
Available from Deakin Research Online:

http://hdl.handle.net/10536/DRO/DU:30007707

Reproduced with kind permission of the copyright owner. Readers must contact Common Ground publishing for permission to reproduce this article.

Copyright : 2007, Common Ground, Mona Chung, Wendy Smith
Overseas Chinese as Expatriate Managers in China: Is their Recruitment a Solution to Cross-cultural Management Problems for Multinationals Operating in China?

Mona Chung, Deakin University, Victoria, Australia
Wendy Smith, Monash University, Victoria, Australia

Abstract: This paper examines the issue of diversity in Chinese identity and how it impacts on the operations of multinationals in China who recruit Overseas Chinese to handle cross-cultural issues. China’s rapid economic development and entry into the World Trade Organization in 2001 made her a formidable player in the global economy and direct foreign investment surged. Yet it is acknowledged that for the foreign investor in China, cross-cultural issues create difficulty at every level, from the interpersonal level relating to communication and negotiation, to the organizational level relating to decision making, human resource management practices, corporate legal institutions and liaison with government institutions. Western multinationals have considered the advantages of posting Overseas Chinese from Southeast Asian countries, Taiwan and Hong Kong to their China operations as a solution to cross-cultural management issues. But has this policy been successful? In terms of language expertise this would seem to be a good strategy, yet organizational case material contradicts this in reality. Overseas Chinese, while sharing some elements of Chinese culture with mainland Chinese, the Confucian heritage and other aspects such as language and diet, nevertheless have different world views and values and behave differently from mainland Chinese in areas critical to business management. As a survival strategy, Overseas Chinese have often developed dual identities which operate simultaneously. For political and historical reasons, many of them have had to adapt to the local culture of their country of citizenship or even hide their own ethnicity in order to survive. On the other hand, the mainland Chinese are different in that their behaviour has only had to be Chinese, but overlaid with this has been the experience of participating in a communist political environment for decades, which has left its mark on mainland Chinese culture. On the basis of their different historical experiences, in the current business environment in China, cultural confusion, difficulty and conflict may occur for the Overseas Chinese. This paper focuses attention on the subtle cultural differences between the Overseas Chinese and mainland Chinese in an organizational context. This problem has yet to be researched in depth within international business and international management studies. It provides evidence that Overseas Chinese are not often favoured by the local Chinese. It gives insights on how to manage the local Chinese for foreign multinationals operating in China.

Keywords: Cross-Cultural Management, China, Overseas Chinese, Chinese Ethnic Diversity, Human Resource Management, International Business

Introduction

This paper examines the question of diversity in Chinese ethnic identities in international management contexts and how it impacts on the operations of western multinationals operating in China who recruit Chinese from overseas to handle cross-cultural issues in their ventures.

As China moved to a market oriented economy, many foreign investors saw the potential of investing in China, not only to gain access to the huge potential market, but also to gain the benefits of cheap labour which is now being recognised at two levels: management and operational staff. China’s entry into the World Trade Organization in 2001 made her an even more formidable player in the global economy and direct foreign investment into China surged. Yet it is acknowledged that for the foreign investor in China, cross-cultural issues create difficulty at every level, from the interpersonal level relating to communication and negotiation, to the organizational level relating to decision making, human resource management practices, corporate legal institutions and liaison with government agencies. Western multinationals have considered the advantages of posting ethnic Chinese, from Southeast Asian countries, Taiwan, Hong Kong, or their country’s own ethnic Chinese nationals, to their China operations and have duly recruited or sent many Overseas Chinese to China as human resources critical to their success. But has this policy been successful? In terms of language expertise and cultural literacy this would seem to be a good strategy, yet organizational case material contradicts this in reality.
The Concept of Overseas Chinese

The cross-cultural management issues in foreign ventures from the developed western economies investing in China are hence very complex. In one venture there might be a combination of the CEO and top management expatriates with the parent company’s western cultural background (and here there is a possibility that some of them may be ethnic Chinese who have migrated to that western society and become acculturated there), local Chinese senior and junior managers, local Chinese employees at operations level, then Third Country Nationals (TCNs) who are very likely to be “overseas” ethnic Chinese from Taiwan (which has disputed independent status vis-à-vis China), Hong Kong (now part of China but, like Taiwan, still culturally distinct in many people’s minds), Malaysia, Singapore or other Southeast Asian countries, or ethnic Chinese migrants from China or any of the above who have gained citizenship in another western country, or were born there from parents who migrated, or there may be those with only one parent who is Chinese, but who nevertheless feel their Chinese cultural heritage strongly too.

Individuals from any of these Chinese backgrounds may be employed directly by the foreign venture in China or be posted to it through employment in the Western parent company. In many of the above cases there are complex cultural identity factors for the individual. For instance, in the case of a junior manager who is ethnic Chinese, born in Malaysia, educated in and consequently migrated to Australia, then employed in an Australian multinational and posted to its China operations, his cultural identity would consist of the following elements: “Chinese”, “Overseas Chinese” “Malaysian born Chinese”, “Malaysian national (formerly)”, “Australian national”. His “Chinese-ness” is what is being sought by the company in posting him to China, but what exactly is this?

For instance, a major subgroup of the Overseas Chinese or non-mainland Chinese, including the Nanyang or “South Seas” Chinese, while sharing some elements of Chinese culture with mainland Chinese, the Confucian heritage (Redding, 1993) and other aspects such as language, diet, etc, nevertheless have different world views and values and behave differently from mainland Chinese in areas critical to business management (Chen, 2004). Even among themselves, the Overseas Chinese have different cultures, the national culture of the society where they grew up mingling with the various regional cultures within China handed down from their ancestors who emigrated, and the centuries old Chinese culture of the Great Tradition. So it is impossible to generalize about “the Chinese” or “the Overseas Chinese” For instance, Malaysian Chinese cultural identity is significantly different from that of Taiwanese, Indonesian or Thai Chinese or Australian-born Chinese (Pan, 1998; Gomez and Hsiao, 2001). As a survival strategy, Overseas Chinese have often needed to develop dual identities which operate simultaneously, as, at some stage in their lives, they not only have to behave as a Chinese, but also as someone else, a citizen of Canada, Indonesia, Malaysia and so on (Gomez, 1999; Tan, 2000). For many of them, for political and historical reasons, they have had to adapt to the local culture or even hide their own ethnicity in order to survive. For instance, ethnic Chinese in Thailand and Indonesia have blended into local culture with language usage and naming styles to a higher degree than in the case of Malaysian Chinese. On the other hand, the mainland Chinese are different in the sense that their behaviour has only had to be Chinese, but overlaid with this has been the experience of participating in a communist political environment for decades, which has left its mark on mainland Chinese culture. On the basis of this, in the current business environment in China, their values and conduct can be very different from those of Overseas Chinese and sometimes conflict occurs.

