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Chinese market is a uniquely challenging market to Western businesses. The difference is its uniqueness which majority of the organisations have been struggling with. Research has proven that cultural difference is the main barrier to success in China. Where companies are caught by surprise is the large gap between the two cultures. Standard training simply does not cut it.

Understanding culture is an important issue for Australian businesses in China, because of the pervasive impact that it has on business operations and success. Culture can be defined "as the collective programming of the mind which distinguishes the members of one human group from another.... Culture, in this sense, includes values; and "systems of values" are a core element of culture (Hofstede, 1984, p 21).

Cultural difference is a major issue for Australian businesses doing business with Chinese. The issue takes everybody by surprise.

China is a complex market, much more than the Australian market due to its history, and the impact of its political, legal and economic systems. Coming from the perspective of Australian businesses, the cultural differences between the two countries are vast that the Chinese culture is referred to as an ‘alien culture’ (Chung & Smith 2007) by Australian expatriates. Many of its fundamental structures are very different and without the understanding of these differences, companies are only going to “stumble in the dark”, not knowing how business is conducted. Cultural issues should be the biggest controlling factors of all. The cultural understandings of the way to do business are the most dominant issue because they are inherent within any business relationship.

Gradually organisation start to recognise that there is not nearly enough attention placed on cultural issues as there should be. In an Australian business context, you will find a lot of Australian trading companies and others who might think they understand a bit of the language, but they don’t really go out of their way to understand some of the deeper issues. These are the better performers.

The result of not addressing the cultural issue means some fail badly and some find it hard to make an inroad into the market place. For example, one company who attempted opening a pizza shop in Shanghai failed because they did not understand the cultural preferences of Chinese consumers and their taste preferences, in addition to also choosing the wrong location and food hall for their business. The firm ended up losing approximately A$2 million from 14 private investors in Victoria. Prior research, a better understanding of Chinese consumers, and a more thought out decision in terms of location would have prevented this failure.

In contrast a manufacturing firm investigated decided to engage a cultural consultant, to try to improve their business practice. This decision ensured that they were able to continue their pursuit of the Chinese market, and the consultant in this situation was able to act as an interface. In response to the cultural consultant’s advice, they are now pursuing a joint venture in Shanghai. According to the firm, they would have withdrawn from China by now had they not engaged the consultant.

The role that cultural difference plays is huge. Without the understanding of the culture, many things are misinterpreted. This does not stop just at the level of language. In the marketing field this is especially prominent. Advertisements created by Western advertising firms do not convey the message that companies set to communicate because Westerner can only look at things from their eyes. The way they think and the way business is conducted are just simply not what are seen in the eyes of the Chinese. To change these are simply not easy because its different cultures which determine the method of people’s thinking process and their decision-making.

This suggests companies that take an ethnocentric view to their operations in China are likely to...
struggle. Ethnocentricity may blur people's view about the ways in which people, act and behave, and unless people can put themselves into the shoes of their Chinese counterparts, they may not quite understand why people act and behave in the ways they do.

Although sometimes cultural differences may seem to be a minor issue, none the less, companies need to deal with it, or adapt their business conduct, for example, Australians and other Western business people are quite comfortable with using emails as a business tool especially when dealing with people overseas. Chinese don't always favour this method particularly Chinese officials sometimes prefer to fax. Emails aren't responded to as immediately as they are here.

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This is the first part of “Bi-cultural Consultant is your key to the red gate”. Next week we will publish the second part.

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