

**Sino-German business collaborations in the 21<sup>st</sup> century:**

**Will management practices converge?**

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## **Abstract**

In Sino-German business collaborations, cultural differences are a major source of conflict. Thus, our study investigated how much management practices and values in Chinese and German companies cooperating with each other differ. While we observed different practices of planning, decision-making, and leadership, both Chinese and Germans indicated rather similar management values. As potential obstacles to a transformation of values into practices will decrease and Sino-Western business contacts will increase, behaviour patterns are expected to converge in the future. To support this process of rapprochement, the existing cultural diversity can be used to find creative and effective ways to improve the Sino-German business cooperation.

*Keywords:* culture; divergence; convergence; Sino-German differences

## **1. Introduction**

China is one of the most attractive future marketplaces and has become one of the largest recipients of foreign direct investment in the world. With 1.98 billion US dollar and 3.14% of China's realised foreign direct investment value, Germany has been Europe's leading investor (Foreign Investment Department, 2007; Frey, 2005) and the 9<sup>th</sup> biggest investor worldwide in China in the year 2006 (Foreign Investment Department, 2007). Direct investment in China occurs primarily in the form of subsidiaries or cooperative arrangements with Chinese partners, e.g. joint ventures (Björkman & Lu, 1999; Frey, 2005).

Research indicates that cultural differences are one of the main obstacles to an effective cooperation in Sino-Western business relationships (Antoniou & Whitman, 1998; Chen, 1995; Fan & Zigang, 2004; Habib, 1987; Hoon-Halbauer, 1996). In the literature, studies abound demonstrating that especially in these collaborations different cultural systems collide and cause conflicts. Generally, these difficulties have been attributed to specific norms and values

prevailing in the Chinese society, but differing from the patterns for behaviour in Western societies. Thus, there is a need to investigate and understand the main cultural differences to find a way to overcome potential conflicts (Worm & Frankenstein, 2000). Therefore, our study aims at examining the differences in both management practices and values in Chinese and German companies collaborating with each other. We thereby exemplarily focus on planning, decision-making, and leadership which are part of many concepts of management functions (e.g., Fayol, 1949; Gulick, 1937; Koontz & O'Donnell, 1964).

Our paper is structured as follows: Providing a literature review on cross-cultural management research focusing on Chinese and German cultural characteristics, management practices and values, we deduce our hypotheses. After outlining the methodological design, we present and discuss the results of a survey of Chinese and German managers. Finally, we point out limitations and managerial implications of our study as well as implications for future research.

## **2. Literature review and hypotheses**

### *2.1. The convergence-divergence debate*

To what extent does culture influence acting in and of organisations? Over the past decades, there has been a central debate in the management literature about the convergence or divergence of both managerial practices and values in organisations across cultures (Adler, Doktor, & Redding, 1986; Andrews & Chompusri, 2005; Kanungo, 2006; McGaughey & De Cieri, 1999; Ogbor & Williams, 2003; Ralston, Holt, Terpstra, & Kai-Cheng, 1997). Especially in the light of the ongoing globalisation of organisations, the question to what extent managerial practices and values worldwide are becoming more similar becomes more and more important (McGaughey & De Cieri, 1999; Ralston et al., 1997).

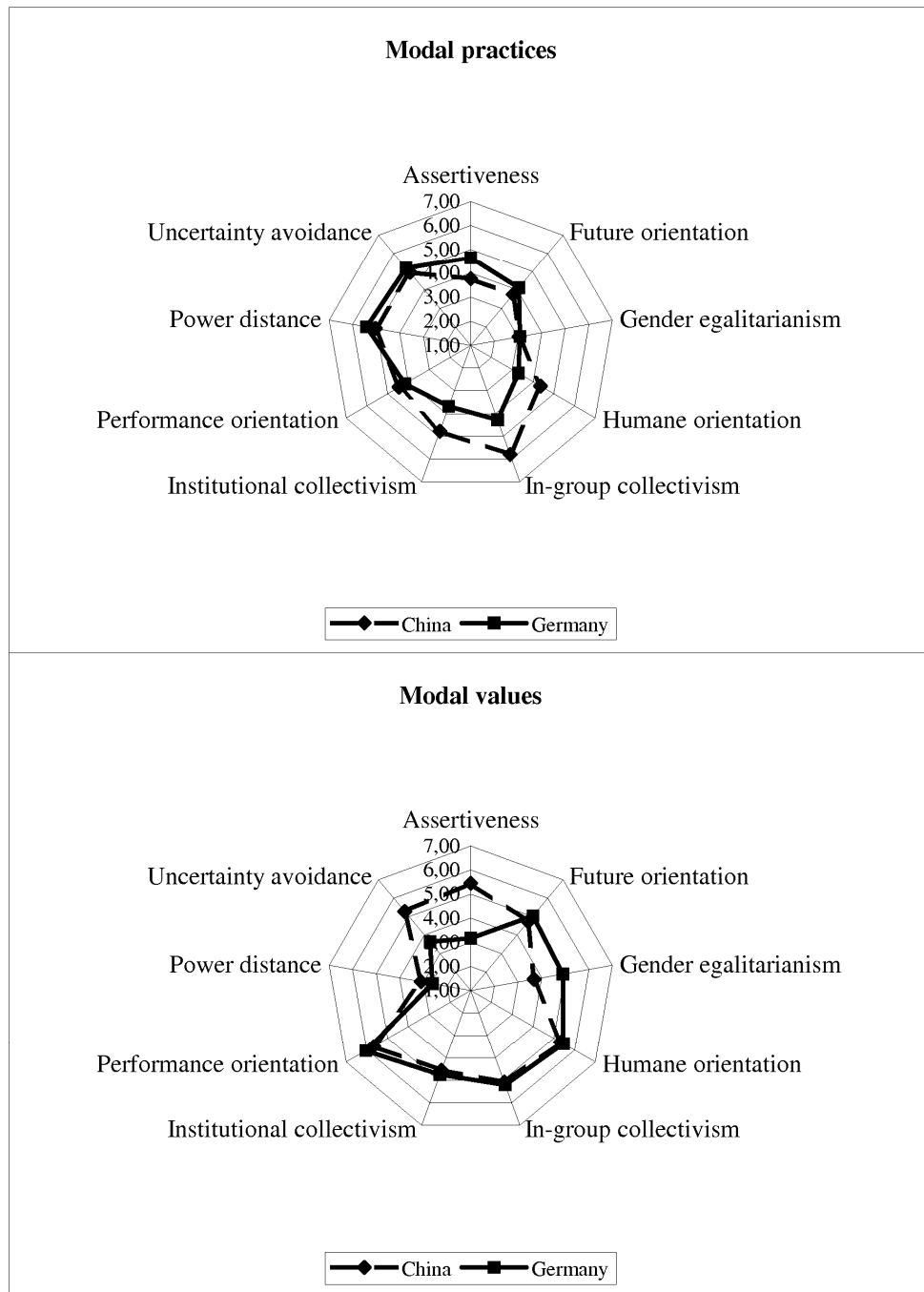
*Convergence.* The convergence view (“becoming more similar”) posits that organisational characteristics across nations are mostly free of the particularities of specific cultures (Adler et al., 1986). Because of contextual contingencies, organisations converge towards similar sets of practices (McGaughey & De Cieri, 1999; Rowley & Benson, 2002). The forces of globalisation, industrialisation, and technological and economic development (Adler et al., 1986; Child, 1981; Drenth & Den Hartog, 1999; Ralston, Gustafson, Cheung, & Terpstra, 1993; Ralston et al., 1997; Tan, 2002) overwhelm national differences and shift cultural values towards the forces’ universal logic (Giacobbe-Miller, Miller, Zhang, & Victorov, 2003; McGaughey & De Cieri, 1999). Nevertheless, the convergence view does not imply that all practices and values converge towards a single dominant culture. “It is most likely that there is some convergence toward U.S. practices, some toward Western European practices, and some toward Japanese practices” (Dorfman & House, 2005, p. 54).

