

The Effects of Intercultural Training upon the Organizational Performance of Multinational Corporations in China

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This paper aims to investigate the relationship between intercultural training and the organizational performance of multinational corporations. Fifteen multinational corporations operating in China participated in the investigation. In the study, survey and case study were utilized as research instruments, and questionnaire and semi-structured interview were two prime data-collecting techniques. Only a small number of the respondents offered intercultural training to their employees. It was also discovered that cultural differences could give rise to serious management problems and intercultural training could significantly improve the organizational effectiveness by overcoming such differences. Although the paper is based on a piece of qualitative research with no explicit comparative data, the findings seem to suggest that intercultural training can be a high-value contributor to the business success of multinational corporations. Therefore, it would be advantageous for multinational corporations to incorporate systematic intercultural training into their human resources development strategy.

INTRODUCTION

New and emerging markets in Asia, Eastern Europe, and certain parts of the developing world have become lucrative targets for corporations, as the income level of consumers in these regions has risen sufficiently to support purchases of services and goods offered by multinational companies (Baba, 2006). More expatriates now work in the four primary emerging markets - China, India, Russia, and Brazil (Gardner, 2007). Among them, China is viewed by an increasing number of multinational corporations (MNCs) as the most important overseas market because of its fast growing economy, enormous market, cheap labour and favourable investment climate.

Completing an international assignment presents expatriates with a variety of difficulties and challenges. As Ronen (1986) points out, the environment in which expatriates operate is very often culturally, politically, economically and legally different. Therefore, it is not surprising that they may develop symptoms of transfer anxiety, culture shock and social dislocation (Brooke and Remmers, 1977). Management practices are culturally dependent and culture can have a profound impact on outcomes of great important to an organization (Lillis and Tian, 2010). MNCs are always confronted with the dilemma of trying to balance between consistency and

adaptation. This dilemma is referred to as “glocalisation” by Trompenaars (1993). Understanding the host culture becomes indispensable if such dilemma is to be coped with.

Consequently, the success of an overseas venture is closely related to how its expatriates can adapt to the dynamics of an intercultural experience. MNCs should attach great importance to the ability of expatriates to live in a foreign society, accommodate cultural differences, and function as a member of a multicultural organisation. Intercultural training can play a role in developing cultural understanding to help expatriates carry out their foreign assignments with appropriate concern for potential cultural blunders (Black and Mendenhall, 1990). In addition, the success of an overseas operation requires the local staff’s ability to appreciate the cultures of the foreign investing company (Harris and Moran, 1996).

The aim of the research is to study the relationship between intercultural training and the organisational performance of multinational corporations. Multinational corporations in China will be investigated regarding intercultural training on both expatriates and local Chinese staff. This paper intends to answer the following questions:

- What are multinational corporations’ attitudes towards intercultural training?
- To what extent is intercultural training employed in these corporations?
- What problems might be caused by cultural differences?
- What benefits can intercultural training bring to the companies?
- What intercultural training programs can be more effective in organisational contexts?

In the following section, relevant literature will be reviewed to explore the attitudes of multinational corporations towards intercultural training, the problems cultural differences might cause and the benefits intercultural training can bring to them. After that, the design and administration of the research will be discussed. Next, findings of the research will be presented and analysed in relation to relevant literature. Finally, recommendations will be made on measures that can enable intercultural training programs to be more effective in organisational contexts.

LITERATURE REVIEW

Attitudes

Although many companies have expressed concerns about the difficulties of managing their expatriates, it seems that they very often fail to implement programs to address these problems effectively. Historically, employees were selected for overseas assignment based on their technical competence and fire fighting ability (Harvey, 1996; Black and Gregersen, 1999). Much of the need for expatriation was to solve an immediate business problem. Most of these assignments were considered somewhat short term and very little cultural training was offered (Stanek, 2000). McEnery and DesHarnais (1990) investigated how important certain skills and knowledge were perceived to be in international work by multinational corporations. They found that technical or functional skills were considered to be the most important for success, while knowledge of the target culture was rated as the least critical skill.

From 2000 to 2001 a study was jointly sponsored by CIGNA International Expatriate Benefits (CIEB) and WorldatWork, a professional association dedicated to knowledge leadership. Results show that employers are falling short before, during and after assignments according to expatriate expectations of preparation and support. Less than one third (32 percent) of expatriates

feel that the employers do a good job in preparing expatriates for assignment. Only 38 percent of companies agree that they do a fair job with cross-cultural training (PR Newswire Writer, 2001).

In contrast to the above findings, notable companies such as General Electric, Motorola, and Procter & Gamble have for years pursued complete programs of selection, training, acculturation, foreign entry, and location assistance. These leaders provide continuous support for expatriates during foreign assignments, preparation and training for re-entry, and systematic procedures for repatriation (Pascoe, 1992). Managers of leading European companies have traditionally undergone conditioning to prepare them for overseas careers rather than short-term assignments. Companies such as Unilever, British Petroleum, Philips NV, and Bayer AG select and train managers specifically for assignments to foreign posts with indeterminate contracts. These expatriates often become “global citizens” with permanent international careers (Kobrin, 1988).

