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CROSS-CULTURAL MANAGEMENT IN THE MOTOR INDUSTRY

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Abstract. Cultural differences, which can cause some problems for the new entity, in term of cultural approaches, also in terms of global leadership and business etiquette and finally in terms of business ethics, are investigated on the example of Franco-Chinese industrial alliance between PSA Peugeot Citroën (below Peugeot) and China's state-owned car-maker Dongfeng Motor (below Dongfeng).

Keywords: international management, motor industry, cross-cultural management, cultural diversity.

Introduction

The processes of globalization and internationalization actualized aspect of social communication such as cooperation in cross-cultural environment. Contacts between representatives of different cultures give rise to many problems that are caused by a mismatch of norms, values, partners, attitudes. International mergers and acquisitions, alliances and joint ventures occur with the aim to increase the economies of scale and scope, cost effectiveness of companies. It is very complex and demanding process. There are a lot of factors that can influence on success or failure and should be taken into account by the managers of the company. Commonly, it examines the financial and economic perspectives, but for prosperous development directed attention has to be placed on cultural differences and communication issues. Because of operating within two entities, in case of ignorance the perspective of culture can cause conflicts and obstacles in achieving benefits.

Franco-Chinese industrial alliance between PSA Peugeot Citroën (below Peugeot) and China's state-owned car-maker Dongfeng Motor (below Dongfeng) has a common objective, which is to bring together companies and enhance the competitive position of the companies through the transfer of complementary capabilities between them. The first industrial alliance was assigned in 1992 with the further partnership agreement in 2010. Dongfeng Peugeot Citroën Automobile has run three production plants in Wuhan and a powertrain plant in Xiangyany. Currently, Peugeot and Dongfeng expand in elaboration of a new industrial and commercial partner-

ship. It should be taken seriously into consideration due to the fact that both parties have different expectations and goals for proceed this deal.

Dongfeng is planning to make large capital investment into the French group in return for technology and knowledge sharing. In previous deals primarily technologies of Peugeot were under the control of French manufacturer, but nowadays situation could change. China can completely fit new markets and to take control under the whole production process. Peugeot is well-known brand, which perceived as the symbol of French economy and one of the main car manufacturers in Europe. Dongfeng with the help of joint venture can take the control over the car's European market. Above all, the brand identity associated with high quality of French product, in which Chinese company is interested in. This deal will also reduce operational risks for Dongfeng due to the business diversification. The agreement will also enlarge the information channels by which they will communicate with the consumers and benefit of Peugeot's global distribution capacity. Peugeots "knowhow", design and technical specifications may help Dongfeng to increase its credibility and to proceed onward for its internationalization strategy.

In the same time French company suffers from financial recession that spread across Europe, and for that reason Peugeot is looking for the investment in order to withstand and be compatible over the globe. New cash flow can help to remain competitive and to provide new opportunities for innovation process. China can popularize Peugeot's brand awareness and save the global picture of quality car on the market. At the beginning of 2014

China accounts the 20 % of the world's total automobile market and it became one of Peugeot priority regions. Growth potential in China remains extremely high. By this deal Peugeot will increase their business in the Chinese market. The expectation of the group is targeting a 5% share of the market in 2015. To that end, it is regularly upgrading its models and extending its vehicle ranges to cover the segments that count in China. Another attractive point of the deal for the French side is to relocate their production line and to reduce expenses in human and material resources

Purposes of alliance conduction

Peugeot and Dongfeng have common purposes, as well as different supplementary expectations.

General purposes:

- Increasing market power;
- Increasing power over suppliers;
- Economies of scale;
- Economies of scope;
- Acquisition of new skills;
- Access to new markets and Diversification.

Expectations of alliance conductions for both companies separately are presented in Table 1.

It is visible that the given alliance will bring benefits for both companies, as well as for countries.

Statement of the problem

Both sides are interested in this agreement and can have a great success in collaboration but they need to find out the way how to deal with cultural hurdles'. Cultural differences can create a range of problems that can be solved, while understanding the matter of other cultures'. They can appear because of misunderstanding, absence of unite working style and low level of cultural intelligence.

Conflicts and difficulties may arise from national cultural barriers, language problems, different legal systems and regulatory hurdles. To avoid all these possible clashes, each point should be explained in detail and in the end a special action plan with alternative ways for solving the occurring problems should be proposed.

Geographical location, history, tradition, religion provoke the differences not only on the national level, but also on the business one. In order to deal with different cultures, notification and supplementary information about cultural diversities must be provided.

