

# **China's Socio-economic Transformation and Sino-U.S. Joint Venture Companies in China**

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*China's socioeconomic transformation resulted in enormous opportunities as well as tremendous challenges for joint venture companies. China continues to present a highly complex environment for most foreign firms. As the number of the joint ventures increase in China, certain conflicts appear. This study explores the political, economic, and socio-cultural challenges of Sino-U.S. joint venture companies in China. It is concluded that there are many challenges and there is no immediate solution. China is willing to open up its doors but at the same time struggling to maintain its social, cultural, economic, and political norms and values.*

## **INTRODUCTION**

Everyone knows of the Great Wall. It fascinates Chinese and foreigners alike, and at both the popular and official levels. By the late nineteenth century Westerners were even developing a whole romantic representational genre based on the Wall. There was once a remarkable claim first made explicitly by Geil in 1909 that "The Great Wall would be visible from the moon" (p. 17). The Great Wall was a symbol of Chinese cultural nationalism, a phenomenon as an attempt to create, support, and foster integration by means of putting it forth as a cultural and historical symbol. It represented (and still represents) the encounter between "modernity" and "tradition" that has dominated Chinese intellectual discourse, setting the terms of cultural and political debate (Geil, 1909).

Even though China is one of the oldest nations in the world, it has never been totally colonized by Western powers (Selmer, 2001). Few medieval contacts with Europe disturbed or influenced the Chinese scheme. Travelers such as Marco Polo or Friar Odoric found that there was much they could take away with them, but little they could leave behind (Purcell, 1936). The Great Wall of China protected China from external interferences, both physically and symbolically. However, with the increasing developments at this information age, China is struggling with the entrance of Western ideas and ideologies. For this reason, by opening its doors willingly, China is trying to control the expansion of western ideas. This study explores the political, economic, and socio-cultural challenges of running a Sino-US joint venture in the 'Middle Kingdom'. The Middle Kingdom is what the Chinese call their country: Zhongguo.

## **BACKGROUND**

There is extensive literature on the operational challenges of 'Sino-Foreign joint ventures'. Many studies discuss a wide range of issues pertaining to joint ventures. (Boisot & Child, 1988; Willis, 2000a;

Little, 2000; Child, 2000; Hofstede, 1980). However, even such studies have shortcomings and need for extensive research to add knowledge to the current literature is imperative. China's socioeconomic transformation resulted in enormous opportunities as well as tremendous challenges for joint venture companies. China continues to present a highly complex environment for most foreign firms. As the number of the joint ventures increase in China, certain conflicts appear. First, Westerner's individualistic orientation and the Chinese partner's collectivities orientation create conflict (Jen, 2001). Second, Chinese laws are not written as tightly as U.S. laws, so even if partners feel they are complying with the laws, they may be interpreted more broadly in such a way that partners are considered not to be in compliance (Atkinson, 2004). One consideration is that Chinese industry is characterized by strong subcultures. People identify closely with particular work units, regions and municipalities (Child, 1994). These subcultures, generally stronger than those found within less diversified and less traditional societies "challenge the cohesion of any large Chinese conglomerate" (Child, 2000, p. 40). A widely held perception persists among foreign managers that the conditions for doing business in China are highly unpredictable.

Even though international joint ventures are rapidly growing organizational form and there is substantial research on the operation of such organizations, academic understanding of joint ventures is still limited in scope and in depth. Previous studies have reported high failure and instability rates among joint ventures (Franko, 1971; Harrigan, 1986; Kogut, 1989; Levine & Byrne, 1986; Jing, 2012), and the factors predicting successful venture performance remain unclear (Geringer & Hebert, 1991; Parkhe, 1993). Table 1 presents some of the problems in managing East-West Joint Ventures.

