

## CHAPTER 2

### THEORETICAL BASIS AND LITERATURE REVIEW

#### 2.1 Definition of relevant concepts

##### 2.1.1 Definition of enterprise culture

Since the 1980s, the academic and business community of our country have been discussing corporate culture. Up to now, Westerners have not given a unified definition of corporate culture, and the definitions of corporate culture given by Chinese academia and the business community are multifarious, and there are different opinions.

1. Foreign scholars' views concerning enterprise culture are mainly as follows:

(1) William Ouchi believes that the culture of a company is made up of its traditions and ethos. In addition, culture also contains a company's values. Such as aggressive, defensive, flexibility is to determine the activities, opinions and modes of action of values, managers are extracted from employees' examples this model, and convey it to future generations of workers (William, 2007).

(2) Thomas J. Peters and Robert H. Waterman in their "Finding an advantage – the most successful experience in the United States" hold that enterprise culture refers to the common values and guiding concepts of an enterprise. It is a tradition that can make each part of the enterprise coordinate with each other, and it can provide the enterprise's employees with lofty ideals and opportunities to achieve great things (Thomas & Robert, 2004).

(3) Peters and Waterman point out that employees make extraordinary contributions, thereby creating a high-value sense of purpose. This sense of purpose comes from the passion for production and products, the desire to improve quality and service, and the encouragement of innovation, as well as the recognition and honor of everyone's contribution, which is called "enterprise culture" (Thomas & Robert, 2004).

In short, foreign scholars' understanding of enterprise culture has the following similarities: Enterprise culture is a people-centered method of enterprise management, emphasizing the building of enterprises into a community of destiny in which everyone has a sense of a social mission and responsibility. The core of enterprise culture is the common values cause, and values are the motivating force behind the prosperity of the enterprise.

This Bakhtinian concept has been recently redefined by Boje (2008: p. 194) to mean "the interplay of centripetal (centering) and centrifugal (decentering) forces of language." In our framework, organizational storytelling tends to involve a dynamic of antinarratives put forth to "control" the meaning of events and changes as well as other antinarratives challenging or breaking that control apart. For our purposes, it is interesting to focus attention on the dynamics of control and resistance as part of the ongoing storytelling in merging MNCs.

2. Domestic scholars' views concerning enterprise culture are mainly as follows:

(1) Three levels of spirit, system and image: Enterprise culture can be divided into three levels: enterprise spirit (including the common concept, business philosophy, group awareness, moral concept and code of conduct, etc.); enterprise system (including enterprise strategy, business mechanism, management model, organization structure, legal means and marketing system, etc.); and enterprise image (including the enterprise's brand, reputation, customs, factory capacity, factory appearance, technology and facilities, etc.).

(2) Value philosophy says that the enterprise culture is the value principle that the enterprise believes in and puts into practice. Formally speaking, it belongs to the concept of human thought category. From the content point of view, it reflects the enterprise behavior value concept. In nature, it belongs to the value principle of standardizing the behavior of enterprises.

(3) The broad sense features: The broad sense corporate culture refers to the sum of material wealth and spiritual wealth created by the enterprise in the process of operating. The narrowly defined enterprise culture refers to the ideology, values and behavior habits with enterprise characteristics formed in the process of development, and its core is the values of the enterprise.

When defining enterprise culture, some domestic scholars investigate from the perspective of the material carrier, some from the perspective of the spiritual content, some from the perspective of the unity of the material carrier and spiritual content, some from functional role to investigate. But enterprise culture is the sum of the material culture and spiritual culture in enterprises, which is a basically recognized definition.

To sum up, enterprise culture can be divided into a broad sense and a narrow sense. A generalized enterprise culture refers to the sum of material wealth and spiritual with their own characteristics created by the enterprise in the process of operation, i.e. the sum of enterprise material culture, behavior culture, institutional culture and spiritual culture. A narrow corporate culture refers to the corporate ideology with corporate values as the core.

### 2.1.2 Transnational corporations

As a new type of organizational structure pattern, the name "transnational corporation" has not been uniformly adopted for a long time. In 1974, the United Nations economic and social council adopted the draft code of conduct for transnational corporations and gave a definition of transnational corporations. It refers to the international large-scale monopoly enterprise that engages in localized production, sales and other business activities in the capitalist countries of the world, extends its business scope to all parts of the world and sets up branches in many countries and regions.

We argue that MNCs as organizations are based on globalization and nationalism as constitutive discourses and ideologies. On the one hand, we can see that MNCs are both products and agents of globalization (Fiss et al., 2005; Guillen, 2000). Consequently, there are often various kinds of globalization antinarratives circulating around MNCs. Such antinarratives are also likely to be used to make sense of mergers and acquisitions that create

new MNCs. For example, discursive strategies such as the inevitability of internationalization (Leonardi & Jackson, 2004) or the emphasis on synergies derived from internationalization (Vaara et al., 2006) can be seen as manifestations of globalization antinarratives.