Cultures' analysis

China and France belong to high-context cultures that may simplify the cooperation in some way. In this two variants emphasis is put on circumstances, which means that interpersonal relationships are:

- long-term and deep;
- in daily situations communication occurs quickly and it is cross-cutting;
- the administration consider that it is responsible for its employees;
- arrangements and contracts are mainly verbal;
- strongly pronounced division between internal and external groups;
- behavior to a large extent conditioned by culture and difficult / slow amenable to change.

Chinese and French cultures can be concerned as relatively mono active, representatives of whom prefer to perform one thing at the precision and adherence to time. Managers of mono active cultures concentrate on one thing at a given time, consider the appointed terms as mandatory, accustomed to short-term relationships, consider them responsible only for the current task, appreciate the effective time management.

Table 1. Expectations of alliance conduction

Expectations of French car manufacturer Peugeot	Expectations of Chinese partner Dongfeng
<ul style="list-style-type: none"> – Wider access in China's market for its products. <p>The Chinese market is one of the biggest three markets that attract the multinational corporations (MNCs) to invest lately, and by have access to this market, Peugeot will increase their business in such a huge demand in the Chinese market.</p> <ul style="list-style-type: none"> – Take advantage of low cost labour and materials <p>One of the most important advantages of the Chinese market is the high skilled labour with low cost and good ethics.</p> <ul style="list-style-type: none"> – Access to the natural resources. Not only decrease the cost but also raise its natural resources as well. – Overcome trade barriers. – Expand existing techniques from home facility. – Diversification of the product, resources and experience as well, thus high return options. – Reduce financial risks by diversifying the business not only in Europe but in another big market as China. – Reduce capital input in investment by having the Chinese partner Dongfeng. 	<ul style="list-style-type: none"> – Increasing firm reputation from famous brand like Peugeot would increase their competitive advantage. – Looking for allies for not only local competition but internationally as well. – Adopt advanced production technology and know-how experience by the leading French manufacturer Peugeot. – Improve research and development capabilities in Dongfeng. – To open more information channels to the international market. – Add new financing source by the deal with Peugeot, Dongfeng will have more financial capabilities. – Utilize current and available resources that Dongfeng has and maybe will discover with the Peugeot's support. – Reduce operational risks by diversifying the business with the French manufacturer Peugeot. – Improve management system and control investment risk.

Cultural differences

We believe that collectivism-individualism is important attribute that distinguished one culture from another. In this part, we will use the study made by Hofstede among the IBM Corporation between 1967 and 1973 to define the differences in terms of cultural background of Chinese and French culture. The five dimensions, power distance (PDI), individualism (IDV), masculinity (MAS), uncertainty avoidance (UAI) and long term / short term orientation (LTO) for each country will be compared to show the differences as it can be seen on the graph (Fig. 1). The majority of data on the world's cultural values Hofstede received from surveys that were processed and evaluated on a scale from 1 to 120.

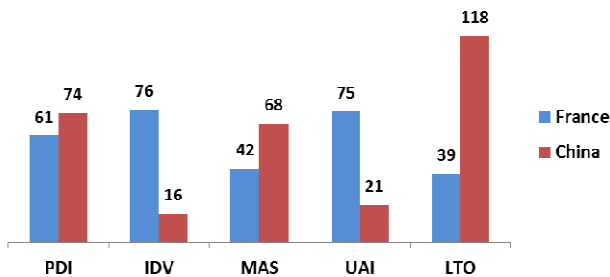


Fig. 1. Differences of cultural background of Chinese and French culture

On Hofstede's cultural dimension model it is evident that there is disparity between two presented cultures (Table 2).

France is characterized in the character of individualistic society, which is directed on each person, as an individual, on its personal qualities. In France employees have specific job responsibilities, appreciate high level of autonomy and prefer formal style of work. They are organized, act according their agenda, compose a lot of documentation and prepare summary after work is done. French make a clear distinction between professional and private life, however, Chinese try to create a friendly link with their colleagues and to continue communication outside of the company. China is a highly collectivism culture, where personal relationships prevail over the tasks and company, personal relationships, a sense of belonging to the group and harmony on the work place are more important than autonomy. Chinese valued team spirit, speaking in one voice and in general are not well-organized and do not prepare precise schedule to follow and can easily adapt to a specific environment or situation.

In France like in China high power distance characterized with centralized power and strong hierarchical

system. The difference between the score of China and France is not so big, but it is bigger in China, where it is acceptable inequalities among people. Individuals are influenced by formal authorities.

Masculinity among these countries is different. If the China is masculine society, where success oriented and driven by competition and achievements, France remains feminine culture, which means, that the dominant values in society are carrying for others and quality of life.