Through numerous interviews and observations in the workplace the researchers concluded that Chinese from the mainland do not trust Overseas Chinese, in the sense that they do not accord them a place in their own version of “Chinese” cultural identity. They consider Overseas Chinese as, paradoxically, knowing too much but not knowing enough: compared to Westerners, Overseas Chinese know too much; compared to local Chinese, they do not know enough to operate in Chinese organizations and the business world. Often, having to work with Overseas Chinese is not viewed favourably by the local Chinese (Chung, 2006a). However, they make the distinction between Overseas Chinese and those who migrated from the mainland and have now come back as foreign nationals. This raises a big question for organisations operating in the Chinese market, which have deliberately recruited and posted Overseas Chinese without mainland background and knowledge to their China operations in order to try to overcome the cross-cultural difficulties experienced by expatriate Western managers (Chung, 2005). This problem has yet to be researched in depth within international business and international management and HRM studies. Hence the paper will analyse the similarities and differences between mainland Chinese and Overseas Chinese managers and evaluate the usefulness for foreign companies of posting the latter to China as a human resource management strategy.
Research Methodology

In order to address this important question, the researchers gathered detailed case material from a Western multinational, here called by the pseudonym “ABC Group”, which has been operating in China since 1993. Individuals referred to in the case material have also been given pseudonyms to conceal their identities, according to the university’s ethical guidelines under which the research was conducted.

Data was obtained from extended field research (2001-2005) conducted in this Australian company which initially invested in three premium beer brewing plants in China, and which relied on placing Overseas Chinese in important posts to facilitate the transition to operating in China. A total of 75 interviews were conducted in Melbourne, Brisbane, Shanghai, Beijing and Hong Kong, using the unstructured depth interview approach. Interviews lasted from one hour to three days with the average length being one hour per session. Interviews were conducted at all levels of management in the organization: with the CEO, senior expatriate managers (non-Chinese), Chinese Australian nationals, overseas Chinese and local Chinese. Interviews were conducted in Mandarin or English as appropriate. The interviewer, a bilingual Chinese-born researcher, now an Australian citizen, noticed that when Chinese were interviewed, different responses would be given, depending on whether the interview was conducted in English or Chinese. Therefore she was able to switch to the optimum language for the context of the questions. Her high levels of cultural literacy in both Chinese and Australian society gave her the unique ability of being able to understand how the Australians would see the Chinese and vice versa. While cultural bias in qualitative research cannot be totally eradicated, in this instance, the personal cross-cultural experience of the researcher comes close to creating an optimum background for the research topic to hand. The project was approved by the university ethics committee and its established procedures were followed: informants were presented with an explanatory statement about the research which guaranteed their anonymity and they were asked to sign a consent form before the interview proceeded.

Due to the complexity of issues inherent in cross-cultural research, the research adopted an inductive, case study approach. In line with this, the paper will first outline the company’s operations in China in general and then present case material from key HRM areas, to investigate the dynamics of multiple Chinese ethnic identities in the multinational management context. These areas are as follows: job satisfaction, trust and conflict management.

The ABC Group's China Operations

The ABC Group is a large Australian multinational which was one of the first Australian beverage companies to invest in China. The company began its China operations in the early 90s, entering the Chinese market with two joint venture (JV) breweries, one in Shanghai and one in Guangdong. In 1995, it set up another JV in Tianjin. By 1997, the China strategy was reviewed and a decision was made to sell the Tianjin and Guangdong JVs. By 1999 both had been sold. To strengthen the focus on its China investment, the ABC Group purchased all of the shares in the Shanghai JV gradually and it is now operating as a wholly owned subsidiary (Breth & White, 2002).

Investment in the Chinese beer industry required significant cultural understanding of the consumption practices in the Chinese alcoholic beverage market and also the ability to liaise with government and other officials regarding resources, real estate and licences, as much alcoholic beverage production had been by state owned enterprises prior to the influx of foreign brands in the 1990s, and still is today. Hence the employment of local managers and others with Chinese language and cultural literacy was crucial in this challenging market, but being ethnic Chinese did not mean that one automatically had understanding of the market characteristics in China itself (Chung, 2006b).

For instance, rapid marketisation and the resultant socio-cultural changes in contemporary Chinese society are profoundly affecting Chinese beer drinking culture and general consumer behaviour. The wide ranging effects of dramatic Chinese social engineering policies, such as the one child policy, would also not necessarily be apparent to non-mainland Chinese. In the past, the traditional Chinese cultural norm of respecting elders contributed to a consumption culture of children purchasing alcoholic drinks for parents when visiting them. They made an effort to buy established Chinese brands with which their parents were familiar. The current generation of employees in the established workforce are largely members of the first generation resulting from China’s one child policy. Contrary to the above, the parents of these single children would like to provide food and drinks that the children prefer, to encourage them to visit their parents often. Parents now purchase alcoholic drinks to welcome their visiting child and so they choose modern international brands instead of what happened formerly, the child purchasing the parents’ established old favourites among local brands. This changing trend in purchasing decisions is having influence across the board in beverage retailing (Chung & Smith, 2005).
Ethnic Breakdown of Management in the ABC Group’s China Operations

Below is a table which summarizes the breakdown of managers in the ABC Group’s China operations over a twelve year period, by nationality and positions - expatriate managers from Australia, mainland Chinese, both from the company and recruited to the new ABC Group JV, TCNs recruited to the new ABC Group JV, and so on.