*Divergence.* The divergence hypothesis (“maintaining dissimilarity”) states that nations and organisations struggle to maintain their culturally based uniqueness (Adler et al., 1986; McGaughey & De Cieri, 1999). Proponents of this approach argue that resistance to the forces of convergence results in the perseverance of national culture as well as in management practices which are consistent with the corresponding society’s values (Khilji, 2002; Ralston et al., 1997; Tan, 2002).

## *2.2. Sino-German differences in cultural dimensions*

Based on the divergence approach, cross-cultural management research identified universal cultural dimensions to compare different cultures and explain their relationship with management in organisations. The GLOBE project (House, Hanges, Javidan, Dorfman, & Gupta, 2005) is one of the most recent projects of cross-cultural research. In this study, the core cultural dimensions were measured in terms of modal practices focusing on the “What

is” and modal values focusing on the “What should be” (House & Javidan, 2005). The results revealed Sino-German<sup>1</sup> differences which are displayed in figure 1.



*Note:* 7-point Likert scale with higher scores indicating higher levels of the cultural dimensions

Fig. 1. Sino-German differences in the GLOBE study's cultural dimensions

<sup>1</sup> The German scores are the means of the GLOBE study's scores for Former East Germany and Former West Germany.

Comparing China and Germany in regard to their modal practices, Germans had higher scores in the dimension assertiveness than Chinese, but lower scores in the dimensions in-group collectivism, institutional collectivism, and humane orientation. They showed rather similar scores in gender egalitarianism, uncertainty avoidance, performance orientation, future orientation, and power distance. In regard to modal values, Germans desired higher gender egalitarianism than Chinese, but lower assertiveness and lower uncertainty avoidance. Value scores were rather similar in in-group collectivism, humane orientation, institutional collectivism, future orientation, performance orientation, and power distance (House et al., 2005).

After this etic approach (Pike, 1967) comparing Chinese and Germans in regard to universal cultural dimensions, in a next step, we take an emic approach (Pike, 1967) describing the country-specific cultural characteristics.

### *2.3. Foundations of Chinese culture*

When doing business with China, it is important to know that the Chinese cultural heritage is heavily influenced by the Confucian work ethic (Hofstede & Bond, 1988). This philosophical tradition has exerted a fundamental influence on people's modes of thinking and ways of behaving (Ghauri & Fang, 1999). Six basic Confucian values can be identified:

*Moral cultivation.* Confucianism emphasises moral cultivation and lifelong learning. A person is seen as humane if he or she brings along sincerity, trust, and righteousness (Ghauri & Fang, 1999) as well as courtesy, magnanimity, good faith, diligence, and kindness (Wah, 2001).

*Importance of interpersonal relationships (guanxi).* Confucianism is a practical teaching of interpersonal relationships and conducts. These relationships are hierarchical, reciprocal, and family-centred (Ghauri & Fang, 1999). An important element of interpersonal relations in China is guanxi (Antoniou & Whitman, 1998; Hoon-Halbauer, 1999; Wah, 2001; Worm &

Frankenstein, 2000). “Guanxi refers to the establishment of a connection between two independent individuals to enable a bilateral flow of personal or social transactions. However, both parties must derive benefits from the transaction to ensure the continuation of such a relationship” (Yeung & Tung, 1996, p. 55). Thus, guanxi implies a continual exchange of favours due to personal relationships (Chen, 1995; Xin & Pearce, 1996). Close personal relationships act as mechanisms for creating ties and loyalty between employees and top managers (Björkman & Lu, 1999; Lockett, 1988) and for strengthening business relationships (Wah, 2001).

*Family and group orientation.* In the Chinese culture, family is the most basic and important social unit (Ghauri & Fang, 1999). As collectivist values are deeply embedded in the Chinese culture through their connections to Confucianism (Cheung & Chow, 1999; Lockett, 1988; Shih, 1995), Chinese individuals tend to identify themselves as part of a specific group, team, or unit, and an important distinction is made between insiders and outsiders (Hoon-Halbauer, 1999; Lockett, 1988).