**TABLE 1**  
**SOURCE PROBLEMS IN MANAGING EAST-WEST JOINT VENTURES**

<b>Western Partner</b>	<b>Eastern Partner</b>
Lack of knowledge and understanding of the environment, market and specific company	Lack of understanding of Western business practices
Profit expectations too high	Pay expectations too high
Superiority complex	Inferiority complex
Stereotyping	Stereotyping
Lack of Communication	Lack of communication
Lack of intercultural management	Lack of basic management skills
"Plantation syndrome"	Militant, politicized trade unions
Poor negotiations skills	Poor negotiations skills

*(Source: Kozminski, 1995, p. 121)*

### **JOINT VENTURE COMPANIES IN CHINA**

Since the reopening of China for business in 1978, joint ventures have been the most frequent entry mode for small and medium-sized international firms, and various leading multinational companies (Child, 2000; Jing, 2012). China has embarked on a further major phase of enterprise reform in which the promotion of giant enterprises, new forms of corporate governance, entrepreneurship and internationalization are to be the key elements. Child asserts that this evolution will have an impact on foreign-invested firms in China, many of which are already in the process of reevaluating China as an investment environment and their policies on partnership with domestic firms in that country. Table 2 outlines the motivations of Chinese and Foreign firms in forming a partnership.

**TABLE 2**  
**REASONS WHY FOREIGN AND CHINESE FIRMS ESTABLISH JOINT VENTURES**

Foreign Firms	Chinese Firms
Huge market potential	Government objectives to attract foreign investment
Possible advantage of being ‘first in’	Access to technology and skills
Competitor pressure	Learn modern management skills
Fits in with business portfolio	Export opportunity
Partner has local knowledge	Probably, much needed finance provided by foreign firm
Understand macro environment	Increase market share
No need to spend time building Guanxi ( Chinese partner already has Guanxi)	Access to marketing expertise

*Adapted from Daniels et al., (1985)*

Alvez, Manz and Butterfield (2005) speculated that the twenty-first century is going to be characterized by an increasing influence of Chinese companies, business persons, and leadership styles in the global economy, and that this will alter existing conceptions of business, management, and organizations, at least as they have been viewed in the West. Since 1978, the rate and pace of cooperation has accelerated and gathered even more momentum.

### **CHALLENGES OF RUNNING SINO-US JOINT VENTURE COMPANIES IN CHINA**

Xuan and Graf (1996) argued that when investing in China it is important to know about the economic, legal [political], and the socio-cultural environment in the country. This study will explore the political, economic, and socio-cultural challenges of running a Sino-US joint venture company in China.

#### **Political Challenges**

Dunne (1995) explained that “The ‘Middle Kingdom’ has been locked to outsiders for 5, 000 years, and Western traders since the 18<sup>th</sup> century have been struggling in search of the keys” (p. 14). However, since 1978, China has approved more than 212,000 joint ventures, reflecting the nation’s strong preference for cooperative development projects. For Westerners, they have finally found a hole to go through the Great Wall, but they are rarely aware of the challenges inside the Wall, and their excitement does not last long. Now, they have to find their ways through the Chinese political, economic, and socio-cultural puzzle. For example, any company expanding into China must identify which government agencies are in charge of their industry as “nowhere are the ambiguities of operating in China more pronounced than in the legal sphere” (p. 16).

China did not actually have a law pertaining to companies that operated on Chinese soil until 1904. Kirby (1995) explained that it was not until January 21, 1904 that the Chinese had a company law outlining the operation of companies on Chinese soil. This date, the Ministry of Commerce [newly established then] issued China’s first company law. These laws were structured so that China would no longer suffer the humiliations at the hands of Japan and the Western powers. Qing government’s new reformist policies were initiated as a tool to promote China’s industrial development. It was only then that the Chinese accepted modern industrialist capitalism which demanded the Chinese to do business with Westerners. Li (1974) argued that the major goal was to promote the creation of Chinese companies to compete with the foreigners who were producing and marketing their goods on Chinese soil. Over the years, different governments made changes to the Law. Qing reformer’s idea was that adopting the Western model for the development of private Chinese enterprises would be a mistake, in the sense that Western models cannot be taken as they are, but, need to be changed according to the overall cultural and political structure. That is, Western models were designed for the Western countries and adoption of the