Table 1: Ethnic/National Breakdown of Managers of ABC Group’s China Operations 1993-2005

<table>
<thead>
<tr>
<th>Ethnicity/Nationality</th>
<th>General Manager (GM)</th>
<th>Deputy General Manager (DGM)</th>
<th>Department Managers</th>
<th>Junior Managers</th>
<th>Technical Managers</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anglo/Australian</td>
<td>6</td>
<td>4</td>
<td>2</td>
<td>3</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td>Mainland Chinese</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Taiwanese</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Hong Kong Chinese</td>
<td>2</td>
<td></td>
<td>3</td>
<td>2</td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>Singaporean Chinese</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Malaysian Chinese</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Chinese with other western nationalities</td>
<td>1</td>
<td></td>
<td>2</td>
<td>1</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Mainland Chinese now Australian citizens</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>

It can be seen that expatriate Anglo-Australians dominate the top management position of General Manager and are also heavily represented in the technical manager category. This high presence of Australian expatriate managers is because the company strategy was to provide a high quality beer with consistent quality, something which was the opposite of the products which had been traditionally produced by Chinese state owned enterprises, which were low cost and irregular in quality. But a strategy of high and consistent quality requires high levels of management control and, especially, technical expertise on the ground (Chung, 2006a). Hong Kong Chinese are the most numerous of the Overseas Chinese group employed in the China ventures. Another significant feature is the presence of five ethnic Chinese who have migrated to the west and hence would include aspects of western culture in their personal cultural makeup.

We now examine areas in HRM practice in the JV which dramatically reveal the effectiveness of staffing the venture with non-mainland Chinese.

Job Satisfaction - Commitment versus Career Path

In all organisations, staff require clear indications of their career paths before they make any commitment to an organisation. An organisation’s success is largely dependent upon contributions from its staff. The research showed that, in the Australian JV under study, little commitment was exhibited by ethnic Chinese at the senior management level. Staff recruited on contract from outside China directly into the venture, and who were therefore not on expatriate packages from the parent company, appeared to have little commitment. Their average time in these positions was no more than two years. A contributing factor to this was the fact that their contracts had no clauses relating to any future arrangements beyond the signed number of years of contract; therefore, no career path could be pursued in the context of the contract. By contrast, many other international organisations attempted to hold on to their management staff. For instance, the Managing Director of Anheuser-Busch Asia has been in China since 1996 and is currently still the MD, while at Lion Nathan both GMs had been there for over six years until it was sold to SAB Miller (Szt1103); in addition, both were on continuous employment contracts rather than fixed term contracts. The GM of Siemens Switchgear was in the post from 1993 to 2002; the executive responsible for setting up and running Mars in China, says he never plans on leaving; The Managing Director for McDonald’s in North China, has been working in China since 1991. An ex-ABC employee commented: “My current GM at KSB is from Germany. He has now been here for 5 or 6 years.” (Slml1103) However the working culture of Overseas Chinese is also a clue to this instability, as most of them are used to changing jobs frequently in order to advance their careers. This might be par-

---

1 Each interview has been allocated a code in order to distinguish material.
tially attributed to the fact that their contracts with the ABC Group’s China ventures were mostly 2-3 years in length only. It also means that they would be constantly on a job hunting trajectory from the moment they started the job (Chung, 2006a).

Job satisfaction and commitment go hand-in-hand with staff performance; the lack of one element often causes the lack of the other. Without job satisfaction, staff cannot commit themselves to their positions while, without commitment, it is unlikely that staff would experience job satisfaction. In the context of China, commitment might emerge for many reasons that might not be obvious to Australians. Mr Toby Lin*, a mainland Chinese, recruited to the Chinese venture directly, was heavily involved in the initial task force from head office assessing possible sites for JVs. He worked mostly in auditing new sites and participating in projects that were going on at the time. He was later posted to the company’s operations in Guangdong. At the interview, he expressed his gratitude towards the company’s support for his application to become an Australian citizen. This included the nationalisation of his wife Sonia Lin. Lin felt that the company was “you en” (gracious) towards them, which, in Chinese culture, must be repaid. Lin did numerous operational evaluations to improve the efficiency and effectiveness of the Guangdong operation. He initiated the operational method of brewing half and one-third brews in an attempt to reduce production costs. This cost-effective operating system managed to keep in tune with the cost of overheads over a period of time when sales went down 32 percent. This was a difficult task because, in managing any operation, fixed overheads do not fluctuate. When sales decrease, fixed overheads remain unchanged; therefore the unit cost of a product increases (MZJ5904). Relatively speaking, the cost of production increases under such circumstances. By controlling the production costs and the unit costs, Mr Lin ensured that the operation could be sustained. This initiative was noted in his performance appraisal that year. This loyal behaviour is very characteristic of the Chinese. The commitment that was induced by the top management’s support for Lin’s migration application was clearly in evidence here.

When recruiting staff, it is important to consider what types of satisfaction may lead to staff commitment. Monetary motivation is not the only type of motivation, according to Maslow’s hierarchy of needs (Robbins, Bergman, Stagg, & Coulter, 2000). It is often the most expensive and only lasts in the short-term (Schermersorn, Campling, Poole, & Wiesner, 2004). When establishing business operations in China, staff commitment was even more important for ABC Group because, within their strategic plan, success in China was not expected in the short-term, and long-term operations rely on employees’ long-term commitment.

From the local Chinese point of view, job satisfaction was equally important. Hua Rong, a mainland Chinese from Shanghai, joined the pre-ABC Shanghai brewery in 1982; and by 1993 she had spent nearly nine years working in the laboratory. She felt that she needed a new challenge after this time and was grateful for being given the opportunity to change her job description.