*Respect for age and hierarchy.* One important hallmark of Confucianism is respect for age and hierarchy (Ghauri & Fang, 1999; Hoon-Halbauer, 1999; Lockett, 1988). In the Confucian tradition, age is wisdom and must be respected (Ghauri & Fang, 1999). The Chinese have historically been dominated by respect for a hierarchy of authority, which can be traced back to the Confucian value of loyalty between sovereign and ministry (Lockett, 1988; Von Glinow & Teagarden, 1988). Hierarchy is honoured through ordering relationships in which every person does his/her duty to achieve social harmony and stability (Ghauri & Fang, 1999). It tends to hinder the development of individual responsibility and initiative, which are central ingredients in Western management practices (Lockett, 1988).

*Avoidance of conflict and need for harmony.* Among the basic tenets of Confucian philosophy harmony is particularly relevant to interpersonal behaviour (Antoniou &

Whitman, 1998). Confucianism stresses the need to achieve harmony in society through moral conduct in all kinds of relationships (Ghauri & Fang, 1999; Hoon-Halbauer, 1999; Lockett, 1988). Thus, great emphasis is placed on reaching a social consensus within the work group to preserve conflict-free relationships (Antoniou & Whitman, 1998; Chen, 1995; Kelley & Shenkar, 1993; Lockett, 1988; Redding, 1993).

*The concept of face.* Behind the Chinese concept of face lies the Confucian notion of shame (Ghauri & Fang, 1999). Face represents dignity, self-respect, and prestige, as well as one's social standing and position as perceived by others (Chen, 1995). Facework is used to present the self as an appropriate member of the social in-group, and people are expected to help others maintain a similarly appropriate face (Worm & Frankenstein, 2000). Thus, negotiation is based on mutual respect, trust, and benefit and is marked by a considerable attention to etiquette (Ghauri & Fang, 1999). The Chinese communication style is indirect because individuals try to minimise the loss of face (Lockett, 1988; Worm & Frankenstein, 2000).

#### *2.4. Foundations of German culture*

The German culture is marked by diverse influences rooted in German history: the Christian and Protestant tradition, the influence of the Age of Reason, the consequences of the system of small states as well as the impact of a number of political revolutions and existential dangers due to wars (Schroll-Machl, 2002). Six main characteristics of German culture can be identified:

*Individualism.* Like other Western cultures, the German culture is characterized by individualism (Brannen & Salk, 2000; Schroll-Machl, 2002). It is reflected in the person's autonomy and relative independence from groups or collectives. The focus is on the person's identity formed by own goals, own experiences, and an own personal history (Schroll-Machl, 2002).



*Importance of expertise.* Within the German culture, there is a great deal of respect for competence and proficiency on the part of others (Brannen & Salk, 2000; Glunk, Wilderom, & Ogilvie, 1996). Knowledge is seen as power (Hall & Hall, 1994). A person achieves peer respect by demonstrating knowledge, expertise, intelligence, wisdom, and integrity (Kramer, 1992; Kramer & Herbig, 1994a).

*Compartmentalisation and interpersonal distance.* Compartmentalisation is a basic feature of German culture at all levels of society (Hall & Hall, 1994; Schroll-Machl, 2002). One facet of this compartmentalisation is the separation between private and professional life (Brannen & Salk, 2000; Nees, 2000; Schroll-Machl, 2002). Another facet is the distance Germans tend to keep in interpersonal relationships (Hall & Hall, 1994; Nees, 2000). They communicate in a factual, unemotional way sticking to the matter at hand and leaving out any personal references (Nees, 2000; Schroll-Machl, 2002). This orientation to the facts is reflected in impersonal formulations (Nees, 2000) as well as formalities like the use of titles and last names instead of familiarities like the use of first names (Hall & Hall, 1994; Kramer & Herbig, 1994b). Furthermore, Germans distinguish between insiders and outsiders. Being among the insiders creates a sense of security and solidarity and directly influences the way Germans communicate. It also brings along commitment and obligation toward the other members of the group (Nees, 2000; Schroll-Machl, 2002).

*Clarity and directness.* As Germans view vagueness of expressions and ambiguous definitions as major causes of misunderstandings and problems, they have a strong desire for clarity (Nees, 2000). This leads to a very direct, but polite, frank, and honest style of communication (Alred, 1997; Hall & Hall, 1994; Nees, 2000; Schroll-Machl, 2002). Intellectual criticism plays a central role in German communication and discussion patterns (Nees, 2000; Schroll-Machl, 2002). Germans believe that everybody is permitted to express their individual viewpoint openly, even though it might differ from the others' point of view,

as long as differences are discussed with courtesy and mutual respect (Kramer, 1992; Kramer & Herbig, 1994a; Kramer & Herbig, 1994b).

*Importance of order and rules.* Order is a theme that permeates German society (Alred, 1997; Brannen & Salk, 2000; Hall & Hall, 1994; Nees, 2000; Schroll-Machl, 2002). It originates in the high regard of Germans for rational, analytic thought (Nees, 2000). The sense of order influences not only the material domain, but also the social world. The German society is structured by a large number of rules and regulations, both official laws and requirements as well as unwritten codes of manners and customs. These rules give a feeling of security, control, minimisation of risk, and a strong sense of what is right and wrong (Nees, 2000; Schroll-Machl, 2002).

*Concern for time.* Time lies at the core of German culture because it is one of the principal ways of organising life (Hall & Hall, 1994; Schroll-Machl, 2002). Germans place great emphasis on scheduling (Hall & Hall, 1994; Nees, 2000; Schroll-Machl, 2002) and value punctuality and reliability (Nees, 2000; Schroll-Machl, 2002). Punctuality is seen as a virtue, lateness as sloppiness or sign of disrespect (Nees, 2000).