Western models for Chinese companies would not be beneficial. With the government officials who are trained and schooled in an entirely different ideology, joint venture managers are often puzzled. Enormous potential for misunderstanding influence the daily operations, and quick decision-making becomes but a dream. Even though China is enjoying its smoothest days for regulatory environment and relative stability, clashes between foreign companies and Chinese government still occur daily, strengthening the mindset of Chinese officials.

Existence of the CCP structure in each enterprise, operating parallel to the administrative structure, is the most prominent problem. The Party secretary has always been powerful and has significant decision-making power. Chen (1995) pointed out that factory directors, managers, workshop heads and production team leaders have the authority to direct and command their subordinates. However, they are supposed to be red (ideologically loyal to the CCP) and specialist (in managing their own fields). In this case, being red is more important.

Tse, Au, and Vertinsky (1996) argued that the choice of levels of government interference may bear greater significance in China than in other market economies because they represent different risks to the investing forms. Generally speaking, the higher the level of government involved, the more secure the ventures. "This is because higher level governments have more authority in approving projects, interpreting government policies, and exercising controls" (p. 144).

Chinese government still has an extensive role in the Chinese economy. Therefore, bureaucracy has exceptional power when conducting any form of business. Osland and Cavusgil (1996) state that U.S. managers in China needs to have a better recognition of the importance of understanding of how government functions and how they can influence government decisions. For example, having a local partner certainly enables foreign companies to develop close connections with government decision-makers. They have finally realized that they had to adapt their policies in accordance with the ideology of the CCP, without abandoning the real purpose of their presence in China. "Foreign firms had to understand and deal with a complex, often confusing web of government entities to ensure that their business operations were not adversely impacted by changes in government policies or bureaucratic whims" (Sanyal & Guvenli, 2001, p. 41).

Su (1999) pointed out that China is experiencing a dynamic reconstruction where disorder is an integral part of the society. This consists of "an absence or lack of effective laws, increasing problems of business ethics, bureaucracy, and the government's ambiguous role in the economy with respect to enterprises" (p. 1). With regard to joint ventures, the Chinese local authorities too often tend to intervene in management and consider the international joint ventures as state companies and therefore under state control.

The influence of the CCP is ensured in all business organizations through assigning members to such organizations. Foreign-owned firms are required to have a Chinese citizen, nominated by the CCP, as chair of the joint venture's board of directors. Having a representative from the Chinese Communist Party in the administration becomes a challenge for the U.S. managing representatives. These managers, in this context, are not necessarily familiar with the political agenda, coming from a democratic society, and usually are not aware of the challenges of having a representative from the CCP, prior to their arrival. Politics is one of the topics that they are not allowed to talk about, as instructed by their employers in the United States. Also, managerial skills of these American managers depend extensively on structured communication systems (Williamson & Zeng, 2004) and minimal government intervention whereas in China such infrastructure for communication does not exist, and uncertainty of the laws and regulations make it frustrating for American managers. Due to the sensitivity of the political discourse in China, American managers are also not 'going there' but focusing on the economic concerns related to their duties. This uncertainty and silence creates a gap in the current literature exploring the political context of running a joint venture in China.

### **Economic Challenges**

Holton (1990), after interviewing several joint venture managers in China, found that a major hurdle in the negotiating process leading to the establishment of the joint venture was the question of the number

of the employees to be hired. The Chinese wanted the joint venture to employ far more workers than did the foreign partner. “Iron rice bowl” employment system, established by the state assures that employees have permanent employment and job security until they decide to leave their positions willingly. This overstaffing, a legacy of “iron rice bowl” system is still present in Chinese state owned enterprises (Verma & Zhiming, 1995; Benson & Zhu, 1999). Existence of overstaffing as inherited by Chinese partners in Sino-US joint ventures disturbs American managers for which they may result in low levels of productivity (Glover & Siu, 2000).