In recent years, big companies like Berlitz and Prudential have added intercultural service divisions. Fortune 500 companies now routinely purchase one- or two-day seminars at a typical cost of around \$5,000 USD for an expatriate family (Lang, 2004). The number of firms offering language and intercultural training to expatriate families has doubled in three years, according to a survey conducted by Cartus, a global relocation firm (Gardner, 2007). It appears that the attitudes of MNCs towards intercultural training have become more positive.

Many companies do not assign a high priority to cross-cultural training. They either do none in any form, or if it is done at all, there is no strategy or plan in mind, with the result that it becomes a one-off event. Some companies do not begin to undertake cross-cultural skills development until after a significant foreign involvement has begun. What are the underlying reasons for these organisational behaviours? Previous research has examined a number of answers provided by international companies to this question. These answers are summarized as follows:

- Limited resources and lack of expertise are cited as barriers to effective cross-cultural training.
- There is limited research evidence supporting the anecdotal evidence of training effectiveness (Bhagat and Prien, 1996).
- It is believed that international expertise can only be learned through experience (McEnery and DesHarnais, 1990).
- Training is not a cost-effective investment. Temporary short-term assignments (those lasting one to three years) do not warrant training expenditures.
- Selection leaves too little time before relocation to new assignments to allow in-depth, cross-cultural training for expatriates.
- Companies prefer to hire locally, creating a trend toward assigning fewer expatriates overseas and weakening the need for expensive training programs.
- Employees feel dissatisfied with training programs and see little value in lengthy or intensive sessions beyond orientation programs (Holt, 1998).

Among Western firms in China, training and development is improving, but not enough is invested to meet long-term requirements (McEllister, 1998). In Sino-foreign joint ventures, Chinese and expatriate managers typically have a limited understanding of cross-cultural issues, and there is little cross-cultural awareness training offered to either group of managers as a strategy to reduce conflicts or mismanagement (Sweeney, 1996). It seems that there are not many empirical studies dealing with the attitudes of multinational corporations in China to intercultural training.

Problems

Employing expatriates represents a significant risk of failure, which is usually judged by relative criteria (Holt, 1998). It could mean returning home after achieving less than the company expected, which may limit future advancement opportunities. It could mean returning home with a record of successfully fulfilled job expectations, but only after sidetracking the expatriate's own career or compromising that of a spouse. Failure could also mean recall to the home office or premature termination of an assignment, with predictable consequences such as banishment to a career-ending position or even dismissal. This is the most common criterion by which researchers define expatriate failure (Mendenhall and Oddou, 1991).

Failure rates among expatriates can reach staggering proportions and be quite costly (e.g., Arthur and Bennett, 1995; Harvey, 1985; Oddou, 1991). While cross-cultural training is expensive for companies, some are finding that a failed overseas assignment is even costlier. Carl Burke, manager of Human Resource Global Services at Guidant, says that it costs them from \$150,000 to \$200,000 a year to keep a family abroad (Lang, 2004). According to Scott Sullivan, senior vice president of GMAC Global Relocation Services, employers often calculate that the cost of expatriates is triple their salary on an annual basis, including the expenses for relocated employees' housing, private schools for their children, and added taxes (Gardner, 2007).

Expatriate failures can happen for many reasons. Perhaps the expatriate simply could not handle the technical dimensions of the foreign assignment. Perhaps the individual's management style did not meet the expectations of the foreign employees. Sometimes recalls resulted when expatriates could not adapt to living in their host countries. Ricks documents many of these instances, which range from unintentional humour to outright offences in the host country, in his 1993 book *Blunders in International Business*.

In addition, unrealistic expectations can sometimes lead to pre-mature termination of expatriate contracts. According to Stuart and Barbara Strother who have straddled between the American and Chinese cultures since the early 1990s, the percentage of expatriates in China returning home early could be as high as 70%. They further commented that 'these are people who come to China with grand expectations but leave disappointed and disillusioned' (Strother in Relsted and Goldner, 2007, p.19). There are various reasons for expatriate failures, but the true reasons for failure often trace back to inept company practices and poor preparation for expatriates themselves (Holt, 1998).

Although previous research has probed into some problems caused by cultural differences in international companies in China, it seems that inadequate convincing concrete examples have been provided. There is clearly a need for additional research to collect more empirical evidence on this issue.

Benefits

Black and Mendenhall (1990) believe that intercultural training is a necessity, not a luxury. Studies on the effectiveness of intercultural training have shown that such training can bring about cognitive, affective and behavioural changes. The Global Relocation Trends survey, partially sponsored by Global Relocation Services, reported that 80 percent of companies responding found that training had a great or high value in terms of the success of expatriate assignments. Another survey of British expatriates conducted by Professor Christopher Brewster and Juana Pickard of the Cranfield Institute of Technology in England found that almost all of the respondents were very positive about the training they had received (Brewster and Pickard in Lang, 2004, p.13).

Zhu (2004) points out that intercultural training is, after all, a synergistic process of learning from all the cultures involved. By synergistic approach, Adler (1997) means the approach to incorporate the values of all cultures involved within an organization. Sharing similarities and common interest can provide a basis for the use of the synergistic approach and point to the common ground for working together as a team. In this way, cultural differences and diversity can be viewed as something positive towards achieving common goals. Only through appropriate intercultural training can the challenges be met and intercultural competence enhanced.