## *2.5. Reflection of Sino-German cultural differences in management practices*

According to the divergence approach, cultural differences influence management practices. As our research focuses on the management functions planning, leading, and decision-making, in the following, we outline how cultural differences are reflected in those management practices.

*Differences in planning.* Managerial behaviour exhibited by Western managers reflects their concern for formalisation, scheduling, and deliberate planning (Hofstede, 1984; Kedia & Bhagat, 1988). No such concern is shown by Asian managers in their polychronic cultures (Hall, 1983). As managers in China have a low time orientation, they do not value explicit work objectives, have fewer expectations of meeting deadlines, and are less inclined to adhere

to plans and budgets (Cheung & Chow, 1999). On part of the Chinese, time can be expected to be a framework for orientation rather than something to be mastered (Hofstede, 1984).

*Differences in decision-making.* Since the Chinese come from a collectivist society in which harmony and personal relationship are emphasised, they try to use indirect ways to avoid direct and open conflict (Fan & Zigang, 2004; Hofstede, 1984). They prefer to resolve conflict in the decision making process through negotiation, consensus building, and compromise (Antoniou & Whitman, 1998; Fan & Zigang, 2004; Steensma, Marino, & Weaver, 2000). The more individualistic German managers are used to addressing problems directly and bringing things out in the open. To resolve differences, they prefer to use tactics that involve directly confronting others with rational arguments, factual evidence, and suggested solutions (Fan & Zigang, 2004; Hofstede, 1984).

Moreover, Chinese place less importance on contractual safeguards than managers from more individualistic countries like Germany. Chinese consider contracts less seriously, are more prepared to changes, and think contracts can be reasonably modified. They tend to pay more attention to relationships than contracts (Fan & Zigang, 2004; Steensma et al., 2000). For Germans, behaviour tends to be rigidly prescribed either by written rules or by unwritten social codes (Hofstede, 1984). In the Chinese organisation, there is hardly any formulation of written policies and rules. Thus, there is marked tendency to treat all past decisions as a matter of policy (Wah, 2001).

*Differences in leading.* Many Chinese managers adopt the non-participatory approach to leadership. Final decisions are usually made by higher level superiors without consulting their subordinate (Fan & Zigang, 2004). Subordinates' public expression of alternatives or overt self-interest should be kept to the lowest level (Wah, 2001). While in the GLOBE study participation was considered as highly contributing factor to ideal leadership in Germany (Szabo et al., 2002), in China it is endorsed less positively (Ashkanasy, 2002). The

paternalistic style of leadership is particularly dominant in Chinese organisations. Reinforced by the emphasis of familism and ordering relationship, the Chinese leader functions both as guardian and provider of the subordinates' welfare. He/she possesses great self-confidence and also holds high expectations and confidence in the followers. As wealth is seen as prime source of power, self-esteem, and status, the leader is willing to work long hours and yet remain enthusiastic and dynamic (Wah, 2001).

*Conclusions.* Based on the Sino-German differences found in the cultural dimensions and their reflection in the diverse management practices, we suggest differences between Chinese and German managers in planning, decision-making, and leadership. Thus,

*Hypothesis 1: Chinese and German managers differ in their planning practices.*

*Hypothesis 2: Chinese and German managers differ in their decision-making practices.*

*Hypothesis 3: Chinese and German managers differ in their leadership practices.*

Since managerial behaviour is reflective of values, cross-cultural comparative management researchers should also look for both similarities and differences in managerial values across cultures (Cheung & Chow, 1999). Managerial values are a major constituent of management practices. They represent collectively shared desirable states of how to work, behave, think, and manage the businesses (Kanungo, 2006). As cross-cultural management research found Sino-German differences in societal values and norms (House et al., 2005), we also suggest differences in the managerial values as the practices' constituents. Thus,

*Hypothesis 4: Chinese and German managers differ in their planning values.*

*Hypothesis 5: Chinese and German managers differ in their decision-making values.*

*Hypothesis 6: Chinese and German managers differ in their leadership values.*

### **3. Methods**

#### *3.1. Sample and procedures*

Our sample consisted of both 25 Chinese and 23 German managers from 18 different companies involved in Sino-German business collaborations. They all held a management function, had at least three months intensive contact with partners of the other culture, and held regular professional contact with the other culture. The average duration of collaboration with the foreign cultural business partner was about four years. The Chinese managers were from the cities Beijing, Jinan, Qingdao, and Shanghai and had a median age of 35 years. German participants were from the Southern German cities Dettenhausen, Karlsbad, Nuremberg, and Stuttgart and had a median age of 44 years.

To investigate differences between Chinese and German management practices and values, we used semi-structured interviews. The interviews were conducted by a bilingual Chinese interviewer in the respective national language. The structure of the interview was geared to the management process (e.g., Koontz & O'Donnell, 1964). We only report results of the structured part of the interview which included questions on the planning, decision-making, and leadership practices and values.

#### *3.2. Measures*

Participants judged their own planning, decision-making, and leadership practices and values on four-point Likert scales (1 = “does not apply at all” to 4 = “fully applies”). With this scale format, we tried to reduce the central tendency error by inducing a directed response. Management practices were measured by the response to items describing common management behaviours and routines (“What is?”). Values were assessed by answers to questionnaire items referring to the “What should be?” in the area of management practices. All questionnaire items were based on findings from cross-cultural management research.

*Planning values.* As measures for the values regarding the planning process, we used the sample items “It is important to me that prior to implementation all necessary work steps are planned from start to finish”, “It is important to me that in the planning process goals in principle are set higher than necessary”, “It is important to me that the agreed schedule for the implementation of measures is met”, and “It is important to me to accurately plan meetings with partners in advance”.

*Planning practices.* Regarding the planning practices, participants were asked to indicate whether the following items apply: “In the planning process, prior to implementation all necessary work steps are planned from start to finish”, “In the planning process, goals in principle are set higher than necessary”, “The agreed schedule for the implementation of measures is met”, and “Meetings with partners are accurately planned in advance”.

