it is important to understand the implication of gifting, but also it is crucial to understand how to adapt the custom of gift giving properly. For instance, what the gift should be and how the gift is given, as well as when the time is appropriate for gift giving are the big challenges for Westerners because there aren't have explicit rules to play by (Gao et al., 2010). Furthermore, on certain occasions, people in China would normally send an envelope with an amount of money as a gift, such as to a wedding ceremony, and at Chinese New Year (Leung et al., 2011).

This money-involved gifting causes high concern about corruption for Westerners, because they are governed by company codes of conduct which often ban any exchange of gifts between employees and clients, as well as by official corruption regulations, such as the *Foreign Corrupt Practices Act (FCPA)* in the U.S.   These policies not only apply to their

business in the homeland, but also apply to their business abroad (Steidlmeier, 1999). Moreover, the Chinese government has also raised concerns regarding corruption, and has issued the regulations regarding gifting activities. For instance, in Leung et al.'s (2011) study, it indicated that

> on the *Regulations of the State Council of the People's Republic of China on Giving and Receiving Gift in Official Functions Involving Foreigners 1993,* no state employee shall give or receive gifts in terms of cash or negotiable securities without authorization, nor shall he solicit gifts from foreign firms either explicitly or implicitly (Article 2 and 8), (China Legislative Information Network System, 1993), (p. 1200).

Thus, multinational companies also have the obligation to govern their local employees in terms of corruption. For instance, one gift giving study involved forty-nine UK companies in China found that between the suppliers and purchasers, because their individual interests were involved, gift giving was perceived to have a high risk of corruption (Millington et al. 2005). This critical perception requires the company management to work out a company gifting policy or consider re-organizing company structure to minimize the risk of corruption. For example, some solutions could be considered,

1) Enhance the education on anti-corruption practices to local employees

2) Set up a strict partner selection process, including due diligence check

3) Establish an internal gifting review process which requires superiors to review the purpose of gifting and its forms, as well as covering the audit process (Millington et al. 2005).

The above guidelines not only can minimize the risk of gifting, but also help expatriates to cultivate guanxi networks in the proper way.

Another key element of business operation in China is the culture of face. Face culture includes "giving face" and "protecting face". Cardon (2009) stated that giving face refers to one's effort to "defend and support the other person's need for inclusion and association" (p.21), and also claimed that protecting face is to "protect self from other's infringement on one's autonomy" (p.21).

In the Chinese context with a collectivistic culture, an individual's opportunities are bound to one's personal social network. Face is one of the measurements for one's social position. Without face, one's opportunities are greatly reduced. Therefore, face is extremely important for people in China running a business (Cardon, 2009).

On the other side, with a strong individualistic culture, an American businessperson has the tendency to draw a line between personal relationships and business, and they have been educated to separate the practical and the emotional. Inabilities to separate these two elements are seen as unprofessional and create risks of conflicts of interest (Chua, 2012).

While doing business in China, integrating into the local culture is a good strategy. In addition, learning how to maintain a relationship is crucial for the American businesspersons. Cardon's (2009) qualitative study conducted with Chinese businesspeople and American businesspersons was designed to explore the perception of face practice among Chinese and American businesspersons. That study showed that from a Chinese perspective, a common strategy of giving face practice was to present gifts or to host a banquet. However, American businesspersons tended to promote face through verbal reinforcement. Also, the report revealed that the American businesspersons were concerned that the gift had a high risk of

creating the perception of corruption. Focusing on the these concerns about differences in cultural perceptions they found, the researcher subsequently proposed that a foreign businessperson should respect the face culture when working with Chinese partners, and should understand that face practice is not restricted to face saving and politeness (Cardon, 2009). Therefore, understanding the implication of guanxi and face culture is essential for foreign businesspersons, but applying different approaches to maintaining the relationship is also crucial.