A large number of researchers have been actively involved in the careful evaluation of various intercultural training programs. Brislin and Yoshida (1994) have summarised 13 benefits of intercultural training from the work of these researchers, which are grouped under three categories and are summarised below:

A) Positive effects involving people's thinking and knowledge development

- Greater understanding of host nationals from the host nationals' own point of view.
- A decrease in the use of negative stereotypes in thinking about hosts.
- The development of complex rather than oversimplified thinking about another culture.
- In longer programs (approximately 10 weeks), increases in the general attitude called 'world-mindedness' as well as greater knowledge about one's own culture.
- The ability to solve difficult critical incidents that demand knowledge of culture and cultural differences, and the ability to analyze critical incidents in one's own life.

B) Positive effects involving people's affective reactions

- Increases in feelings of self-confidence that allow people to meet the challenges brought on by intercultural contact.
- Greater enjoyment among people as they interact with hosts.
- Increases in feelings, from people's own perspectives, that they have good working relations with hosts and that they are enjoying their overseas assignments.
- Decreases in reported levels of stress.

C) Positive effects involving people's behaviour

- Better interpersonal relations in work groups composed of people from different cultural backgrounds.
- Greater ease when interacting with hosts, as perceived by the hosts themselves.
- More sophistication when setting and working toward goals in other cultures and increases in the ability to formulate solutions to problems.
- Better job performance.

Harris and Moran (1996) suggest that all managers and professionals should advance their culture learning, and that all global organizations should include culture learning in their human resource development strategies. They believe that culture learning could benefit MNCs in the following ways:

- Culture gives people a sense of identity, especially in terms of the human behaviour and values to be encouraged. Through it, organisational loyalty and performance can be improved.
- Cultural knowledge provides insight into people. The appropriate business protocol can be employed that is in tune with local character, codes, ideology, and standards.

- Cultural awareness and skill can be helpful in influencing organisational culture.
- Cultural insights and tools are helpful in the study of comparative management techniques. Thus people are less culture bound in their approaches to leadership and management practice.
- Cultural astuteness can enable MNCs to comprehend the diversity of market needs.
- Acculturation to different environments can improve overseas experience and productivity, and facilitate re-entry into the home culture.

In order to help companies close the cultural gaps and achieve cultural synergy, Cendant Mobility, the premier provider of global mobility management and workforce development solutions, provides tailor-made Intercultural Management Training Programme (IMT) for their clients. One of the programmes Cendant designed for a client in China is called "Developing Global Leaders: Skill Development for Chinese Managers." According to Dana Breitenstein, Cendant Mobility's Asia Pacific director of intercultural services, the feedback from the programme has been excellent. The IMT programme not only helps Chinese managers identify what is expected of them, but also how best to achieve that, in a way that embraces the local and MNC culture (Caplan, 2004).

Clients have also reported that the Chinese workforce is more willing to take initiative since their participation in the programme and they now identify problems more readily and find ways to solve them. Another noteworthy advantage of the programme is that it increases the free flow of information in companies. In the past, it was more typical for staff to withhold information, but by clearly communicating the expectation that staff will be rewarded for sharing information, the programme has encouraged information sharing by Chinese managers (Caplan, 2004). Nevertheless, it seems that further study is needed to investigate in more depth the benefits of intercultural training conducted by multinational corporations in China.

RESEARCH METHODOLOGY

A survey was employed as the research strategy owing to the exploratory and descriptive nature of the project. Moreover, case study was used to examine in depth the research questions what benefits intercultural training can bring to MNCs, and what training programs can be more effective in organisational contexts?

An internet-mediated questionnaire via email was adopted as the data-gathering tool, because it is more convenient, efficient and economical to use compared with other types of questionnaires (Saunders et al., 2007). A pilot test was undertaken to evaluate the questions' validity and the likely reliability of the data collected.

Research with an exploratory element often requires the inclusion of non-standardised (qualitative) research interviews in the design (Blumberg et al., 2005). Additionally, pre-programmed questionnaires are often too general to adequately address the complex phenomenon of cultural dynamics (Van Marrewijk, 2010). A qualitative interview is particularly necessary when researchers need to understand the reasons for the attitudes and opinions of the participants. "Quantitative data provides a valuable summary and analysis of the subject and then qualitative data adds the rich details that give the quantitative data depth and meaning in the real world" (Jordan, 2010, p.18). In semi-structured interviews, researchers can 'probe' the answers by inviting the participants to explain or build on their responses. On the other hand, the interviewer is able to control the general direction of the interview. Therefore, a semi-structured

interview was used as another vehicle to gather data and triangulate data collected by the questionnaire.

To answer the research questions and meet the research aim of this study, it was necessary to conduct an in-depth study focusing on a comparatively small number of cases. The validity and understanding gained from the mostly qualitative data depend more on the data collection and analysis skills rather than the size of the sample (Patton, 2002). Non-probability sampling is more suitable to achieve this purpose. Purposive sampling and snowball sampling were integrated in the research. Some of the respondents were the author's own acquaintances and these acquaintances or other intermediaries introduced the rest. The group of respondents gradually expanded as a snowball sample. Heterogeneous variation sampling was employed as a starting point, which may produce patterns of particular interest and value and represent the key themes (*ibid.*). Additionally, such a sampling technique can, to an extent, reduce the problem of bias caused by a homogeneous sample resulting from snowball sampling (Lee, 1993).