Low score of uncertainty avoidance is in Chinese culture. Typical manifestation of personal initiative, risks acceptability, calm acceptance of differences welcomed. Another situation in France: with the score 75 it states that typically in French culture it is appropriate avoiding uncertainty, ambiguous situations, the desire to establish clear rules of behavior, traditions and trust, propensity to intra-group agreement, intolerance towards people with a different way of thinking.

Pragmatism is high in France. French people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions easily to changed conditions, a strong propensity to save and invest thriftiness, and perseverance in achieving results. China has the highest level of pragmatism that equals to 118.

China is concerned as culture of listeners, culture whose representatives prefer to listen to the other's position firstly and then articulate their point of view. Chinese like to learn and to make changes, controversy to French.

Between Chinese and French may appear lack of understanding, because of language barriers, like specific accent or lack of language proficiency.

Chinese always say "Yes", even they have not understand the sense of verbal message, often because of that appears misunderstanding among the workers that can badly influence on the quality of production processes.

Chinese are hard-working, creative, have interesting way of thinking and can sacrificed their leisure time to work. However in France, people focus more on family, leisure and quality of life. Chinese maybe will not understand advantaged labor system in France as they always looking for success and improvement.

French people are strict in working and brave enough to express their opinions. Chinese employees are relatively implicative and seldom make straightforward speeches. As a result French managers dominate and Chinese managers can fell left aside. French are straightforward; they care about results rather than maintaining good relations, while Chinese are too assertive. Chinese way of management is more conservative and also more focused on details.

Table 2. Cultural differences between France and China

Cultural Dimensions	France	China
Individualism / Collectivism	Strong Individualism	Strong Collectivism
Power Distance	Centralized, tendency toward democracy	Centralized, tendency toward democracy
Uncertainty Avoidance	Risk-avoiding	Risk-taking
Masculinity / Femininity	More Feminine	More Masculine
Long-short-term Orientation	Short-term Orientation	Long-term Orientation

Joint ventures as associated with marriages and in order to achieve the objectives the conflicts are unavoidable. China is the most populated country with the strong sense of pride. Establishing a sincere supportive relationship based on mutual respect is fundamental aspect in Chinese culture. Long term relationship is considered more valuable in China. China has a collectivistic way of thinking. In controversy, French culture focus rather on individuals, but the ability to work in team is also very valuable. Managers should try to standardize working procedures through management system. It should be marked rights and responsibilities, because level of power acceptance is high in both countries.

Leadership behavior

We decided to use the GLOBE (Global Leadership and Organizational Behavior Effectiveness) research to identify other potential problems concerning cultural diversity in corporate board. Since cultural differences between France and China were analyzed above employing Hofstede research, in this part we will mainly concentrate on leadership behavior. We believe that it is very important criteria regarding the fact that executive corporate board consists of top-managers, therefore, of skilled leaders who lead employees and the company in day-to-day operations. Cooperating in corporate board these people are supposed to take common decisions. We will study similarities and differences in leadership approaches since it might be helpful or irritating for the team-work working out company strategy, executive decisions, etc.

We are studying two clusters of GLOBE research, Confucian Asia and Latin Europe, to which China and France respectively belong. The initial data are evaluated on a scale from 1 to 7. Scores of both countries for every dimension are put together in order to better demonstrate how different/similar they are (Fig. 2).

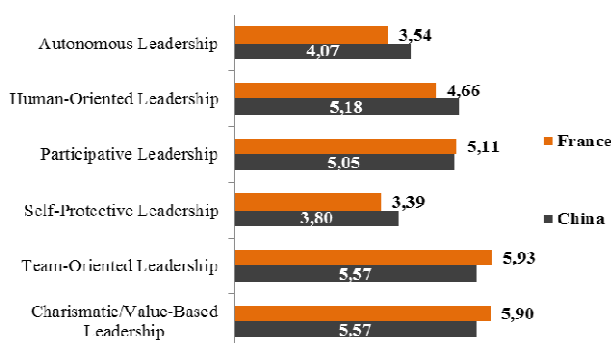


Fig. 2. GLOBE research of Confucian Asia and Latin Europe

From the graphs we can see that countries have different scores in the most of criterias. However, not of them differ significantly. Some dissimilarity may be perceived as tolerable and might have neutral impact on team work and interaction of board members. Nevertheless, there are polar results for two dimensions out of six. These dimensions are “Autonomous

leadership” and “Self-Protective leadership” criterions. Their description according to Hoppe M. H.:

– “The autonomous style includes only one facet concerned with autonomy. It is characterized by an independent, individualistic, and self-centric approach to leadership.”