Impact of Cultural Differences on Conflict Management

It is well known that cultural differences can cause conflicts, and if the conflicts are not managed well, they may bring big negative impacts in the organization, such as mistrust, stress, and high turnover rates (Yuan, 2010). Influenced by Confucianism, Chinese people prefer the harmony model within groups and for relationships, and also apply this model when conflicts occur. With this background, Chinese employees would keep quiet when there is a second opinion in a meeting because of a fear of losing face and in order not to support conflicts. One expatriate complained there was a lack of open communication when he had a discussion with a group of Chinese employees, and that people remained silent no matter how much they were encouraged to speak out. Also, Chinese employees preferred to express their different opinions implicitly rather than explicitly. This is termed an 'avoiding strategy' (Cardon, 2009; Goodall et al, 2007). When dealing with conflicts, Chinese employees tend to apply collaborative and compromise strategies to solve the problem (Yuan, 2010), but a more common practice is to ask a third party to be involved, thereby avoiding lawsuits when possible. Not surprisingly, China has become a country which has more than 10 million mediators, and fewer than 15,000 lawyers (Rawwas, 2003).

However, with an individualistic and small power distance culture, a different opinion is predominant in the American group. When conflicts occur in the group, American employees demonstrate a propensity for confrontation and argue with their counterparts with specific evidence to gain more influence. They also prefer direct communication of their points (Yuan, 2010). Thus, mediators have fewer roles to play in conflict management in the American group. What is more, the conflict is sometimes encouraged among the group, as they think it may can stimulate change and innovation (Rawwas, 2003).

Apparently, if an American manager deals with conflict with a Chinese employee using the American style, the conflict cannot be resolved. And also this way could be expanded into be a more serious conflict as applying an American conflict management style could damage the principle of harmony, as well as cause the Chinese employee to lose face.

Seeking an alternate strategy to solve conflicts with Chinese employees/business partners becomes a top task for American entrepreneurs operating in China. One face-to face interview related the nature of conflict management conducted among Chinese and American employees working for multinational companies (Yuan, 2010). The report indicated that managers preferred to look for the roots of conflicts before dealing with them, as the conflict may be caused by miscommunication or misunderstanding. For instance, one specific case was given in the study:

> When we were discussing a sales report, our manager (an American) asked
>
> for specific numbers. One Chinese employee mentioned a number based
>
> on his estimation. The American manager was not happy with that because
>
> he believed that people should not make up a number if they don't know

the right answer. But Chinese people think not knowing the answer is a

shame (p.304).

Eventually, through more interactions, the Chinese employee made the American manager

understand he did not intend to deceive him; meanwhile, they built up the trust between them

(Yuan. 2010). Another study found that the root cause of conflict could be the language barrier,

as the English language is not the Chinese native language. Some miscommunications and

misunderstanding could occur when Chinese employees did not express their points with the

correct words (Goodall et al., 2007).

In Yuan's (2010) study, the findings revealed that American managers applied

strategies based on the situation of the conflict. For instance, if the conflict was not related to

a major principle, they would not insist on their points, but would compromise. Also, in a case

that was not clearly right or wrong, finding the right path, agreement and understanding was

the best solution to business growth.

Impact of Cultural Differences on Human Resources Management

Cultural differences can directly impact individual managerial efficiency as well as

affect the efficacy of the organizational system (Goodall et al., 2007). Because Confucianism

deeply influenced Chinese culture, and China is a large power distance and collectivistic

country, the hierarchical organizational model is prevalent in many Chinese companies

(Rawwas, 2003). The employees in such organizations are aware of their positions in the

organization, as there is a clear differentiation between employees of different organizational

levels (Erez, 2009). In this model, the relationship between supervisor and employee is

comparable to a 'parent-children' model. Employees rely on their supervisor in many ways.

For instance, supervisors/managers not only pay attention to their followers' jobs, but also to

their personal lives, looking after and guiding them in the correct directions. Followers are willing to accept and follow the instructions from supervisors/managers (Rawwas, 2003) Moreover, in terms of motivation, as China possesses the attribute of collectivism, group identification is emphasized in many situations. For instance, the sense of belonging and dedication to the group is crucial for an employee; the group's success is more important than is their success as an individual (Pan & Zhang, 2004).   Reflecting the traits of a masculine society, Chinese employees are willing to take challenging tasks, so they would spend more time on works and give up the leisure time with family or friends (Yao, 2014).