Samples were purposefully selected to represent both joint ventures and wholly foreign funded corporations, the two most important modes chosen by international companies to enter the Chinese market. The samples also comprised the four major sources of foreign direct investment in China: the U.S.A., Japan, European countries and Hong Kong SAR. The respondents incorporated both Chinese staff and expatriates. Therefore, balanced points of views might be obtained. They worked in a variety of departments such as the Human Resources Department, Production Department, Marketing Department, etc. and they consisted of staff of different ranks from administrative staff to chief executive officers. In total, fifteen MNCs participated in the investigation, the make-up of which is demonstrated in Table 1.

These companies operated in a wide range of industries like sportswear, automobiles, toys, computers, consulting, tobacco, trading, chemical products, etc. The majority of them were large or medium-sized companies. The smallest company was a German consulting company with about 20 staff members. The number of expatriates varied considerably in these MNCs from 3 to about 80. 14 of them were located in Guangdong province (11 in the capital city, Guangzhou, and 3 in nearby cities) and 1 in Shanghai.

The unit of analysis in this case study was a large-scale Sino-American joint venture situated in Guangzhou, which is regarded as one of the most successful joint ventures in China. Its major products are daily necessities like shampoo, soaps, washing powder and cosmetics. This company was chosen because it attached great importance to staff training and significant amount of budget was devoted to organisational training every year. In addition, it was the company that conducted the most systematic and comprehensive intercultural training among the respondents.

The administration of the survey included the following stages. First, questionnaires were sent to the respondents via internet. Next, the returned ones were analysed and representative respondents identified. Then, semi-structured interviews with them were arranged to further explore relevant responses. The duration of the in-depth interviews varied from half an hour to about two hours. Face-to-face interviews were conducted either in mandarin or, in case of non-Chinese respondents, English. Only in particular circumstances were telephone interviews used. Conducting qualitative interview by telephone makes it more difficult to establish trust between the two parties. Therefore, participants may be reluctant to engage in an exploratory discussion (Saunders et al., 2007).

TABLE 1
THE MAKE-UP OF RESPONDENTS

Mode of Market Entry	Number	Respondents
Joint ventures (JV)	5	1 Sino-American JV
		1 Sino-Japanese JV
		1 Sino-British JV
		1 JV of two companies from Mainland China and Hong Kong SAR respectively
		1 JV with investors from Mainland China, Hong Kong SAR and the U.S.
Solely foreign owned corporations	10	5 American companies
		2 German companies
		1 French company
		1 British company
		1 Japanese company

FINDINGS AND DISCUSSION

Attitudes

It seems that many MNCs in China still do not regard intercultural training as necessary. Among the 15 MNCs investigated, only 6 offered intercultural training to their employees, which are shown in table 2.

Different approaches to intercultural training were adopted by the six companies. Three of them offered culture orientations to both expatriates and Chinese employees. However, the expatriates and Chinese staff took different orientation sessions. Sessions aimed at the expatriates focused on customs and practices closely related to business such as production practices, pricing policies, distribution channels, recruitment procedures, customer preferences, working styles of Chinese government organs and state-owned enterprises, etc. Whereas sessions targeted at the Chinese employees concentrated on the cultural background of the parent company, corporate culture (core values in particular), and company policies and procedures. Both kinds of orientations were only offered to newcomers of these companies. These orientations were conducted either by their own trainers or training organisations from Western countries.

Before they sent employees from their home country to China, the Japanese company would require them to study both the language and culture at a Chinese university. The duration of study might vary from three to six months. The Sino-American joint venture, which is to be discussed in the case study, is the only company among those investigated offering joint sessions regularly to both expatriates and Chinese employees.

TABLE 2
RESPONDENTS OFFERING INTERCULTURAL TRAINING

Mode of market entry	Number	Respondents
Joint ventures (JV)	2	1 Sino-American JV
		1 Sino-British JV
Solely foreign owned corporations	4	2 American companies
		1 British company
		1 Japanese company

Another trend discovered in the study is that all the six MNCs would add elements of culture to their management training. For example, in a marketing training program, the trainer would touch upon the characteristics of Chinese customers or the differences between the Chinese market and mature markets in Western countries. One British corporation made it a rule that before using the training materials from the head office, they would take into account whether any aspect of the materials was in conflict with the Chinese culture. Then they would consider the influence of such conflicts on the effectiveness of the training to see whether and how the materials needed to be modified.

Four of the six MNCs also sent Chinese staff abroad to receive on-job training. In most cases the training was conducted in the home countries of the MNCs. The duration of training ranged from one month to a year. Trainees would sometimes undertake certain projects jointly with colleagues from other countries. While the trainees were improving their job-related skills, they had a valuable chance to experience the culture of the country to which the parent company belonged.

However, intercultural training was not conducted in the other nine MNCs and they thought it to be unnecessary. The following are reasons given by these companies:

- Their expatriates had a lot of experience of working in other cultures.
- Their expatriates came from countries or regions (e.g. Hong Kong, Taiwan and Singapore) where cultures were similar to that of Mainland China.
- Though cultural differences could cause misunderstanding between employees from different countries, they would not affect the management of their companies.
- They took other measures rather than intercultural training to overcome cultural differences; they offered language training to their employees; they encouraged employees of different nationalities to communicate with each other; and the management team would take the initiative in communicating with employees.
- Employees could learn to work in a culturally different environment all by themselves.