*Decision-making values.* Sample items used as indicators for the decision-making values included “It is important to me that in negotiations with the business partner all issues and different opinions are discussed openly”, “It is important to me that in negotiations with the business partner I define my position and defend it as far as possible with arguments”, “It is important to me that a decision made is realised within the agreed schedule”, “It is important to me that a decision made endures the agreed schedule unmodified”, and “It is important to me that decisions are documented in a binding form”.

*Decision-making practices.* Our sample items measuring the decision-making practices were “In negotiations, I openly address issues and different opinions, even if it is displeasing for the business partner”, “In negotiations, I define my position and defend it as far as possible with arguments”, “I realise decisions made within the agreed schedule”, “I keep decisions made with the partner over the agreed schedule”, and “I document decisions in a binding form”.

*Leadership values.* We operationalised leadership values by the sample items “It is important to me that the leader permanently takes care of the state of affairs and is very present for the employees”, “It is important to me that the leader gives clear instructions, even for the daily business”, “It is important to me that the leader supports the employees even in case of private problems”, “It is important to me that the leader works more than the employees”, and “It is important to me that the leader includes the employees’ opinion in decisions”.

*Leadership practices.* The self assessments of leadership practices were measured by the items “The leader permanently takes care of the state of affairs and is very present for the employees”, “The leader gives clear instructions, even for the daily business”, “The leader supports the employees even in case of private problems”, “The leader works more than the employees”, and “The leader includes the employees’ opinion in decisions”.

#### **4. Analysis and results**

To analyse our data in regard to whether there are any overall main effects, we conducted multivariate variance analyses (MANOVAs) for each management process using Wilks’ Lamda. As it is not in our research intention to determine the relative contribution of specific items to possible differences between Chinese and Germans in the management processes and a prioritisation of items is not possible either, we abandoned post-hoc discriminant or step-down analyses which are among the recommended follow-up procedures in case of a significant MANOVA (Bray & Maxwell, 1982; Huberty & Morris, 1989). Instead, if our MANOVAs revealed significant results, we additionally report the results of the significant univariate variance analyses (ANOVAs) only to get further insights in what the differences are like. According to Bray and Maxwell (1982) this is an appropriate procedure when the MANOVA is conducted to control the experimentwise error rate, intercorrelations between the single variates are not of interest, and no simpler structure underlies the single variates.

#### 4.1. Differences in management practices

The self-assessments of Chinese and German management practices revealed significant differences in planning (*Wilks' Lamda* = 0.48;  $F_{4,38} = 10.33$ ;  $p < 0.01$ ), decision-making (*Wilks' Lamda* = 0.60;  $F_{5,39} = 5.19$ ;  $p < 0.01$ ), and leadership (*Wilks' Lamda* = 0.73;  $F_{5,38} = 2.81$ ;  $p < 0.05$ ). Thus, our hypotheses 1, 2, and 3 can be accepted. A visualisation of the Chinese and German management practices is provided in figure 2.

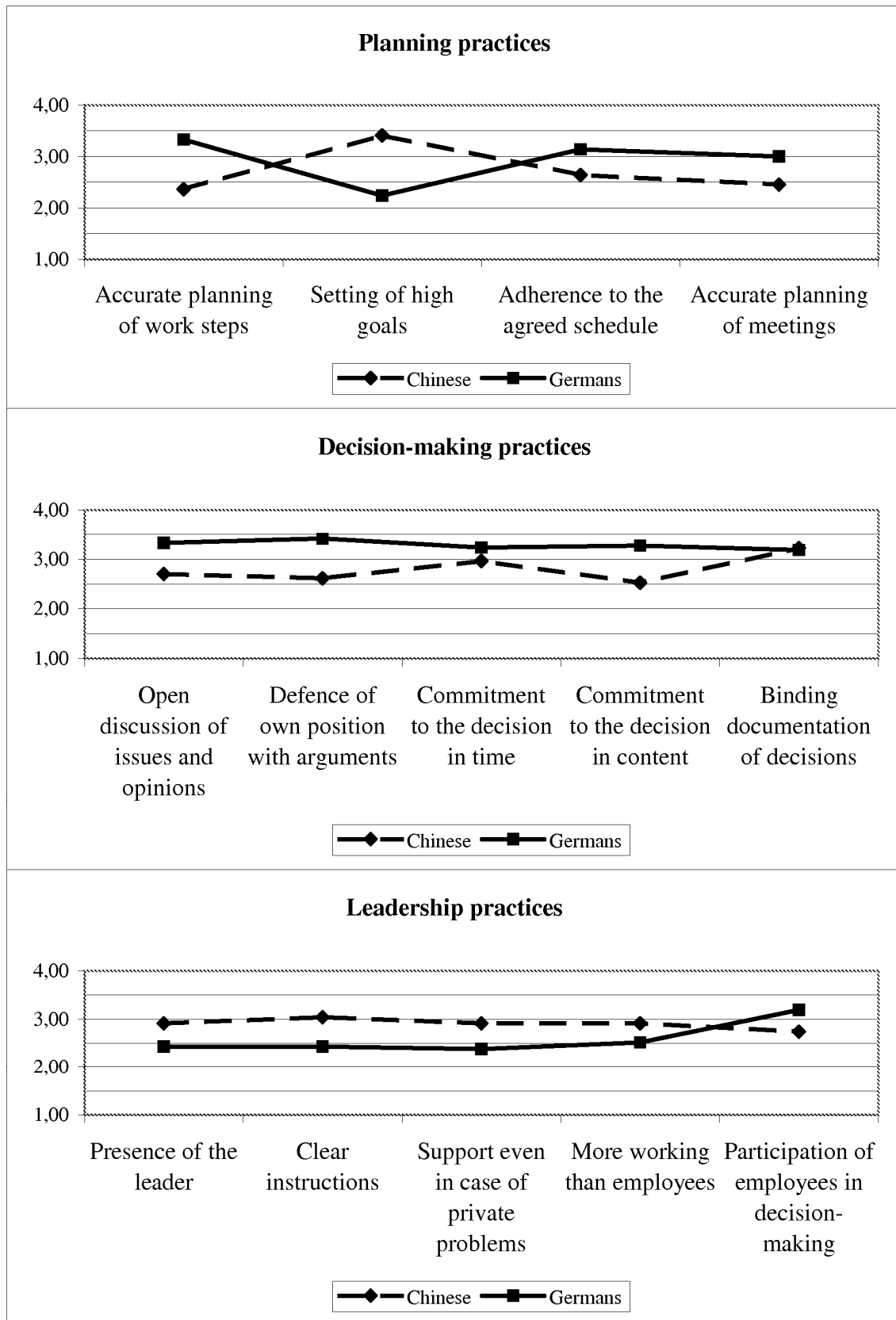
Results of the univariate variance analyses are shown in table 1. Planning in German companies was characterised by more accuracy in the planning of work steps and meetings, more realistic goal setting, and stricter adherence to the agreed schedule than Chinese planning. In decision-making, we found Germans to be more open, more able to defend their position with arguments, and to have a higher commitment to decisions in content. Regarding leadership activities, Germans appeared to give less detailed instructions.