As the attributes of strong individualism and small power distance are highlights of American culture, supervisors/managers appear to have more tolerance for a wide-range of opinions and behaviors. Also, employees experience a less blatant hierarchical atmosphere in the organization. Rewarding individuals is a key driver for employee motivation. Additionally, most of the time, employees can finish a job independently, and then solicit feedback from his/her supervisor. A friendly and considerate management style is favor in the organization (Rawwas, 2003).

With these cultural differences, it is hard to avoid having differing perceptions when Chinese and American employees work together. For instance, in one study regarding the influence of Chinese culture in a joint-venture company, the researchers interviewed expatriates from this company (Goodall et al. 2007). One expatriate from the USA indicated that,

> It seemed that everything went wrong when I first arrived here. I used
>
> to have firm goals for every project completion, for every plan I was

working on, as I did in the USA. But it just didn't work here. Yes, as

time goes on, the feeling of chaos and confusion may fade...(p.63)

Another interviewee stated that,

I tend to treat my staff here like we're all members of a family. I think

staff in the head office would feel that I was being patronizing,

interfering, rule-obsessed, bossy…. (p.70)

The above statements could be treated as a portrait of impacts from cultural differences.

Having been made aware of differentiations in working styles caused by cultural differences, the expatriates applied strategies combining of two culture's values when they worked with Chinese employees. For instance, when an expatriate boss was going to assign a task to his team members, he would have asked his team members to develop their own action plan which was the traits of small power distance. Also, on the process of implementation, he provided guidance, and never left them alone for the assignment which was a behavior of large power distance. Another example was when one expatriate helped the followers to set the goals for themselves, and made space for them for improvement (Goodall, et al., 2007). These examples show that there was a reciprocal way to exchange values.

Limitations and future study

This paper analyzed the cultural differences between China and the United State using Hofstede's Cultural Dimension Theory. The materials used in this research have various limitations, for instance, the limitation of geography, time period, study method bias, and generalization. These limitations become the limitations of this paper. Also, China is a very large country, and cultures can be different between different locations within China.

Therefore, in future research, utilizing more studies conducted on different locations in China could be considered. This will have more implications for American expatriates when they operate businesses in different cities in China.

Conclusion

When conducting business in a foreign country, national culture must be involved. Hofstede's Cultural Dimension Theory (Hofstede et al., 2010) has identified culture as five dimensions each presenting a distinct cultural characteristic. Comparing the American and Chinese cultures with Hofstede's theory, the results can clearly explain why people have different behaviors/reactions when American businesspersons and Chinese businesspersons deal with the same thing. Moreover, when the impacts from cultural differences in terms of human resources management, social style and conflict management were analyzed, the results show that in order to achieve business success, cultural adjustment and adaptation by foreign investors and local partners are necessary.

Culture adaptation is defined as "a change in behavior to be more typical of behavior in another's national culture" (Lin, 2004, p.36). Such adaptation can be divided to three phases: to understand, to adjust and to learn (Lin, 2004). In order to better adapt to the culture, identifying Chinese cultural characteristics is a must (Erez, 2009), and Hofstede's theory is a practical framework to do this.

Since culture adaptation is a long process for an American businessperson, the personality traits of the expatriate should be considered when a company decides the final candidate. It is well known that building up a good relationship with Chinese partners/employees is essential for an American entrepreneur. In 2005, Huang, Chi and

Lawler published a finding from their study that an expatriate high on extroversion and agreeableness personality traits can more easily establish a friendship with Chinese partners/employees than a person lower on these two personality traits (Huang et al, 2005).

Finally, awareness that cultures are changing and evolve over time is essential for all parties concerned (Goodall et al., 2006).   With the continuing reform in China, more and more American business people operate businesses in China. Therefore, understanding and learning about Chinese culture are crucial for American businesspersons. It is not only Chinese culture that is influencing the behaviors of American business people, American culture is influencing Chinese employees as well.   Equally, the local culture (e.g., Chinese) must also learn something about foreign investor (e.g. American) practices. Ultimately, recognizing and studying the cultural differences, and making corresponding adjustments and adaptations are essential to reducing and mitigating the gaps.