Holton (1990) further added that the workers in the joint venture continue to be employees of the Chinese partner and are essentially seconded to the joint venture itself. That is, Chinese staff is not as willing to cooperate with the American administrators as they are with their actual employer, the Chinese partner. Chinese staff considers the Chinese partners as main employers and are loyal to them and rather unwilling to take orders from American partners. This is mostly due to the fact that most Chinese employees are hired by the Chinese partners, except in some cases of mid-management and top management positions. In hiring, priority is given to children, friend, and relatives of existing employees (Verma & Zhiming, 1995) and sometimes because of the political affiliations and/or military background.

Another economic challenge that the American managers face in a Joint Venture is the wages of its employees. Holton (1990) found that most American managers of joint ventures in China are especially unhappy with the policy requiring Chinese counterparts of U.S. managers to be paid salaries comparable to the Americans. Chinese culture emphasizes harmonious interpersonal relationships in the workplace and avoids interpersonal competition within the organization. This wage gap between the local and foreign staff certainly becomes a handicap in the cases of such partnerships. The Chinese argue that there should be equal pay for equal work. Under the former socialist system, income polarization in China was discouraged, and spiritual incentives were preferred to material rewards. American managers usually get 9-10 times more than what their Chinese counterparts are getting in terms of wages within the joint venture. Most get a free furnished apartment with utilities paid. Even though food is relatively inexpensive in China, some joint ventures pay for the food, as well. In addition, they are given at least one round-trip flight ticket from and to their country of residence. American partner’s justification is that, even paying 9-10 times more than what the Chinese are getting is not enough compared to what they would be getting back in America. Also, Americans living abroad have to support their families back home and maintain their health insurance, social security, mortgage, student loans, car payments, etc.

While the Chinese economy has grown rapidly over the past 20 years, the rate of growth has varied greatly among different provinces. Average annual total income per capita in Southern Provinces is 1243.87 Yuan ((\$1= approximately 6.2 Yuan). National average total annual income per capita is 882.03 Yuan. It gets as low as 649.51 in Guizhou (National Bureau of Statistics of China, 2005). In Henan, total income per capita is 721.10 Yuan and “a teacher’s salary at Qinghua [in Henan Province] is generally a little more than 1,000 Yuan and some teachers may make more than 2,000 Yuan (Gu, 2000, p. 4). Thus, when the American managers receive wages and other benefits totaling 9-10 times more than what the Chinese are receiving, it evokes certain negative feelings with the Chinese partners. Sovic (2006) explains that many Sino-foreign joint ventures lose their local employees to local companies after providing them with extensive training. Chinese employees consider that opportunities for career development and promotion are much greater in Chinese companies than in such joint ventures. Especially with the existence of two-tier pay systems, Chinese employees do not see a visible career with Sino-foreign joint ventures (Rein, 2007).

However, gap in pay structures does not necessarily cause the major disturbance for the Chinese in state owned companies as Chinese pay structure (compensation levels) is also determined by seniority, political orientation, and nepotism (Ding et. al., 1997). It causes a problem when working for foreign companies that the Chinese demand to be compensated according to Deng Xiaoping’s principle, which he established after 1978, as each person should be compensated according to his/her work (Easterby-Smith, Malina, & Yuan, 1995).

## **Socio-Cultural Challenges**

Chinese culture has a long history, showing great persistence and coherence. The roots are primarily in the religio-philosophical traditions of Confucianism, Buddhism and Taoism (Shi & Westwood, 2000). Harmony is a core element, central to the main religio-philosophical traditions and critical in orientations to the self, environment and social relationships. “A ‘harmony-with’ the environment is prescribed rather than the ‘mastery-over’ prescribed in the western tradition” (p. 191). This entails a non-interventionist, outer-directed and situation-accepting orientation (Leung, 1992) in contrast to a Western problem-solving orientation (Adler, 1991). Adler (1991) has also compared leadership theories. Having examined two kinds of leadership theories, Adler concluded that participatory management models, which are widely encouraged by American theorists and managers, are not appropriate for many cultures.