#### 4.2. Differences in management values

In spite of different management practices, both Chinese and Germans indicated a high coincidence of management values in the areas of decision-making (*Wilks' Lamda* = 0.92;  $F_{5,31} = 0.57$ ; n.s.) and leadership (*Wilks' Lamda* = 0.95;  $F_{5,31} = 0.32$ ; n.s.). Only in the management values regarding planning we found a statistically significant difference (*Wilks' Lamda* = 0.69;  $F_{4,38} = 4.26$ ;  $p < 0.01$ ). Thus, hypothesis 4 can be accepted, while our hypotheses 5 and 6 have to be rejected. The Chinese and German scores on management values are displayed in figure 3.

Results of the univariate variance analyses are presented in table 2. For Chinese, it was more important than for Germans that the planning of work steps and meetings is done accurately. No other statistically significant differences could be observed.





Note: Scale: 1 = “does not apply at all” to 4 = “fully applies”

Fig. 2. Sino-German differences in management practices

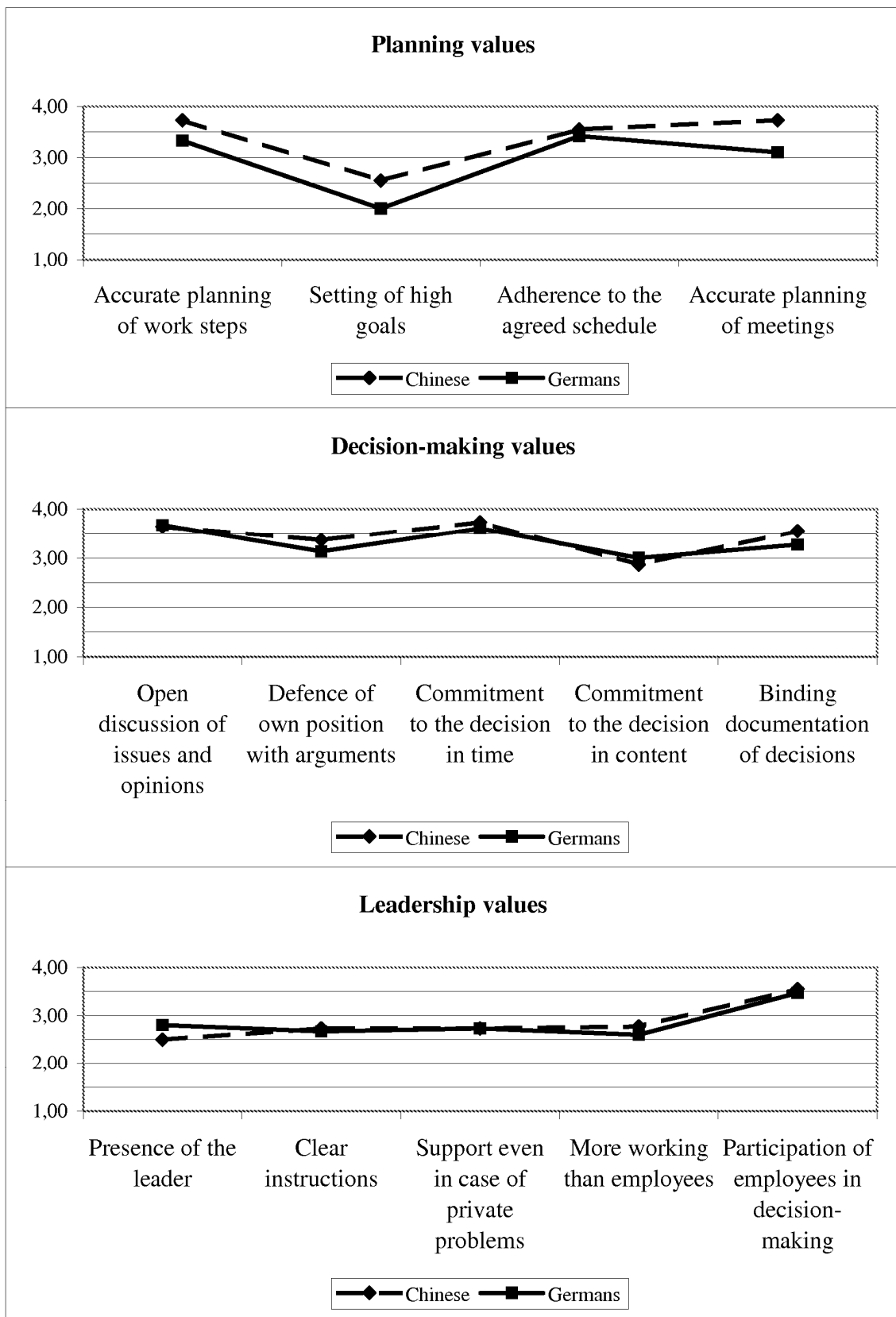
Table 1.