Most of the above mentioned reasons are different from those collected by other researchers. However, these reasons lack a solid foundation. The first two reasons on the list will be discussed in detail, because they were mentioned for the greatest number of times by the respondents.

When companies said that intercultural training was not needed because their expatriates had rich experience of working in other countries before they were assigned to China, the underlying assumption is that people with enough international experience can cope effectively with life and work in any country. Hammer and Bennett (1998) developed the Intercultural Development Inventory (IDI) to assess intercultural sensitivity. Brinkmann and Zee (1999) adopted the IDI model to test the relationship between international experience and intercultural sensitivity. They suggested that overall, people become more interculturally sensitive by spending more time abroad. Nevertheless, one aspect of intercultural sensitivity seems unaffected by international experience, i.e. the attitude of Defense. No correlation was found between the amount of international experience and defensive responses to cultural differences.

Apart from knowledge and practical skills, success in a foreign culture also depends on people's attitude towards culturally different others. Their attitude will influence how they evaluate and use their knowledge and practical skills, and whether they will deepen their understanding of the host culture once they start working there (Hammer and Bennett, 1998). Therefore, Brinkmann and Zee (1999) propose that to acquire and maintain non-defensive ways of dealing with difference, people who are about to work with culturally different others should have the opportunity to participate in some form of intercultural training. Without proper training, those of them who have defensive attitude before the assignment may see no reason to change their mind and may find it very hard to turn their costly cross border assignments into a success for themselves and their company.

Another reason mentioned for not offering intercultural training was that most of their expatriates came from countries or regions like Singapore, Hong Kong or Taiwan where the culture is similar to that of Mainland China. The use of overseas ethnic Chinese expatriates is becoming more and more popular in the belief that they can benefit from the common cultural heritage. But, this is not necessarily true. A number of researchers argue that assigning expatriates to a similar culture can be as much, if not more, of a trying experience as sending them to a very different culture (Brewster et al., 1993). Based on on-site, in-depth interviews, Selmer and Shiu (1999) have shown that ethnic Chinese expatriate managers from Hong Kong assigned to Shanghai and Beijing experienced severe difficulties, comparable to those ever reported in the literature on expatriate management.

A major conclusion from their study is that life and work in Mainland China seem to be different in many ways from that in Hong Kong. Paradoxically, the common Chinese cultural heritage seems to aggravate the adjustment problems of the Hong Kong managers in Mainland China instead of facilitating acclimatization. The perceived cultural similarity seems to build up expectation of easy and quick adjustment. If this is not accomplished, frustration, resentment and withdrawal may be possible results, seriously impairing the performance of the Hong Kong expatriate managers as well as that of their China operations.

Problems

From the great number of incidents provided by the respondents, some typical ones will be illustrated to show the significant bearing of cultural differences on the whole business process of international companies in China. For sake of confidentiality, pseudonyms will be used to identify people and organisations.

Market Research

GCC was a German consulting company whose China office was located in Shanghai. Barbara was sent by the headquarters to work in China. Her first project was to undertake market research for a German corporation of building materials (BMC). BMC was interested in finding out whether it was feasible or not to set up an operation in China to produce gypsum boards. A town called Mayong in Dongguan city, Guangdong province, was top on the list of research targets.

On her research trip in Dongguan, she held talks with Mr. Wu, manager of Ma Yong Foreign Trade and Economy Development Corporation, concerning details relevant to the research such as the preferential policies to attract foreign investment, the local infrastructure and cost of labour. Barbara always required detailed and precise information. In some cases, Mr. Wu was unable to provide the exact figures. As the conversation went on, the manager became a little impatient. Barbara felt that Mr. Wu was so bureaucratic while Mr. Wu thought that Barbara was really too fastidious.

After she returned to Shanghai, Barbara proposed that BMC send some people to Dongguan and have a look themselves. Consequently, the chairman of BMC and two senior managers paid a visit to Dongguan. During their stay there, the chairman invited Mr. Wu and his deputy to have dinner with them. They gladly accepted the invitation and came on time, but accompanied by a number of their subordinates involved in the project. Mr. Wu took the German businesspeople to one of the best hotels in Dongguan and ordered some very expensive food. This sumptuous meal cost BMC nearly 14,000 Yuan. The chairman was averse to what Mr. Wu did and thought him to be too extravagant.

Eventually, BMC decided that they would not establish their plant in Dongguan and would postpone their plan to invest in China. This situation was resulted from a combination of various factors. Misunderstanding arising from cultural differences played a vital role.

The structure of Chinese society is hierarchical, and its model is the Chinese extended family. According to the Chinese tradition, the subordinate must always obey his boss who, on the other hand, is committed morally to protect the employee. In other words, they are reciprocal (Worm, 1997). The boss often reciprocates the loyalty and obedience of the subordinate in various forms. In this case, Mr. Wu invited his subordinates to the dinner as a means of reciprocity for their involvement in the project.