In his 2004 article Xiaohua argued that dealing with cultural differences is a major concern to international business scholars and practitioners. He suggests that encouragement of cultural adaptation or learning process may increase the congruence between culturally different partners and ultimately improve the effectiveness of international business relationships. However, business people from certain national and cultural backgrounds may have a stronger or weaker tendency toward cultural adaptation. Adaptation is a key mechanism for coping with negative diversities in ongoing interactions with alliances, and participants in cross-cultural alliances need to adapt to each other on both business and cultural levels. Functioning in a foreign culture with a reasonable comfort level requires a general understanding of the concept of culture and a generalized understanding of the national norms with which the partners have to deal. Knowledge from this cultural understanding process is useful to the manager trying to predict cultural events. Tinsley and Pillutla (1998) and Simintras (2000) argue that when individuals conduct business across national borders, they often bring to the negotiation table diverse cultural predispositions when they are interacting with the local partners. Therefore, interaction between international partners cause issues since cultural differences in beliefs, attitudes, values, and behavior patterns often lead to “misunderstanding, misconception, and miscommunication” (Xiaohua, 2004, p. 37).

Xiaohua further argued that cultural adaptation goes beyond simply adapting business practice, but involves understanding, adjusting to, and learning about the other party from a cultural standpoint. Li et al. (1999) suggested that managers in the parent firms need to consider how the characteristics of the managers they send to the Joint Venture will affect the functioning of the Joint Venture leadership team and the venture’s overall success. Tsang (1999) explained this challenge as: “Managers from industrialized countries are ready to teach native Chinese staff, but seldom do they realize that they can learn something from the locals” (p. 94). Westerners are anxious to “teach the rest of the world” (Xiaohua, 2004, p. 39).

Age and experience may even complicate the situation further. The Chinese managers expect age and general life experience to be given some priority in discussions and decisions, whereas the foreign managers usually place more importance on expertise and experience specific to the nature of the joint venture. Chinese joint venture managers are generally older than their counterparts. In traditional Chinese culture, elders are respected. As a result, older Chinese managers expect younger members to respect them. However, for Westerners, respect for age will not even be an issue, resulting in friction and strain (Li, Xin & Hambrick, 1999). Chinese partners judge the expertise and credibility of the foreign partners first on the reputation in the industry they are in and the second, by the most senior person appointed by the foreign partner to the venture to manage the operations in China. This senior person needs to be an expert in the field and also have the capability to gain the respect and the trust of the Chinese partner.

Chinese social systems are characterized by hierarchical but networked leadership patterns. Chinese managers/leaders occupy “pivotal positions and have legitimized power to make decisions and allocate resources, but such decisions must reflect and balance network members’ interests and sustain good relations” (Shi & Westwood, 2000, p. 205). They believe that groups are more powerful than individuals. Groups have more wisdom and individuals should not contradict the opinions of the groups, especially the opinions of the group leader. Also, Street and Matelski (2003) explained that “unlike Westerners, the Chinese do not analyze things by viewing them as parts to be added together, as ‘one plus one equals

two,' but that the whole is more than the sum of the parts (as in the Yin-Yang symbol or in contemporary Western 'Systems Theory')" (p. 119).

Yin-Yang, explains how one thing stands in relation to another. It suggests the interdependence of proximate things in the world. The *yin* and *yang* is a concept used not only to help representing 'parts' of the world, but also to suggest ways in which these parts may be correlated. For example, as Ames (2003) noted, in Classical Chinese philosophy there is no distinction between 'reality' and 'appearance,' which contrasts with the Western idea that "objective knowledge is truth; subjective knowledge is mere opinion" (p. 847).