“It was in that period 剛合资的时候我也是在化验室工作。然后可能是因为这个工作上面做的时间比较久，然后我觉得自己到老也是这个一个工作，我不太喜欢，然后我就提出来，是不是改变一下自己的环境。那个时候他们就问我，我愿意做销售，我想销售也好。我过去在实验室。因为我从这个地方工作，我也是做化验室的工人。然后可能是因为这个工作上面做的时间比较久，然后我就不喜欢这个地方，然后我就提出来。” (SLML1103).

She was moved to sales after the establishment of the JV in Shanghai. Within a period of eight months, she managed to persuade all three hotels (there were only three at the time in the area) to stock Shanghai ABC Group products. She commented: “8个个月的时间然后我自己感觉是不错。我感觉一个成就感。我自己感觉一个空白的区域，我自己这样去做了，我自己有一种成就感。 (After eight months I felt satisfied. I felt that a blank area in me was fulfilled. I was happy to have achieved something.)” (SLML1103).

It is not unusual in China for employees to be given a position that is unrelated to their training and qualifications. By providing opportunities to staff in positions that are totally new, employees have the chance to demonstrate their abilities and talents. At the same time this is also used as a form of motivation which can be less costly to the organisation. This is an area that Australian organisations typically do not venture into; the rigid HRM selection processes of Australian organisations create few opportunities for their staff.

Within the next year, Hua Rong moved on from sales to be a credit control manager. ABC Group’s establishment of credit control was the first time it had been done in the beer industry in Shanghai and its implementation saw 80 percent of creditors complying with company policies (SLML1103). This*

---

* According to the ethics requirements of academic research pseudonyms have been used for those interviewed to protect their identities. The pseudonyms nevertheless reflect the naming style of the individuals concerned.
later helped Hua Rong to secure an even better job and she left the ABC Group. In a city such as Shanghai, where debt collecting is a serious problem, Hua Rong had no trouble being employed to set up credit control departments for other organisations.

This research showed that the mainland and Overseas Chinese were more affected by issues of job satisfaction than Australian expatriates, although Hofstede’s (2001) analysis of the collectivist nature of Chinese society suggests the reverse of this. It appears that as a group, the Chinese seek group stability but, as individuals, they seek personal satisfaction, which can be related to or affected by their emotions. Both mainland Chinese and Overseas Chinese were given fixed term contracts, but the mainland Chinese were less concerned about the contract terms than the Overseas Chinese. They appeared to be more emotionally driven in their decision-making processes. However, they also made less effort in communicating their emotional concerns. In short, when they were not satisfied, they left. Mainland Chinese also moved on quickly when they felt that their talents and knowledge were not properly utilised in a way which would affect their career progression.

A good example which illustrates this concerns Terry Yang, a mainland Chinese who was recruited in 1990s as a sales manager to look after the premium brands. He moved on because he was frustrated by the fact that product modification was not permitted by head office and sales were extremely difficult when the ABC Group product was coming up against competitors who were selling products more appealing to local consumers (SXR1103). Adrian Zhou, a mainland Chinese from Shanghai, recruited on contract to the China operation, failed to form a good working relationship with his new senior manager who was an Overseas Chinese from Singapore and left for the firm’s competitors (SCJ1103). In his effort, he managed to persuade several other staff to join him at a later date. There was nothing specific to pinpoint why the relationship did not go well. He said that although this specific manager recruited him in the first place, subsequently for unknown reasons, the manager did not like him. According to his boss, the Singaporean manager, Adrian Zhou had misrepresented his English language ability at the time of recruitment. This case points to a key area of difficulty between mainland and Overseas Chinese – English language competence. But Adrian Zhou’s difficult experience with the Overseas Chinese manager from Singapore resulted in him turning down a subsequent job offer, as soon as he discovered that his immediate report was going to be a Singaporean.

Hua Rong also became dissatisfied in her position in ABC Group later when a new manager, a male Overseas Chinese from Hong Kong was appointed to her division. She did not like the way that her subordinate, also a female mainland Chinese, conducted activities without her knowledge and the new manager allowed the person to report directly to him, bypassing her position of authority. In a culture such as China, where power distance is high (Hofstede, 2001), this was an especially serious matter for her and the undermining of her authority in this way created deep job dissatisfaction. She admitted that she was well paid and had little pressure at work towards the end of her employment at ABC Group, yet she chose to leave. Again, this case demonstrates that money is not the only motivator.

Trust

Because China is a society that has a weak legal system and a collectivist culture (Hofstede, 2001), trust is a very important factor when conducting business there. Hence, great emphasis is given to trust in business activities. Without trust, it would be difficult to work as a group. This was illustrated in the relationships between Australians and mainland Chinese, Australians and Overseas Chinese, Australians and ex-mainland Chinese, Overseas Chinese and ex-mainland Chinese, and so on.

Trust between Australian Expatriates

First, among Australian expatriates, there was a well-established work culture based on the fact that many expatriates were from strong engineering or technical backgrounds. Many gained positions in China through ties and working relationships with Mr Bill Black. Mr Black has a long history in ABC Group operations. Communication often occurred through those technical links focusing around Mr Black, rather than through the organisation’s formal structures. It was recognised by many that “he is a most experienced, gifted and perspicacious person in any context.” (MDT3604)

However, trust was low among Australian executives who had been recruited especially for the China operations and who were not with the ABC Group prior to taking up their positions in China. Referring to this divide, several Chinese managers who were interviewed mentioned that there was no trust among the Australian managers and this was even displayed between people who worked closely with each other. This clearly made performing one’s job difficult for those who were involved and shows the high value placed on interpersonal trust as opposed to formal organizational roles by Chinese, for without trust, tasks were generally hard to accomplish to a level satisfactory to all.

This research highlighted issues about trust on several levels Trust between head office and the ex-
patriate Anglo-Australian managers who were assigned to China was deemed to be important. Lack of trust influenced the feasibility and accuracy of carrying out head office strategies. It also impacted on the effectiveness of communication between head office and the operational level. This also influenced the accuracy of information and feedback provided to head office which, in turn, influenced the decision making processes and the accuracy of decisions. Trust among the expatriates themselves was important as it influenced the fluidity and smoothness of operations. A lack of trust among expatriates sent negative messages to all levels within the operation.