In China, particularly on business occasions, when a host invites a guest to dinner, the host will normally ask the guest to order and insist that the guest order some good food to show his respect to the guest. As a result, the face of the guest is enhanced. The face of the host is also enhanced because he can afford to have the expensive food. If the guest only orders very plain food, sometimes the host may feel unhappy and think that the guest looks down upon him, thus hurting his face. In Chinese culture, enhancing the face of others can be as important as enhancing or saving one's own face (Worm, 1997). This Chinese custom may partly explain the behaviour of Mr. Wu.

Project Negotiation

A delegation of American entrepreneurs headed by two congressmen came to Guangzhou to negotiate some projects with managers of state-owned enterprises in Guangzhou. One day somebody unintentionally brought up the topic of "Falun Gong" in chatting. The Americans considered it to be an example of violating democracy and human rights while the Chinese believed that the government was only suppressing counterrevolutionaries. Some members from

both sides even got emotionally involved in the argument and the negotiation reached an impasse. The deadlock would not have been broken without the mediation of officials from the Foreign Affairs Office of Guangzhou.

Organisational Structure

A producer of airplane components, CAH was a joint venture with investors from Mainland China, the United States and Hong Kong SAR. The investor from mainland China held 52 percent of the company's shares. The American investor and Hong Kong investor each owned 24 percent of the shares. According to business practice, the general manager of the company should be a representative of the investor from Mainland China. However, this Chinese company belonged to a commission of Guangdong provincial government. The commission suggested that an American should take the position of general manager, because the American company enjoyed advantage in both technology and management skills. This would be more beneficial to the transfer of technology and management know-how to the joint venture. Therefore, an American was appointed general manager of the joint venture. Two vice general managers represented the investors from mainland China and Hong Kong SAR respectively.

Later, this organisational structure caused many problems to the operation of the joint venture. In order to take control of the company, the American general manager and the Chinese vice general manager fought against each other. The American thought that he was the general manager whereas the Chinese believed that his company was the principal shareholder. The conflict grew so intense that sometimes they would formulate corporate policies without consultation with or even notification of each other. The management of the company got bogged down in a state of chaos.

Staff Recruitment

Two companies, one from Dongguan city and another from Hong Kong SAR, jointly set up a power station in Dongguan. The operation of the power station was entrusted to another well-known Hong Kong corporation. At first, the manager of the Human Resources Department was an expatriate. The recruitment of new staff was entirely based on the needs of the company and capabilities of the applicants. Some time later he was replaced by a Chinese manager. When recruiting employees, he would give priority to people with whom he had personal relations (Guanxi) as well as the spouses or family members of the Chinese employees in the company.

Many people recruited this way worked in the Public Relations Department, which played a key role in corporate communications and creating a positive corporate image. Since a majority of the people recruited through personal relationship were not qualified, the department was no longer performing as efficiently as before. The public image of the company was affected due to the poor performance of those incompetent recruits.

Worm (1997) describes Guanxi as relationship (connections or networks) cultivated with business associates, officials or others based on mutual interest together with a heavy emphasis on obligations and instrumentalism. Guanxi is mentioned as one of the three main ideas constituting the basis for understanding the traditional Chinese cultural system. The two others are 'face' and 'doing favours' (Renqing in Chinese) (King, 1993). These three concepts are closely interrelated in Chinese culture and tied to a psychological sense of human interdependency. Doing favours, or human obligations, is the norm for interpersonal relationships resting on reciprocity (King, 1991). By recruiting those with whom he had personal relationships, the manager of the HR Department did them a great favour. He also expected them

to help him in the future when such need arose. Usually these people would try to find opportunities to reciprocate the favour so that the relationship between them could be maintained.

Transfer of Management Know-How

CEG was a Sino-British joint venture in Guangzhou. Not long after the British began to introduce some human resources management tools, they discovered that the Chinese employees resisted some of them. In other cases, some of the newly implemented management tools were far less effective than they had expected. Consequently, the improvements in the overall organisational effectiveness were affected.

According to the new promotion policy, there was a probation period of three to six months to anyone promoted to a post of a higher level. Those who proved to be incompetent would not be permitted to remain at the new post. This policy met with strong resistance from the Chinese employees. Hofstede (1986) states that face-saving is a behaviour fostered in collectivist societies. Generally speaking, the face consciousness of Chinese people is very strong. To the Chinese employees, being removed from the new post would mean losing face.

The new performance appraisal system required that all employees should regularly evaluate the performance of their immediate superior. Such evaluation would be considered in future promotion. However, the Chinese staff made mostly favourable comments on their superiors' performance. Even when, in rare cases, there were a few unfavourable comments, they tended to be rather vague and ambiguous.

As an effect of China's relatively large power distance, firms are centralised and the distance is normally great between managers and subordinates in China (Worm, 1997). This could help to explain why the Chinese subordinates were reluctant to criticize their superiors. Furthermore, they were afraid that such criticism might disturb the harmony in their interpersonal relations with the superiors, because criticism of superiors might cause them to lose face.

In summary, the results of the study support conceptual and empirical work suggesting that cultural differences are one of the major obstacles faced by MNCs in China. Cultural differences can exert tremendous impact on the entire investment and operational process of MNCs from market research to the transfer of management tools. Posing invisible barriers (Tian et al., 2010), they can lead to serious consequences such as the withdrawal of an investment plan, the breakdown of project negotiations and inefficient organisational management.