Table 2

Author (Year)	Purpose of the study	Sample size	Research Method	Key findings	Study assessment
Hofstede (1980)	To examine if American theories can apply to other countries	N=116,000	Research data were obtained by comparing the beliefs and values of employees within one large US-based multinational company in 40 countries in the world. These countries represented the wealthy countries and third world countries.	With Hofstede's cultural four dimensions developed, compared American management theory and to different countries' in terms of the drivers of motivation, leadership style and organizational culture. Due to the different culture, there is no one-size-fits-all theory for management.	The data were collected were in 1960s and 1970s. Although the data were old, this study analyzed the culture impact on management and leadership. It showed the importance of culture in the business environment.
Hofstede & Bond (1988)	To assess if the national culture can impact economic growth	N=2200	40-item Chinese Values Survey (CVS) which contained the basic values of Chinese people. Respondents were 2200 students in 22 developing or developed countries. The survey was conducted over a 20-year time period. Twenty out of twenty-two countries were used in Hofstede's previous IBM study. Scored the countries on each CVS dimension and compared these scores with those from Hofstede (1980)	Three of Hofstede's cultural dimensions were found in the CVS study. Moreover, one new dimension was found in this study, which indicated values oriented toward the future and related to economic growth. In this dimension, Asian countries got higher scores than Western countries. The economic growth rates were higher in the countries with higher scores on this new cultural dimension.	Two cultural studies, Hofstede's (1980) cultural study and this CVS study, were conducted with different questionnaires in different time periods. Three cultural dimensions overlapped, and a new cultural dimension, long term vs short term orientation was identified. Findings from this study strengthened the validity of Hofstede Cultural Dimension Theory, and added an important cultural dimension.

Author (Year)	Purpose of the study	Sample size	Research Method	Key findings	Study assessment
Hofstede (1993)	To examine the management styles in different countries.	N=10	Applied 10 country's scores on five dimensions to analyze the management style of each country in terms of leadership and motivation. Countries studied were the United States, Germany, Japan, France, the Netherlands, Hong Kong, Indonesia, West Africa, Russia and China. Described the management practices in each country, and compared them with American practices.	Ten countries' scores vary on five cultural dimensions, which mean these country's cultures are different. People from these countries have different expectation for their leader in terms of the people management and motivation. Therefore, American management theory is hard to apply in other countries.	This study provided detail information regarding organization management in different countries. Use of Hofstede's Cultural Dimension Theory to explain the differences between American and other countries was compelling.
Hofstede (1998)	To examine if nations are suitable units for culture study	N=117,000	Conducted a worldwide comparative attitude surveys within the IBM company over a six-year time period. Employees answered the questionnaire regarding the basic values and beliefs which were used to measure culture. Various instruments used ratings of individual items on scales of between two and 11 points; Others used ranking of item relative to one another.	Value is part of culture, and also is a component of national cultures. Nations can host many cultures in the anthropological sense, and cultures can bridge more than one nation.	The study covered people of different ages, different life experiences, males and females, and the data were collected over a long time period. This study method avoided the biases as much as it can.

Author (Year)	Purpose of the study	Sample size	Research Method	Key findings	Study assessment
Rawwas (2003)	To examine if an American management style can be applied effectively in a Chinese context	N=401	The surveys were conducted using 200 American and 201 Chinese managers as subjects. The questionnaire explored leadership styles, conflict management and motivation. MANOVA analysis was applied.	Due to cultural differences, American and Chinese managers have different practices in organizational management, and different ways to cope with conflict in the organization. Also, American employees and Chinese employees have different expectations of their supervisors for motivation.	Leadership integrity scale should have been included in this study, as it is one of important indicator of management style study.
Lin (2004)	To examine the relationship between commitment and relative dependence as two key relationship contexts of cultural adaptive behavior	N=94	94 managers from Chinese - US joint ventures completed a survey. The measures were rated on 5-point Likert scales anchored by 'strongly disagree' and 'strongly agree'.	Cultural adaption is not only adapting business practices, but also involves understanding, and learning about the culture of other parties.	Samples were from two locations, Beijing and Yangzejian, so it has a limitation of geographic scope. But this study revealed that the process of adaptation for both parties worked in a multinational company.