**Trust between Overseas Chinese and Expatriates and Local Chinese and Expatriates**

Between Overseas Chinese and expatriates, there was often a trust issue as to who was employed by whom. Theoretically, a person will only be employed when at least one person in an organisation has trust in that person. Equally the employee is also expected to be loyal to the person who showed trust in him/her in the first place. For instance, Mr Steve Wang, a Canadian Chinese who was recruited by a Singaporean Chinese, was expected to report everything to him.

Between expatriates and Overseas Chinese there was a lack of trust which created uncertainty and restricted job satisfaction and the sense of security and commitment for the Overseas Chinese especially. When management personnel were divided, subgroups were formed and many Overseas Chinese felt pressured to align themselves with a certain group.

Trust between expatriates and local Chinese was one of the most difficult areas in the venture’s interpersonal dynamics. Trust and lack of understanding of cultural difference impacted on each other. A lack of cultural understanding did not improve trust, while without trust, sincere communication, necessary to establish an understanding of cultural differences, was difficult. Many of the expatriates were not sure how to establish trust due to their initial cultural shock and the lack of cultural understanding of Chinese society.

The differences in culture between Anglo-Australians and the local Chinese determined the different ways in which trust was established. Australians attempted to establish trust based on the discovery of the same objectives as the other party, while the Chinese established trust only after learning the behavioural patterns of the other party. The importance of this point is that, if what they learnt did not fulfil the requirements to build mutual trust, then trust would not be established.

Furthermore, if trust could not be established between the parties, then strategies from head office could not be carried out. The establishment of trust is needed to promote effective communication. Previous international management studies frequently refer to trust among the Chinese (Doney, Cannon, et al, 1998; Hong & Prud’homme, 1999), while there was little mention of trust among the Australian or other western nationals, nor mention of the universal code of distrust referred to by Max Weber (Holbig, 2000). When the slow speed of the localisation of management positions was queried, an Australian top manager commented that “we could never find anyone we trust.” (MBI604) The process of building trust at this level is time consuming; twelve months was mentioned by about 70 percent of the respondents (assuming the relationship at the beginning was rated as having a zero percent trust level). (MMF504) It was also commented that 100 percent trust perhaps would never be achieved (MMF504) and that it was difficult to fully understand the other party’s objectives.

**Trust between the Local Chinese**

Trust between the local Chinese, as a cultural norm, allowed maximum fluidity in relationships between them. Research showed that this was the least problematic area in the ABC Group JVs’ experience. At all times, the local Chinese, would refer to all the local Chinese as “we” and the Australians as “they”. Throughout the entire operation, there was only one Chinese Australian with mainland background who was engaged by the head office of ABC Group and posted to China. The local Chinese referred to him as follows: “He is Chinese. He knows everything.” Hence no barriers were exhibited between the local Chinese and this expatriate Chinese.

Trust has served as an important background discussion to the following focus on conflict, as the degree of trust plays an important role in understanding sources of conflict.

**Conflict Management**

Managing conflict is an essential part of all organisations and is necessary in order to maintain productivity (Daniels, Spiker, & Papa, 1997). In ABC Group operations, cross-cultural situations and difficulties created many opportunities for conflict, due to the lack of cultural understanding. This is not an isolated case; the literature shows a rising level of conflict within JVs between management staff of different cultural backgrounds (Bjorkman & Lu, 1999; Zhu, 2004).

In the ABC Group’s China operations, conflict was dealt with differently between the Anglo-Australian expatriates themselves, between expatriates
and the Overseas Chinese, between the Overseas Chinese and the local Chinese and between the local Chinese themselves. To understand this fully, it is important to digress a little into the history of mainland China. Mainland Chinese culture has been heavily influenced by fifty years of communist party rule (Selmer et al., 2003; Wang, 1991). Party rule has greatly modified the Chinese people’s ancient cultural heritage and moderated mainland Chinese behaviour at large. The establishment of the People’s Republic of China (PRC) on the 1st of October 1949 (Milston, 1978) brought major changes to China’s economy and social structure in several key areas: ownership of property; women’s position in society; and industrial development (Milston, 1978). For example the Marriage Law passed in 1953 (Milston, 1978) made a significant contribution to the status of women in society. Such major areas of improvement led to major changes in mainland Chinese culture. Later on, the Cultural Revolution (Milston, 1978) further influenced culture and human behaviour. For instance, in comparison to the Taiwanese, the mainland Chinese lost some of their cultural traditions, as well as experiencing major social structural change due to the effects of the Cultural Revolution. The core concept of the Cultural Revolution was to eradicate traditional Chinese culture and implement communist concepts and social relationships based on the eradication of class distinctions and capitalist market principles. Four major elements that were targeted were: old thought, old culture, old traditions and old habits. (Li, 2004) In addition to the eradication of the old cultural forms and traditions, the impact of the Cultural Revolution on the Chinese people was far-reaching; it altered the trust between people which had been embedded in traditional cultural values. In contrast, without the experience of the Cultural Revolution, the old Chinese modes of thought, culture, traditions and habits have been preserved among the Taiwanese Chinese, and the Chinese communities further afield in Southeast Asia. In today’s terms it has made these two groups of people significantly different in their cultural values.

To be called Chinese is generally a reference to the ethnic and genetic inheritance of culture and race. Still, substantial differences between different groups of Chinese do exist as outcomes of history. For example, the Hong Kong Chinese were under the influence of 100 years of British colonization (Selmer et al., 2003). Taiwanese Chinese are a mixture of the original Taiwanese, Gaoshanzhu (高山族), and descendents of the Guomindang (国民党) party who were from many different parts of mainland China. As opposed to the mainland’s political system of a people’s democratic dictatorship, Taiwan is ruled by the National Party which originated in 1927 on the mainland (Milston, 1978) and has been confined to Taiwan since 1949. Then there are a large proportion of Overseas Chinese who reside in many Asian countries, as well as in developed countries, for instance the USA, Canada, European Union countries and Australia; their culture and characteristics largely reflect the local culture that they were brought up in. They themselves clearly perceive and articulate the differences in their own Chinese identities.