Benefits

As one of the most successful joint ventures in China, H&S employs a great number of expatriates including North American, European and Asian nationals. Although it considers organisational training to be of significant importance, intercultural training was not provided in the early 1990s.

In 1994, senior managers in the Tianjing subsidiary of H&S were of multicultural background. The general manager was American and other top managers came from China, Britain, France, Australia, India, Singapore, etc. Differences between such diverse cultures were frequently bringing problems to the cooperation within the management team. The most serious one was that sometimes they found it difficult to reach a consensus on corporate strategies or how to implement them. The inability of the management team to coordinate with each other made it extremely difficult for the organisation to operate smoothly and efficiently.

The management of the Guangzhou head office asked the Human Resources (HR) Department to help find a solution. Having carefully analysed the symptoms of the problems,

they believed that cultural differences were the underlying causes and an intercultural training program could help to bridge the differences. An American training company called NET Associates was selected to deliver the training. A tailor-made training scheme was worked out.

The cross-cultural training program was mainly comprised of the following three stages: the awareness of one's own cultural identity, the utilization of corporate culture to harmonize diverging values and principles, and multicultural team building. At stage one, the trainer emphasized learning about one's own cultural identity. Self-awareness provides a secure understanding of one's own priorities and value assumptions. People have to understand their own values before they can adjust to the value systems of another culture (Pedersen, 1994). Recognizing the importance of cultural identity is key to successful intercultural interactions (Horvath, 1997).

At stage two, the trainees were instructed to express their opinions on the Core Values and Principles of H&S. The core values are People, Leadership, Ownership, Integrity, Passion for winning and Trust, from which the Principles flow. Then, they were made to understand that the Core Values and Principles of H&S could be employed as a practical means of harmonizing their different ideas in formulating corporate strategies and measures to fulfil them. Special attention was drawn to the following Principles:

- We work together with confidence and trust across functions, sectors, categories and geographies. We take pride in results from reapplying others' ideas.
- We respect each other. We have confidence in each other's capabilities and intentions. We believe that people work best when there is a foundation of trust.
- We develop the capability to deliver our strategies and eliminate organisational barriers.
- We are honest and straightforward with each other. We uphold the values and principles of H&S in every action and decision.

At stage three, the emphasis was placed on multicultural team building. Experiential learning techniques like role-plays and simulations were applied. For example, trainees participated in a simulated international meeting and practised how they could reach a general agreement. The training program was successful. After the training, the communication and cooperation between the senior managers became more effective. As a result, management problems caused by cultural differences at the management level gradually decreased.

Owing to the success of the training program in Tianjing, the management of the head office decided to offer cross-cultural training to all employees who needed it so that the overall organisational effectiveness could be enhanced. First, top managers in the head office themselves received similar training. Then, NET Associates was asked to provide training to other employees in both the Guangzhou headquarters and Tianjing branch.

The training was conducted once every three months. The trainees were selected according to how frequently they had to interact with people from other cultures. Priority was given to those who had more exposure to cross-cultural interactions. Department managers were responsible for trainee selection. In the beginning, each training session only lasted two days. Chinese employees and expatriates were trained separately. Afterwards the trainer discovered that the training would become less valuable if the local staff and expatriates had no chance to practise together. Thus a third day was added for joint practice of the two groups. The normal class size for joint exercises was about 15. Usually the number of local staff was greater than that of the expatriates.

Feedback from the trainees was mostly positive. Some even proposed that all employees in the company should attend the training. One expatriate manager in the headquarters said that he benefited tremendously from the training. The following is an example he gave to illustrate his point. Before he took the training, he had some prejudice against his Chinese subordinates. He thought that some of them were uncooperative and irresponsible. The prejudice was sometimes unconsciously revealed in his attitudes towards them, which led to a certain degree of tension between him and his Chinese subordinates.

His prejudice originated from the company meetings. Whenever he invited the participants to comment on certain proposals, normally the Chinese would not say too much. Only employees from other countries would take initiative in expressing their ideas. So, he took it for granted that Chinese staff considered them to be good proposals with no areas for improvement. However, when problems arose in the implementation of proposals, very often his Chinese subordinates could find the crux of the problems or suggest other better alternatives. The manager did not understand why they would not do so at the meeting so that the waste of time and money could have been prevented well in advance.

Since the face consciousness of many Chinese people is quite strong, they tend to avoid uncertain situations which might cause them to lose face. To many of them, uncertain situations are generally seen as potentially risky. In Chinese culture, uncertainty avoidance is used as a means of avoiding losing face and being punished (Liu and Vince, 1999). This explains why the Chinese staff were reluctant to express their opinions at the meetings. They were afraid that they might lose face and hold responsible for the negative consequences if their ideas proved to be wrong. The training made him realize that his former assumptions about his Chinese subordinates were not justified. Consequently, his attitudes towards them changed and the tension between them was eliminated.