Sino-German differences in management practices (Univariate ANOVAs)

	Chinese	Germans		
Management practices	Mean (s.d.)	Mean (s.d.)	<i>F</i>	$\eta^2$
<b>Planning practices</b>				
Accurate planning of work steps	2.36 (0.79)	3.33 (0.66)	19.04**	0.32
Setting of high goals	3.41 (0.73)	2.24 (0.94)	20.74**	0.34
Adherence to the agreed schedule	2.64 (0.73)	3.14 (0.65)	5.75*	0.12
Accurate planning of meetings	2.45 (0.80)	3.00 (0.71)	5.59*	0.12
<b>Decision-making practices</b>				
Open discussion of issues and opinions	2.70 (0.76)	3.32 (0.65)	8.66**	0.17
Defence of own position with arguments	2.61 (0.78)	3.41 (0.80)	11.56**	0.21
Commitment to the decision in time	2.96 (0.71)	3.23 (0.69)	1.70	0.04
Commitment to the decision in content	2.52 (0.59)	3.27 (0.70)	15.06**	0.26
Binding documentation of decisions	3.22 (0.80)	3.18 (0.80)	0.02	0.00
<b>Leadership practices</b>				
Presence of the leader	2.91 (0.85)	2.43 (1.12)	2.64	0.06
Clear instructions	3.04 (0.64)	2.43 (0.98)	6.20*	0.13
Support even in case of private problems	2.91 (0.95)	2.38 (0.92)	3.55	0.08
More working than employees	2.91 (0.90)	2.52 (0.87)	2.11	0.05
Participation of employees in decision-making	2.74 (0.75)	3.19 (0.75)	3.97	0.09

\*  $p < 0.05$ \*\*  $p < 0.01$ 

Scale: 1 = “does not apply at all” to 4 = “fully applies”



Note: Scale: 1 = “does not apply at all” to 4 = “fully applies”

Fig. 3. Sino-German differences in management values

Table 2.

Sino-German differences in management values (Univariate ANOVAs)

	Chinese	Germans		
Management values	Mean (s.d.)	Mean (s.d.)	<i>F</i>	$\eta^2$
<b>Planning values</b>				
Accurate planning of work steps	3.73 (0.55)	3.33 (0.66)	4.55*	0.10
Setting of high goals	2.55 (0.86)	2.00 (1.10)	3.32	0.08
Adherence to the agreed schedule	3.55 (0.74)	3.42 (0.68)	0.01	0.00
Accurate planning of meetings	3.73 (0.55)	3.10 (0.89)	7.94**	0.16
<b>Decision-making values</b>				
Open discussion of issues and opinions	3.64 (0.73)	3.67 (0.62)	0.02	0.00
Defence of own position with arguments	3.36 (0.95)	3.13 (1.06)	0.48	0.01
Commitment to the decision in time	3.73 (0.46)	3.60 (0.74)	0.42	0.01
Commitment to the decision in content	2.86 (0.89)	3.00 (1.07)	0.18	0.01
Binding documentation of decisions	3.55 (0.60)	3.27 (1.03)	1.08	0.03
<b>Leadership values</b>				
Presence of the leader	2.50 (0.96)	2.80 (1.08)	0.78	0.02
Clear instructions	2.73 (1.08)	2.67 (0.90)	0.03	0.00
Support even in case of private problems	2.73 (1.03)	2.73 (0.70)	0.00	0.00
More working than employees	2.77 (1.15)	2.60 (0.91)	0.24	0.01
Participation of employees in decision-making	3.55 (0.60)	3.47 (0.64)	0.15	0.00

\*  $p < 0.05$ \*\*  $p < 0.01$ 

Scale: 1 = "does not apply at all" to 4 = "fully applies"

#### 4.3. Differences between management practices and management values

Comparing the management practices and values indicated by the Chinese managers, we found statistically significant differences in planning (*Wilks' Lamda* = 0.19;  $F_{4,14} = 15.39$ ;  $p < 0.01$ ), decision-making (*Wilks' Lamda* = 0.26;  $F_{5,17} = 9.67$ ;  $p < 0.01$ ), and leadership (*Wilks' Lamda* = 0.21;  $F_{5,13} = 9.91$ ;  $p < 0.01$ ). The Chinese aimed at a higher accuracy in the planning of work steps ( $F_{1,17} = 22.67$ ;  $p < 0.01$ ;  $\eta^2 = 0.57$ ) and meetings ( $F_{1,17} = 48.08$ ;  $p < 0.01$ ;  $\eta^2 = 0.74$ ), the setting of more realistic goals ( $F_{1,17} = 24.73$ ;  $p < 0.01$ ;  $\eta^2 = 0.59$ ), and a stronger adherence to the agreed schedule ( $F_{1,17} = 48.08$ ;  $p < 0.01$ ;  $\eta^2 = 0.47$ ) than they practiced in the present. Regarding differences in decision-making practices and values, they intended to discuss more openly ( $F_{1,21} = 43.87$ ;  $p < 0.01$ ;  $\eta^2 = 0.68$ ), to defend their position more strongly ( $F_{1,21} = 12.24$ ;  $p < 0.01$ ;  $\eta^2 = 0.37$ ), to be higher committed to decisions in time ( $F_{1,21} = 30.86$ ;  $p < 0.01$ ;  $\eta^2 = 0.60$ ), and to more bindingly document decisions ( $F_{1,21} = 9.80$ ;  $p < 0.01$ ;  $\eta^2 = 0.32$ ). Compared to their leadership practices, they desired less presence of the leader ( $F_{1,17} = 6.12$ ;  $p < 0.05$ ;  $\eta^2 = 0.27$ ) and more participation of employees in decision-making ( $F_{1,17} = 21.86$ ;  $p < 0.01$ ;  $\eta^2 = 0.56$ ).