**Conflict between Expatriates and Overseas Chinese**

Conflicts between expatriates and the Overseas Chinese were complex, with cultural differences being the major contributor. Cultural differences determined individual behaviour and also manifested at the organisational level. None of the Overseas Chinese who were recruited to the ABC Group’s China operations had worked for the head office prior to their China-related appointments and this had several important outcomes. First, the differences in behaviour clearly distinguished them from the ABC Anglo-Australian expatriate group. Second, not all Overseas Chinese understood the Chinese language equally well; at times communication between the local Chinese and expatriates was not successful when Overseas Chinese were used as the conduit. (MKJ1204) It is a myth to think that all Chinese speak, read and write Chinese. Especially, many of the Overseas Chinese, both Chinese who were brought up in Asian countries and other parts of the world, do not necessarily speak Mandarin, or at least not perfectly. Many of them speak only their family’s dialect: Cantonese, Hokkien, Hakka, Hainanese and so on. Moreover, while they may speak a Chinese dialect, if they have not been educated in a private Chinese school, which is usually expensive, they will probably not be able to read and write Chinese. This research has clearly demonstrated that some of the Overseas Chinese recruited did not know enough Chinese, at least not enough to operate at a professional level. They were found to be struggling to work with their very limited language skills. Even if they spoke Chinese, their writing skill may have been less competent. However the fact of lack of writing skill may not have been such a problem in the organization as speaking, as they all had local Chinese staff to write for them. Third, there were sometimes rivalries between expatriates and the Overseas Chinese over status; for instance, when an Overseas Chinese was in charge of a financial position, he expected respect from the Australian expatriates; yet, this was not always accepted as his due by them.

Another source of conflict between expatriates and the Overseas Chinese was the different types
and levels of employment contracts which demonstrated different skill and experience levels between employees. The Overseas Chinese believed that they not only had the relevant technical skills, e.g. financial skills, but that they also had the necessary Chinese language skills. There was an imbalance in that they received less remuneration than the expatriate Australians and had little certainty of employment beyond the contract termination date. This is a recognized phenomenon in the employment of TCNs in multinational joint ventures. Their concern for their future employment also influenced their perceptions of the company’s higher level strategies. However, companies can often overcome this problem through effective communication. A case in point is the selling off of ABC Group Guangdong and ABC Group Tianjin JV operations, which was strategically planned and executed from a senior management level in Australia and was due to the pressure caused by considerable financial losses. “We had restructured this basket case and these two had taken off and so suddenly from losing 44 million dollars in, I think 1998, we cut it back to, in 1999, we lost 20 million and in 2000 we were heading to lose about 5.”(MKJ904) Both the need and the urgency for these measures were not communicated to most of the staff, as none understood the pressure that the senior management was facing from the Board of Directors and their shareholders with regards to producing a profit from the China operations. Therefore the sale of the JVs was seen as sudden and harsh. It was also seen as a withdrawal from commitments. Middle and lower management who did not have good communication opportunities with senior management blamed the strategies on individuals. (TWE1203) Some took the action very personally; this was understandable considering the fact that the disinvestments caused job losses. Apart from those who had prior ABC Group positions, other expatriates and Overseas Chinese lost their jobs when the JVs were sold. The local Chinese staff employed by the Chinese partners before the JVs were formed had been given opportunities to choose to take jobs elsewhere or go with the JVs. Staying within any state government jobs meant security and taking up positions with the JVs meant risks but chances of higher income. As soon as they took up the positions with the JVs, they lost the option of going back to any secure positions in the future. Hence the selling off of the JVs meant job losses for many of them although some remained with the breweries and continued employment with the new owners.

The sale of the JVs deepened the conflict between the Overseas Chinese and senior members of the Australian expatriate group; a conspiracy theory also emerged as a way for people to explain the unexplainable. One Overseas Chinese manager believed that one of the expatriate managers who was formerly working in a senior management role in other companies in Hong Kong and then Shanghai only got the job in the ABC Group because an Overseas Chinese gave him the idea. “I kind of regret I told him (Mr Hill) that I was working for ABC Group because maybe that gave him the idea to join ABC Group, I don’t know.” (TWE1203) It is unlikely that a higher level person was recruited because of his association with a lower position person. The fact was that after Hill was head hunted and recruited into his position as the Director for Asia of ABC Group he had to action the sale of the two breweries and this led to the belief by some respondents that he was brought in especially to close China down. (MZJ5904) Research does suggest that Mr Hill was brought in to pull the China operations into line under the increasing pressure from the shareholders at the time.

Interviews with senior level expatriate managers indicated that personal concerns about their competence to operate a successful venture in China and hence their long term career outcomes did register with them; however, these were not addressed via any means. “We went there with hope, we put a lot of good people there, we burnt a few careers there, you know it became a graveyard in the end for most people who went to China; it became a graveyard because no matter how good the manager is, if he’s connected with a losing business everyone thinks that, you know, they are no good, and so it was left to a few people to make some pretty hard decisions about what to do.” (MKJ904)

From the senior management’s point of view, it was not difficult to understand that some of the decisions were necessary commercial decisions. What is argue here is that there should have been better communication used so as to prevent local and Overseas Chinese staff from misunderstanding events, misunderstandings which generated conflict. As the majority of the Overseas Chinese were recruited outside Australia, they, as well as local Chinese, had no job security when the two JVs were sold and in fact they were the group most affected by the sale.

**Conflict among the Overseas Chinese**

The backgrounds of the Overseas Chinese employed in ABC Group China were often complex. As discussed above, depending on the society in which they were brought up, the Overseas Chinese were likely to exhibit behaviour influenced by a combination of that national environment, along with elements of their Chinese heritage. For example, Adrian Zhao was Chinese but grew up in Canada. Throughout his interview, he referred to the influence...
of Chinese culture in his family, clearly indicating that his behaviour was strongly guided by Chinese values. Still, the environmental influence of his upbringing in Canadian society equally guided his behaviour. The complexity of the identities of the Overseas Chinese employees was such that each individual had sustained experience of daily life in one or several additional non-Chinese cultures on top of his or her Chinese heritage. This factor made all the Overseas Chinese complex social beings and difficult to categorise. Moreover, the complexity of their identities made it difficult to pin down what the exact cause of a particular conflict might be.