As to the weaknesses the training, the HR Department thought that the trainer could have provided more measures to help trainees put what they had learnt into practice, since each training session only lasted three days. Still, the systematic intercultural training conducted in H&S was a tremendous success. The benefits of intercultural training demonstrated in this study provide additional support for the previous work of other researchers. Intercultural training is indeed a high-value contributor to organisational performance.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Many corporations still think that cross-cultural training is unimportant. They are probably unaware of the significant impact of cultural differences on the management of their companies as well as the potential serious problems they may cause. Therefore, it is vital for cross-cultural specialists to demonstrate convincingly how cultural differences can affect the success of businesses. More importantly, they need to show pragmatically how cross-cultural awareness, knowledge and skill can help organisations develop employees' management competencies, improve team work and promote organizational performance. These are certainly goals conducive to long-term organisational development. This study seems to indicate that intercultural training can assist MNCs in fulfilling all these goals. Thus, it is advisable for MNCs to incorporate systematic intercultural training into their human capital development strategy, which can contribute considerably to the improvement of overall organizational performance and business success.

Effective Intercultural Training Programs in Organisational Contexts

This study has several implications for intercultural training programs that can be more effective in organisational contexts. First of all, the commitment of senior managers is essential for any cross-cultural training programs to be possible and successful. Secondly, corporate culture could be adopted as a tool to harmonize the cultural differences of trainees. Strong cross-national organisational cultures, by offering common practices, can bridge national differences in values among organisation members. A corporate culture with unique features can keep the organisation together and provide it with a distinctive and competitive psychological advantage (Hofstede, 1995). Next, as Wright and Newton (1998) suggest, multinational corporations should significantly increase the level of intercultural training given to both local and expatriate staff. Local staff can benefit from cross-cultural training that enables them to operate at maximum efficiency when dealing with foreign clients and also with expatriated headquarters staff. Mead (1994) points out that the major problem with most corporate cross-cultural training experiences is that they occur in isolation from the “other” culture. Cultural groups should go through cross-cultural training jointly, so as to learn from each other (Berrell et al., 1999).

Finally, MNCs would benefit more from the training if the trainer could work out some measures to promote the transfer of learning to workplace and on-going culture learning. Berrell et al. (1999) argue that one cannot be “trained” to live in another culture. One has to experience the challenges first hand and then revisit his reaction, fear and frustration as part of the management development process. A one-only pre-departure or post-arrival cross-cultural training experience is inadequate for dealing with the often subtle behaviours that affect the intercultural work situations. There is little choice other than to deal with cultural differences on a continuous basis.

In many intercultural training programs, participants are brought together without regard to their functions in the organisation or their relationships to other participants (Ferdman and Brody, 1996). Some organisations do not go beyond ensuring that all participants are in roughly the same hierarchical level. In these approaches, each trainee takes away the learning individually and therefore has little support or shared experience back in the day-to-day workplace.

Therefore, organisations could give more attention to the configuration of the participant group and to the learning that takes place at the group level so that it is more likely to affect what happens when they go back to their work site. By ensuring that participants in sessions are from work teams or somewhat connected operationally, the training can affect more directly the interaction of that group. A key issue from this perspective is not only what each person learns but also what all people in the room, as a collective, learn (ibid.).

In designing training activities for the work teams, the trainer could take into consideration real organisational issues affecting the business that the work teams are confronted with. By observing how the training could contribute to solving the problems, participants would become more confident in the effectiveness of the training, which would encourage them to put into practice the knowledge and skills they have learnt. Group learning and integrating real management issues with training tasks might be two possible ways to promote the transfer of learning to workplace.

Group learning could still serve as the basis for continuous culture learning. Back at their work sites members attending the training sessions as a work team would probably feel enthusiastic in experimenting with all that they have learnt and in learning about other cultures. However, concrete measures are needed to sustain their enthusiasm. An approach to culture learning summarized by Hoecklin (1995) could be useful in this respect. This proactive approach,

which has already been adopted by some organisations, consists of five steps for a particular cross-cultural issue. Members from the multicultural work team must jointly work through the following steps:

- Jointly determining the specific outcomes that are desired from the interaction
- Articulating each culture's way of doing things and explicitly explaining why it is done that way
- Determining which approach will best generate the desired outcome and, if neither will alone, generating new alternatives
- Implementing the approach and reviewing the impact from a joint perspective
- Modifying the approach based on multicultural feedback.

As these steps are applied over and over again in the management process, employees could gain deeper understanding of and new insights into other cultures. The combination of culture learning with organisational management would make it easier for employees to learn about other cultures continuously, because culture learning has become part of the management process. This culture learning approach could also be used as a practical tool to take advantage of cultural diversity. In this approach, each national culture contributes its own particular insights and strengths to the solution of cross-cultural management issues, which gives the company more possible pathways to its goals. Therefore, the company is able to synthesize the advantages of all cultures (Trompenaars, 1993). When cultural differences are perceived and used as a resource, then all benefit (Harris and Moran, 1996).

Suggestions for the Future Studies

This study has a number of limitations. Firstly, to be able to provide more conclusive evidence, the current investigation could obviously have been extended to include a larger sample size. For future studies more target multinational corporations in provinces other than Guangdong should be investigated. Next, when examining the benefits of intercultural training, no explicit comparative data was collected. As such future studies need to collect explicit comparative data for analysis. Finally, owing to the confidentiality agreement between H&S and NET Associates, too much detail about training activities and techniques used in the training programs was not available. This could be an ethical issue that challenges every business anthropologist, which in the future needs more discussion and clarification among business anthropologists themselves.

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