Author (Year)	Purpose of the study	Sample size	Research Method	Key findings	Study assessment
Chan et al. (2005)	To explore how conflicts in human resources management arise, evolve and are resolved in international JVs in China	N=60	60 senior managers and junior employees from 35 international JVs in Shenzhen participated in this qualitative research study. The interviews were conducted with managers, and focus groups were conducted with junior employees. The questions were focused on how Chinese managers and foreign managers in the same company perceive the major cause of conflicts relating to human resources management and how they manage conflict.	Conflicts were found in terms of motivation, failure of communication, work style and performance evaluation. Nevertheless, both Chinese and foreign managers were willing to learn their counterpart's culture and ways of doing things.	The authors explained the conflicts were caused by cultural differences between Chinese employees and foreign employees, and it provided valuable information to practitioners for dealing with such conflicts.
Huang (2005)	To examine if personality traits can help expatriates adjustment to their international assignment	N=83	American expatriates in Taiwan participated in this study. The questionnaire was designed with a five-points or seven- points Liker scale on different variables. An exploratory factor analysis method was applied in this study	American expatriates who scored more highly on extroversion and agreeableness personality traits adjusted better in Taiwan than did people with lower scores on those traits.	This study had used self-reported data, so they were hard to verify and may contain biases. The sample was fairly small. Its findings have some value for informing the selection process of expatriates.

Author (Year)	Purpose of the study	Sample size	Research Method	Key findings	Study assessment
Goodall et al. (2006)	To investigate how expatriate managers were shaped by the cultural environment in China	N=26	Semi-structured interviews were conducted within 10 senior-middle level expatriate managers, 12 Chinese local employees and 4 human resources managers. Open-ended questions focused on the managers' adjustment to China, perceived barriers to cross-cultural work and the managers' views of the essential skills required by expatriate managers.	Culture shock, language barriers, miscommunication, staff turnover, empowerment, motivation and teamwork became the expatriates' major issues for their adjustment in China. However, the more the expatriate manager fits in with the cross-cultural context in which he/she finds themselves, the greater their managerial effectiveness.	Though small samples were from one location, this study revealed the major issues the expatriates face in multinational organizations today. The stories described by interviewees provided the useful strategies for other expatriates who may have similar issues.
Selmer (2006)	To examine if the greater cultural novelty is related to greater difficulty for expatriates to adjust	N=165	A mail survey was conducted with 165 Western expatriates in China. Questions included culture novelty and sociocultural adjustment. Hierarchical multiple regression analysis method was applied in this study.	No association between cultural novelty and any of the following sociocultural adjustments: general, interaction and work adjustment.	Used self-report data, it may have biases (e.g. common method bias)

Author (Year)	Purpose of the study	Sample size	Research Method	Key findings	Study assessment
Cardon (2009)	To develop a model of how face practices of Chinese businesspersons vary depending on the relationships of parties.	N=42	A qualitative study was conducted within 34 Chinese businesspersons and 8 American businesspersons who were working in China. The interviews involved open-ended questions about face practices in China, and specific examples were requested. Each face incident described by interviewees was coded into the categories of business relationship, face practice, and strategy.	Three types of relationship were found: horizontal insider relationship, vertical relationship and outsider relationships. Outsider relationships are described as a more complicated relationship among three relationships, and more similar to those that Western businesspersons will encounter. Horizontal insider relationships involved giving face; whereas, protecting or saving face is major face practices in vertical insider relationships.	Small sample size, but it covered top, middle, and low level managers.
Gao et al (2010)	To investigate paradoxes about network and opportunity seeking	N=22	The interviews were conducted with business people involved in trading relations between China and Western countries. The topic of interview focused on story telling regarding 1) establishing and developing relationships with Chinese or Western counterparts 2) cultural constraints on business, including guanxi 3) identifying rules that govern business interactions in the Chinese market.	The guanxi associated dilemmas in the intercultural middle circle appear more problematic to foreign managers because they carry their outsider orientation and Western cultural norms with them to some extent when stepping into this middle circle	Small sample size, but the guanxi circle was clearly explained in the study. Meanwhile, guanxi dilemmas were revealed. They can help Western businesspersons to understand their position on the guanxi circle, and follow the rules of the corresponding positions, and how to invest in developing interpersonal relationships with others.