Overseas Chinese are often employed by foreign firms entering the Chinese market in the belief that their Chinese heritage makes it easier for them to adjust to living and working on the mainland (Selmer et al., 2003). However, when several “Chinese” cultures are mixed, it sometimes complicates the situation instead of facilitating cross-cultural communication between the Chinese and non-Chinese groups. For example, the clash between Adrian Zhao (a Canadian Chinese) and Stewart Luk, a Chinese from Singapore employed as a general manager in one of the JVs, was mentioned by several respondents. (TWE1203) There was no hard evidence to suggest what the cause of the conflict was between them. Adrian Zhao concluded that it was a cultural clash. “Well, for the lack of a better word, Stewart Luk and I had a huge cultural clash and it was just not going to happen.” (SCJ1103) Stewart Luk, however, expressed his disbelief in Zhao’s actual capability and experience and did not determine a cause of the conflict in cultural terms.

Research evidence suggests that cultural clashes often occur among the Chinese, either between the Overseas Chinese themselves, or between overseas and mainland Chinese or between the mainland Chinese themselves (Blackman, 1995). The Hong Kong Chinese are not liked on the mainland and equally, Shanghai Chinese are not liked by Beijing Chinese. Toby Lin, who was the only Overseas Chinese with a mainland background, felt that his position was overshadowed by Stewart Luk, the Singaporean Chinese. “Stewart Luk kept telling other people that my English and Chinese is not very good.” (MZJ4704) This criticism might have been partially valid as Lin’s English was not very polished at the time, but it would not be a valid argument to suggest Lin’s Chinese was not up to scratch as Lin had completed his tertiary education in China. Luk also remarked that Lin would not be liked in Shanghai as he was from Beijing. However, Lin spoke the local Shanghai dialect as his mother was from Shanghai and he was considered as half Shanghaiese himself. This type of unexplained dislike based on inaccurate stereotyping mainly occurred between the overseas Chinese. There was less evidence to suggest similar conflict within other groups.

**Conflict between Overseas and Local Chinese**

The mainland Chinese proved to be the most difficult group to research, despite the fact that the interviewer is mainland Chinese and spoke in their language. They were mostly very diplomatic and guarded when interviewed. As a cultural group, the Chinese value harmony and maintain it as much as possible (Trompenaars, 1993; Yau, 1994) so it was to be expected that conflict situations were not easily discussed by them.

For example, Qing was a local from Shanghai who joined ABC Group Shanghai in the early JV days. She had a depth of experience in working with Overseas Chinese. Prior to joining ABC Group she worked as a personal assistant to an Overseas Chinese at Shanghai PriceWaterhouse. She worked with several Deputy General Managers at Shanghai ABC Group and commented on the differences between Overseas Chinese. She felt Hong Kong Chinese gave her far too much work pressure and very little communication to explain the rationale behind each requested task. This resulted in her receiving very poor instructions and no clear indication of their expectations. She also felt that Hong Kong Chinese lacked management strategies and leadership skills. In her experience, American Chinese were the best; from them she learnt a great deal. As for Australian Chinese, she felt that they did not have strict management principles and were perhaps poorly-equipped with resources, which resulted in them having no energy to see the bigger picture.

When Toby Lin, the only expatriate manager with a mainland Chinese background first took up his post as the DGM in Guangdong, six of the local managers went to see him and all wished to resign immediately. One wonders if this was caused by the fear of him “knowing too much” or similar factors. Consistently throughout the research, respondents frequently suggested, “He (Mr Lin) is Chinese. He knows everything.” This can be understood in relation to the situation in which Anglo-Australian expatriate managers found themselves. For instance, in James Bond’s (General Manager of Shanghai between 1993-96) first year in Shanghai, he recorded many incidents where things could not be done as he wished and he was told “This is China. It can’t be done.” (MDT1993) He was extremely frustrated by this phrase and in one correspondence commented, “I would go crazy if I hear this again.” (MDT1994) Having grown up in Beijing, Lin was never told by any local Chinese, “This is China. It can’t be done.” In fact several local respondents openly suggested...
that because of his mainland background, the local Chinese would not try to fool Lin. “Toby is different, he knows everything. He is Chinese.” (MZJ5904) Certainly he knew too well that everything could be done in China, just differently.

After meeting the local managers who wanted to resign, Lin defused the conflict by advising them that they should not sign their contracts. Instead he suggested they all sign a temporary six-month contract then decide at the end of the six months. After six months had passed, all had signed the longer term contracts. (MZJ5905) Lin then looked at the salary structures and realised they did not reflect the managers’ capabilities and contributions, so he restructured their remuneration in order to reflect this. He removed the flat bonus which was rewarded to everyone each month and set up funds in a new bonus pool to be distributed at the end of each month according to individual performance. The system did not incur any additional costs to the Guangdong JV or the ABC Group, yet motivated the managers to perform better. On occasions when accidents occurred and production costs increased, the responsible local Chinese managers voluntarily suggested a reduction in their bonuses to cover the additional production costs (MZJ5904), a dramatic demonstration of the collectivist nature of Chinese society.

The cultural understanding between Lin and the local staff reduced the gap in the differences between them which, in turn, reduced the potential for conflict. When conflict did occur, Overseas Chinese with mainland knowledge, like Lin, were more inclined to understand the cause of the conflict and, therefore, were more prepared to implement effective resolution strategies.