– “The self-protective (and group-protective) style emphasizes procedural, status-conscious, and ‘face-saving’ behaviors; and focuses on the safety and security of the individual and the group.”

Therefore, French managers prefer inspire and involve others in decision making while Chinese make independent decisions while maintaining strong interest in protecting their leading positions. These findings might have an impact on collaboration of board members and we should take it into account when working out our recommendations regarding new board composition.

Recommendations

Successful management in China must be based on strict policies and discipline; it should be key personnel issues, in the statement of responsibilities and rights for each position. For this should be added different trainings for workers and managers regarding conflicts management, informing about specificity of both cultures, adaptability, communication skills, negotiation skills and interpersonal skills. All workers need to be involved in the training process in order to enhance the communication between employees that leads to exchange of information between workers. At the same time to create corporate events that can influence in good way on creating multinational teams. Social activities can promote team spirit. It is important also to organize different workshops on ethical topics and cross cultural issues with mixing two cultures at the same time. As a China has the high score of masculinity according Hofstede and France has low score, which means that this subject to feminine culture, which means success oriented country versus dominant values in society can provoke the appearing negotiations on the gender level. It should be provided social balance of age and sex in different position and hierarchy levels in organization.

Classes of French and Chinese languages should be introduced. Transparent communication on main news of the company to all employees will strengthen synergies. With the help of external parties it is necessary to get better understanding of differences in labor, tax and legal systems.

The main task of managers is to create united & incorporated team that facilitates the communication for developing the plan. The corporate atmosphere needs to be open-minded and promote free communication. Optimization of business process helps to share information and construct the friendly links in the team. After, that can lead to creation of corporate working style, which is necessary for multinational companies. Trainings on project planning, mutual responsibility could be organized as well. Managers should visit production areas and to create a link with workers. For the employees it is necessary to feel their importance and

to be part of the organization. This will help to construct the team spirit.

Some further recommendations might be worthwhile after the new board is installed. Since we suggest composing an intercultural board, managers would need to possess specific skills and competences to be able to work efficiently in the new environment. We believe that cross-cultural training has to be provided to all members of the board in order to gain cross-cultural competencies. This training also develop a cultural intelligence and provides them observation skills, cultural reflexion, and tools to understand the diverse cultural background which they need to find compromises and proceed discussions. This training is part of a personal development process and is also a tool to identify the differences between the board members, provide communication and negotiation skills to reach common solutions and decisions to permit the success of the new entity. Finally, it conducts to a shared consensus about the firm integrity and ethical behavior of both individual and company.

Conclusion

Large multi-national corporations are the major source of international capital investment. One recent trend for those multi-national corporations is to globalize their operations, in order to be competitive on the global market. Here we have in this case Peugeot the French car manufacturer letting an important share of its capital to the Chinese company Dongfeng.

To conclude, several studies say that 50 to 70 % of all those marriages fail to achieve their objectives, frequently destroying the shareholder value, and bringing companies from the top of the most successful companies list into its bottom. Many of these downfalls are attributed to the underestimation of cultural issues and ignoring cultural differences between the merging companies. Culture can be developed at different level: culture and nation, national organizational culture,

corporate culture, professional culture and the relationship between culture and management. Indeed, cultural challenges are involved in this merger, at several levels, since members are from different countries and have different cultural backgrounds; even if the range of age is quite similar in both companies. These immediate differences can cause some problems for the new entity, in term of cultural approaches, also in terms of global leadership and business etiquette and finally in terms of business ethic. Each merged company has to integrate successfully the corporate cultures of their organisations, with the culture of the new partner company, but in case of cross-border mergers this task is much more complicated since each of the organisational cultures is additionally rooted in different national culture. The particular role in integrating two merging companies and their cultures is attributed to the top management of the partner companies and their leadership styles. Peugeot should adapt their strategy with the Chinese partner (Dongfeng) not to go with the Ethnocentric Cultural approach that would create the cross cultural conflict at the end of the day. As a consequence the problems caused by the differences in cultural backgrounds, the differences in global leadership and the importance of ethical behavior in both countries were explained on the basis of the study made by Hofstede among the IBM Corporation between 1967 and 1973.

One key fact to to be considered as the most critical part is the communication, whether internally for Peugeot or Dongfeng, or externally between both of them. A clear communication strategy should be followed by the top management for both parties in order to stand on the daily business of the employees to insure the sustainability and loyalty from one side and to check the quality of the product from the other side.

By the right communication strategy, both parties Peugeot and Dongfeng can overcome all the hurdles that they can face whether for one of them separately or for both of them with the country regulation.

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