Author (Year)	Purpose of the study	Sample size	Research Method	Key findings	Study assessment
Hofstede & Minkov (2010)	To assess if Hofstede's fifth cultural dimension (long-term vs short-term orientation) relates economic developments	N=93	The data were collected in 93 countries with a questionnaire including more than 360 forced-choice items on a 10-year time period. The data was analyzed by Product Moment Correlation method.	The analysis of the data from the World Value Survey at the national cultural level replicated Hofstede's fifth cultural dimension. Scores of each nation were consistent with those of the Chinese Value Survey. Moreover, the relations between the fifth culture dimension and student performance and economic growth were found.	Using a different database, different analysis method and different time period strengthened the validation of the fifth dimension. Moreover, the significant findings regarding the correlations between culture and school and economic performance revealed the importance of culture value for a country.
Hofstede et al (2010)	To examine the top goals of successful business leaders	N=1800	1800 MBA students at twenty-one local universities in seventeen countries participated in this study, ranking fifteen potential goals of successful business leaders in their countries. These fifteen can be divided into five clusters: continuity and power vs honor, laws, and ethics; wealth and family vs responsibility towards employees; game and creativity vs patriotism; short-term profit vs long-term profit; growth vs responsibility toward society.	The profiles of top five goals of five economic powers - United State, India, Brazil, China, Germany- are different. The authors argued that goals conflict between leaders from different countries, as well as between expatriate leaders and their local partners.	Big sample size, but data were provided by students not necessarily business leaders.

Author (Year)	Purpose of the study	Sample size	Research Method	Key findings	Study assessment
Yuan (2010)	To find the differences between American and Chinese employees in conflict management	N=42	A qualitative research study was conducted with 42 employees who worked in a multinational organization. The data were analyzed by constant comparative method.	Both Chinese and American employees used various strategies to deal with the conflict. Chinese employees tend to avoid conflict, while Americans prefer to confront the conflict.	Sample size was small, but it included American and Chinese employees in similar numbers. Due to the fact that the average age of participants was less than 40, they may have had fewer working experiences in handling conflicts.
Hofstede & Minkov (2012)	To examine the validation of Chinese Values Survey (CVS) study	N=38	Used the database of the World Value Survey in the 1994-2004 period, which covered 38 countries to measure LTO. Each country's culture was measured with 10 items.	The factor's nomological network was identical to that of the LTO from the CVS study. They found the correlation between LTO and economic growth as well as student success in math.	Reinforced LTO is a valid and important dimension of national culture. It is a valid predictor of national educational achievement and of economic growth, although we cannot sure that LTO causes better performance in those areas.

Author (Year)	Purpose of the study	Sample size	Research Method	Key findings	Study assessment
Chua (2012)	To explore how to build up an effective relationship with Chinese business partner	N=434	A social network survey that captured participants' associates' backgrounds and how they interact was conducted within 231 American managers within 203 Chinese managers. Researchers used social network analysis methods to statistically examine how patterns of cognitive and affective trust develops in managers' networks	Relationships play an important role in business in China, and trust is grounded in empathy; rapport is also particularly important in Chinese business relationships.	The study explained how to build the strong relationship with Chinese people with the trait of Chinese culture. Meanwhile, the stories described by participants helped the practitioner to understand the culture gap between Chinese managers and American managers.

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