Table 2: Similarities and differences between mainland Chinese and Overseas Chinese

<table>
<thead>
<tr>
<th>Cross-cultural management issues in the ABC Group’s China ventures</th>
<th>Mainland Chinese (local)</th>
<th>Overseas Chinese</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment to the venture – career plans</td>
<td>Long term (for those who are unlikely to get other jobs) Short term (average of 2 years if they have the skills to be employed elsewhere)</td>
<td>Depends on the length of the contracts, usually 2-3 years, and depends on the terms</td>
</tr>
<tr>
<td>Commitment to the venture – long term interests of the venture</td>
<td>Only when they have a career path in the venture, otherwise they leave as soon as they have a better offer</td>
<td>They would be interested if they were offered long term jobs but no one was offered that</td>
</tr>
<tr>
<td>Job satisfaction</td>
<td>Varied</td>
<td>Varied</td>
</tr>
<tr>
<td>Trust factors</td>
<td>Trusted themselves, the local Chinese first, then the Australian expatriates, then Overseas Chinese (excluding those with mainland background) last</td>
<td>Difficult to conclude</td>
</tr>
<tr>
<td>Relationship with superiors</td>
<td>Varied</td>
<td>Varied</td>
</tr>
<tr>
<td>Relationship with subordinates</td>
<td>Usually managed better with fellow local Chinese</td>
<td>Varied, difficult to generalise beyond individual level</td>
</tr>
<tr>
<td>Relationship with Australian expatriates</td>
<td>Very close relationship with some and very bad with others</td>
<td>Varied</td>
</tr>
<tr>
<td>Relationships across cultural boundaries</td>
<td>Less difficulty with fellow Chinese, did not trust Overseas Chinese</td>
<td>Presented as no difficulty with either Chinese or Australian expatriates</td>
</tr>
<tr>
<td>“Job versus family” issues</td>
<td>Not mentioned</td>
<td>Rarely discussed</td>
</tr>
<tr>
<td>Attitude to Australian culture</td>
<td>Interested but did not know much</td>
<td>Did not know much, mostly had little exposure</td>
</tr>
<tr>
<td>Attitude to Australian MNC’s corporate culture</td>
<td>Interested in learning</td>
<td>Not particularly interested</td>
</tr>
</tbody>
</table>
Some were proactive none proactive
Communication style High context High context and some were capable
of low context as well
Decision making More emotionally driven Both emotionally driven and self-
interested, rational approach
Expression of emotions Hidden – leave employment if not
happy Both expressed and hidden – leave
as soon as they found a better job
elsewhere

**The Usefulness of Posting Overseas Chinese to Mainland China**

As shown above, the empirical data presents a very complex picture. ABC Group had one expatriate only who was from a mainland background. Local Chinese consistently referred to him as “Chinese” but this was not the case for the rest of the Overseas Chinese. It was most obvious that in management terms the local Chinese treated him very differently from the rest. A very frequently used line with expatriate managers was “This is China.” Local Chinese were careful with the Overseas Chinese but Mr Lin was different: “He is one of us. He is Chinese and he knows everything.” The concept of potentially not being able to trick a non-mainland Chinese managers is clearly reflected here. The posting of an expatriate manager with mainland Chinese background produced positive outcomes in an effective and efficient way that other expatriate and Overseas Chinese managers were not able to achieve. This would be the main practical recommendation emerging from this research.

The Anglo-Australian expatriates managing the JVs produced different results depending on their individual ability to adapt to mainland Chinese culture. The ones who were more adaptable were accepted and liked by the Chinese and the others were rejected. In their relationships with the Overseas Chinese, this issue is more complex. The fact that they did speak Chinese at different levels was confusing as the Anglo-Australian executives had no ability to access these differences. The myth accepted by all Anglo executives that “if they speak Chinese, they must be familiar with mainland Chinese culture” is the second level of complexity. These barely mainland China-literate Overseas Chinese expatriates equally created difficulties for the local Chinese to deal with. As a result, expatriate managers had mixed results in adjusting to the challenges of managing across cultures in the China context.

**Conclusion**

As the global economy becomes more integrated, and migration and international/intercultural marriages become more common, the issues of ethnic diversity in international management teams and multiple identities of expatriate senior managers are becoming more critical elements in the dynamics of international HRM. It is therefore important to focus research on these questions in international management studies. The effects of diversity of Chinese ethnic identity in the context of an Australian multinational investing in China is a worthy case study to elucidate these more general phenomena. Through this discussion which details case material on interaction between mainland Chinese and Overseas Chinese, the paper has delineated significant differences between the two cultural groups which have not been identified previously. Through the analysis of interactions between three major groups, the Anglo-Australian expatriates, Overseas Chinese and local Chinese, in an Australian-Chinese JV situation, these differences have begun to be clarified.

Furthermore, interaction between Overseas Chinese from different national backgrounds has been described and the significance of looking closely at these divisions among “the Chinese” has been argued. On the other hand, the solidarity created by shared Chinese ethnicity, vis-a-vis non-Chinese expatriate managers, was another unexpected finding of the research. The example of Lin, an Australian citizen who was originally from mainland China is important for demonstrating this. The cultural understanding between Lin and the local staff reduced the gap in the differences between them which, in turn, reduced the potential for conflict.

**References**


---

**About the Authors**

**Dr. Mona Chung**

Dr Mona Chung has an impressive career conducting cross-cultural businesses internationally. She has deep experience working with organisations establishing operations in China. She specialises in cross-cultural strategic planning, management and marketing practice for international organisations. Her major contribution in the area of foreign direct investment (FDI) into China is by identifying and overcoming cultural differences as the major obstacles in operations. Her PhD focused on this topic and provided cross-cultural management implications. She is frequent engaged as a guest speaker at public forums and tertiary institutions. She is an author of an extensive list of publications in the area of cross-cultural business studies. She teaches in international business, management and marketing.

**Dr. Wendy Smith**

Wendy Smith is an Australian anthropologist who researches on cross-cultural management, Japanese management transfer, skill formation, and international business. She has lived and worked in Malaysia and Japan for 14 years. She speaks Japanese and Malay fluently. Currently, she teaches at the Department of Management, Monash University, Australia and is the director of the Centre for Malaysian Studies, Monash Asia Institute.