Stewart and Bennett (1991) argued that the Chinese way of thinking emphasizes more of the "synthetic" while the Americans focus more on the "analytical" (p. 43-44). They noted that whereas the American way of thinking is essentially analytical, the Chinese way is "strongly relational and for this reason it lacks clarity from a Western point of view" (p. 43-44). Hall and Ames (1995) noted that the Chinese emphasize analogical and correlative thinking whereas Westerners draw on more causal thinking.

Nevis (1983) has summarized eleven major cultural assumptions underlying Chinese management:

1. The nation has priority over everything; loyalty to the country is of the utmost importance.
2. Consideration for the family is very important.
3. Personnel selection (leadership) is based upon exploits or ideological contribution.
4. One should have great respect for age.
5. Equity is more important than wealth.
6. Saving and conserving (money, resources, etc.) is to be valued, as is high respect for traditional ways.
7. It is considered unhealthy for individuals to stand out or to take personal credit for their accomplishments.
8. Every decision must take ideology into account.
9. Communal property is more important than private possessions; collectivism is the best economic mechanism.
10. Emphasis focuses upon group forces for motivational purposes.
11. Emphasis focuses on central planning and the powerful state. (p. 255)

### *Role of Guanxi*

Guanxi refers to a special kind of relationship characterized by implicit rules of obligation and reciprocity (Chen, 1994). Cultural roots of Guanxi reside in the Confucian legacy. According to Confucianism, an individual is fundamentally a social or relational being. Social order and stability depend on a properly differentiated role relationship between particular individuals.

Five cardinal role relationships (called *wu lun*) are identified by Confucius: emperor-subject, father-son, husband-wife, elder-younger brothers and friend-friend. The term *wu lun* in the Confucian ideology is analogous to the contemporary concept of guanxi (Tsui & Farh, 2000). Yang (1993) described *wu lun* as follows:

As a highly formalistic cultural system...[requiring] each actor to perform his or her role in such a way that he or she should precisely say what he or she was supposed to say, and not to say what he or she was not supposed to say. In order to be a good role performer, the actor usually had to hide his or her free will... This is why Chinese have been said to be situation-centered or situationally determined. (p. 29-30)

Chinese nationals rely heavily on personal relationships (Guanxi) in business interactions (Chen, 1994). For them, Guanxi is the lubricant to get through life, including business negotiations. It is a social investment. No local or foreign company in the Chinese business world can succeed unless it integrates the essentials of Guanxi in their business dealings. Luo (1995) argues that even Guanxi brings obligations and costs to its beneficiary, these are mainly social obligations and not necessarily economic ones.

Such relationships can grow into complex networks that constitute a “highly differentiated intricate system of overt or covert as well as formal and informal social subsets governed by the unwritten law of reciprocity” (Wilpert & Scharpf, 1990, p. 647). Alston (1989), however, argues that *guanxi* is a viable mechanism for coping with China’s highly personalistic and non-codified social order. For Americans, personal relationships are less important when dealing with business partners. They would like to ‘get to the point’, even though this might be misunderstood by the Chinese and cause them to lose face publicly (Huang, 2000; Low & Christopher, 2000). For Chinese trust and mutual respect are important values where also families still control most businesses and made-in China bureaucracy is still very powerful business tool to maintain some sort of control over foreigners in China (Low & Christopher, 2000).