The comparison of management practices and values of German managers only revealed statistically significant differences in decision-making (*Wilks' Lamda* = 0.27;  $F_{5,10} = 5.42$ ;  $p < 0.05$ ), but not in planning (*Wilks' Lamda* = 0.80;  $F_{3,18} = 1.51$ ; n.s.) and leadership (*Wilks' Lamda* = 0.81;  $F_{5,8} = 0.37$ ; n.s.). Regarding decision-making, the Germans aimed at even more openness in discussions ( $F_{1,14} = 7.00$ ;  $p < 0.05$ ;  $\eta^2 = 0.33$ ) and a stronger commitment to decisions in time ( $F_{1,14} = 9.95$ ;  $p < 0.01$ ;  $\eta^2 = 0.42$ ).

## 5. Discussion

### *5.1. Summary of results*

The aim of our study was to examine whether there are differences in both management practices and values in Sino-German business collaborations. Comparing the self-assessments of Chinese and German managers, we found differences in the practices of planning, decision-making, and leadership. These results are consistent with previous research findings supporting the divergence approach (e.g., Antoniou & Whitman, 1998; Ashkanasy, 2002; Cheung & Chow, 1999; Fan & Zigang, 2004; Hofstede, 1984; Kedia & Bhagat, 1988; Steensma et al., 2000; Szabo et al.; Wah, 2001) which suggests differences in management practices due to cultural differences (Adler et al., 1986; Khilji, 2002; McGaughey & De Cieri, 1999; Ralston et al., 1997; Tan, 2002).

Despite differing management practices, the management values were seen rather similar. No differences at all could be observed in regard to the desired decision-making and leadership practices; only few differences occurred in regard to the planning values. The latter can be explained by looking at China's economic history. Because of its planned commodity economy (1979 – 1983) and socialist commodity economy (1984 – 1991) in the past, planning in China was organised centrally and therefore did not count among a manager's responsibilities. With the development to a socialistic market economy (from 1992 to present) the Chinese have adopted the ideals of the new economic system and will more and more learn the qualifications for management under these conditions (McGunagle, 2006). Therefore, with increasing legal certainty and economic stability in China we also can expect a rapprochement of planning values. Thus, in contrast to the mainstream literature (e.g., House et al., 2005), the similarity of management values indicates a process of convergence.

Our findings show that Chinese management values converged towards German management values. This may be a result of the fact that Chinese more and more cooperate with Western partners in organisations engaged in cross-border trading, take part in management education programs reflecting Western assumptions, and read Western management literature providing Western managerial models (e.g., Dorfman & House, 2005) so that they more and more adopt Western values.

The question arises why the similarity of management values is not yet reflected in similar management practices. Drawing on social psychological research investigating attitude-behaviour inconsistencies (see e.g., Smith & Mackie, 2007), a possible explanation is that situational constraints which are not under personal control impede the transformation of values into practices. Especially on part of the Chinese managers high dynamics, social instability and inequality, as well as legal uncertainty (Parnell, 2002; McGunagle, 2006) may be restraining influences because they complicate the application of a transsituational value system and demand situation-specific behaviour. Nevertheless, with decreasing obstacles and increasing business contacts with Western-socialised managers the existing dissimilarity of management practices can be expected to decrease. This indicates the potential for smoother collaboration and mutual understanding in Sino-German business relationships.

## *5.2. Managerial implications*

What do these results mean for management? As our findings show, Chinese and German managers act on the base of a majority of similar values. Nevertheless, the question arises what prevents them from realising their common ideal. It will be the task of both Chinese and German managers cooperating with each other in business relationships to find answers to this question in joint discussions. These discussions should be moderated by a third person, for example, an HR professional accepted by both parties. The moderator has to sensitise to the common management values and to underline this common base for collaboration in

which the managers from both cultures can trust. He/she should encourage the discussion on the managers' present practices with the aim to make them find out themselves what possible obstacles to a convergence of management practices are. The knowledge of a similar understanding of "What should be" thereby enables a better debate on how existing differences can be overcome. Being faced with a similar target state, it will be easier to find solutions for conflicts arising from different management practices. This does not imply that the solutions intend to reduce the differences in practices. Rather the existing cultural diversity should be used effectively to create new ways to handle management tasks. This mutual exchange and communication with each other respecting the cultural peculiarities is the best way to improve the cooperation of Chinese and German managers in business relationships without neglecting the potential benefits of the existing cultural diversity.

### *5.3. Study limitations and implications for future research*

Our field study investigating both Chinese and German managers with semi-structured interviews was based on a small sample. Thus, we cannot be sure that our results are representative for the Chinese and German culture. To find further evidence for our findings, a replication with a greater sample of Chinese and German managers is necessary.

In our study, it was only partly possible to distinguish between cultural differences and specific personal characteristics of the participants. An individual's behaviour is not only influenced by culture, but also many other determinants. Our participants in average had a four years long professional relationship with the other culture. This, on the one hand, was necessary to be able to perceive cultural differences in intercultural encounters, but, on the other hand, might have led to a cultural adaptation. In our study, we could not account for this possible confounding variable. Thus, our results might reflect a systematic error that stems from the interview partner's personal characteristics and experiences.



In the structured part of our interview, we exemplarily focused on the functions planning, decision-making, and leadership. In future research, a structured assessment of the practices and values regarding all functions of the management process (Koontz & O'Donnell, 1964) – planning, organising, staffing, directing, and controlling – should be undertaken to check whether in all these functions the convergence of management values can be observed.

Finally, to assess whether according to similar management values management practices will in fact converge in the future, longitudinal research is necessary (Drenth & Den Hartog, 1999; McGaughey & De Cieri, 1999). This also provides the possibility to track the development and undertake possible corrections in assuring a conflict-free, harmonious business collaboration between Chinese and German managers.

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