*Guanxi* can further be defined as a special type of relationship that contains “trust, favor, dependence and adaptation, and often leads to insider-based decision making in the business world” (Chan, Cheng & Szeto, 2002, p. 327). Under conditions of poor legal infrastructures, *guanxi* might result in unethical business practices (in the western sense of ‘unethical’) rendering privileged treatments to members within the same *guanxi* network and under-table dealing. Chan et al. (2002) explained that “a *guanxi* network may represent the only efficient means to conduct business in countries where distribution and legal systems are far from fully developed” (p. 328). This unique Chinese way of resolving business conflicts should inform the practices of foreign companies of the importance of establishing *guanxi* with Chinese officials to protect corporate interests. While Westerners perceive certain business practices (e.g. gift giving) as bribery, their Chinese counterparts may regard them as totally “acceptable and necessary for cultivating mutual trust and long-term relationship” (p. 328). Therefore, coping with complexity in China is thus closely tied with foreign investor policy on local partnerships, that is, establishing and maintaining *guanxi*. Osland (1990) suggested that “Chinese cultural values are largely formed and created from interpersonal relationships and social orientations” (p. 7). To a certain degree, the human relationship network acts as the most important strategy in operating management and administration in China (Sun, Vandenberghe, & Creemers, 2003).

### *Face*

Face is another important consideration for the joint ventures in China. Hwang (1987), Alston (1989), and Chen (1995) suggested that even though Face might exist in any society, it has special importance in Chinese societies because of its centrality in social life and business transactions. Shi and Westwood (2000) explained that for the Chinese, face concerns one’s dignity, respect, status and prestige; thus social and business interactions should occur without anyone losing face. Sun et al. (2003) confirmed that face for a Chinese is very important. It is even more important than dignity for a Westerner because dignity is only associated with an individual person but face is associated with the dignity of the individual’s family, relatives, and a group of people. When a manager criticizes an employee, whether in private or in presence of others, she or he causes that employee to lose face. Holton (1990) said that then the manager also loses face because she or he caused the subordinate to lose face. This means that criticism of performance on the job must be handled in a very delicate way, with criticisms disguised as suggestions for improvement. The foreign manager who is accustomed to dealing with workers in a straightforward way, open and blunt, must be aware of the Chinese employees’ concern for Face if she or he is to be effective.

## **DISCUSSION AND CONCLUSION**

Managing a Sino-U.S. joint venture in China is not an easy task. It requires a broad understanding of the host country and a significant amount of flexibility. Understanding of the host country, China in this case, which has a long and complicated historical and cultural background is a challenge for the U.S. scholars, business people, and policy makers. China still maintains its mystery to the West. Western researchers have tried to understand the Chinese from various perspectives. They were scholars, educators, business people, anthropologists, and politicians. However, they were all looking into the “Chinese puzzle” from a Western perspective, with Western standards.



China is open to new ideas and willing to experiment. In *The Analects of Confucius*, translated and annotated by Waley (1989), “Tzu-kun asked saying, Why was K’ung Wen Tzu called Wen (The Cultured)? The Master said, Because he was diligent and was fond of learning that he was not ashamed to pick up knowledge even from his inferiors” (p. 110). That is, they have finally operationalized the idea that they should learn more about the West so that they can better succeed. Even though their transition from rural and agricultural to urban and industrialized economy will take its tolls from the Chinese, they are willing to make changes in their political, economic, and socio-cultural structures for the purpose of leading the Chinese civilization to lead the world.

However, being exposed to different cultural norms and beliefs and different political and social systems, does not mean that they are willing to accept democracy, and open-market economy with Western cultural and moral values, but China is willing to gain strength through Western ideas while maintaining their political, and most importantly moral and cultural values. The question remains, “Is this possible?” Is it possible to stay competitive with a significant shortage of skilled workers, which is not only confined to professional and managerial positions but also significant shortages in non-managerial positions (Qiu, 2005)? Is it possible to lead the world with enormous shortcomings of their human resource management practices? Is it possible to gain acceptance by the west with their ineffective regulatory measures against trade practices? Is it possible to stay in the same bed with the west while feeding off their arrogant and unprecedented business ethics with west’s hunger for China’s relatively inexpensive products? Is it possible for China to be a leading figure in the world, or safeguard their present role in the world trade if they insist on maintaining their a few thousand years old cultural values and just over fifty years old political system? Is it possible for China to be as strong and sought after in hundred years?

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