In combination with the international definition, we usually give the following statements to multinational companies. A multinational company mainly refers to the large monopoly to their country a base, to expand overseas business, set up a subsidiary in another country for production, sales and other business activities, consisting of the parent company and its subsidiaries' integrated economic entity. But this definition doesn't mean companies doing business abroad, even multinational corporations and companies, must be large international enterprises first, and if a monopoly, manipulation, namely can influence the international market on the development of a product or trade the kind of "international large monopoly."

## **2.2 Cross-cultural management**

### **2.2.1 The concept and characteristics of cross-cultural management.**

Cross-cultural management in the late 1970s, the subject research rise, and gradually developed in the United States, academic and called it "cross-cultural management," mainly refers to the humans involves different cultural background, objects, event management, how the turtle research under the condition of intercultural conflict of heterogeneous Wen Yu overcome through effective management, purpose is to through the different forms of cultural atmosphere designed to adapt to the management system of enterprise survival and the further reasonable configuration enterprise resources, utmost ground drain the value and potential of the enterprise human resources, to improve the effect of enterprise comprehensive benefits. From this perspective, cross-cultural management disciplines have different characteristics from other disciplines.

#### **1. The complexity**

On the basis of traditional management, cross-cultural management and the concept of a cultural dimension have been added, which will increase the complexity of management to a new height in expanding the horizons of management while at the same time also increasing the difficulty of management. In the past, management only need to consider personality and organizational personality, but in cross-cultural management, besides these two considerations, national personality is also considered. Traditional management is generally in a homogeneous or roughly similar cultural background, and cross-cultural management will make the two or more different nature under the cultural background; what is more, some large, multinational companies around the world have subsidiaries, which means they integrate dozens of different cultural backgrounds among the company staff.

#### **2. The particularity**

As regards the different management functions, which involve a wide variety of different

aspects, including production, personnel, finance, marketing and others, the cross-cultural management is different; the key lies in people with different cultural backgrounds in the multinational enterprise management research. commonality

Cross-cultural management cannot be carried out solely on the basis of the management culture of a certain country or region. It is the pursuit of the management of human commonality with the greatest extent under the precondition of conforming to the form of international practice.

### 3. The consultative

In the absence of references, cross-cultural management can only adopt the method of mutual negotiation, under the principle of “seeking common ground while putting aside differences” to effectively resolve a conflict, rather than the wishes of one party over another

#### 2.2.2 The importance of cross-cultural management

##### 1. It has a guiding role for multinational companies and their employees.

The guiding role is divided into behavioral orientation and value orientation, and the value and spirit of an enterprise are of long-term significance for the enterprise in expanding its business scope. Through cross-cultural management, transnational corporations form.

To become a parent company with various subsidiaries it is necessary to follow a corporate culture, including values, a code of conduct, material performance, etc. These internal all employees of the enterprise value and play a guiding role behavior orientation, so as to make it more in line with the overall goal of the company setup. By guiding the psychological behavior of employees, this orientation accepts the common values of transnational corporations, so as to consciously integrate the goals they pursue with the goals of the enterprise. It has a binding effect on multinational corporations and their employees.

Share a common culture of the multinational corporation management is a kind of soft constraint function, made clear the direction of the multinational corporation management, what is good for the company, what actions against the company, not only the enterprise itself provides a layer of immune protection, and can improve the enterprise staff's positive initiative and more self-discipline, improve their sense of responsibility and sense of mission. The constraint here is not an external institutional rigidity, but an internal soft constraint. A person, in the multinational companies from different countries and regions, with different economic, political, and cultural background, which will determine their life, behavior, and different ways of thinking, it's decided by a form of external, have mandatory to regulate their unification is not realistic, the result is also invalid, only with a common corporate culture can influence the thoughts and actions of effect to them, to form effective constraint and control.

##### 2. It has a cohesive effect on multinational companies and their employees

The formation of corporate culture management of multinational companies can produce a strong cohesive force; it makes enterprise staff as a target group a consistent unified whole,

allowing them to develop the individual's future as being closely linked to that of the enterprise, where their talents can be put to good use. The centripetal force is based on sharing with the enterprise, the common ideological level, the common corporate culture as a kind of adhesive that will hold each subsidiary of different countries, different regions together, enabling them to work together to promote the long-term development of the enterprise.

### 3. Incentives for multinational companies and their employees

As a kind of spiritual strength, an inspiration, which can make the staff a strenuous enterprising spirit of effect, it belongs to a kind of inner guidance rather than an external drive. This is the spirit of enterprise culture formed by the incentive effect. It can allow enterprise employees, through cross-cultural management, to form a common purpose, vision, goals and values, so they can produce a profound resonance. This is a positive goal for the enterprise to strive to offer, and for the enterprise to emulate at the same time, so as to realize the self-value of life.

### 4. Promote the sustainable development of transnational corporations

Folk wisdom with a statement like this, "small businesses see the boss, medium-sized enterprises management, culture, brand effect, the importance of the visible in a multinational company culture, corporate culture belongs to the intangible assets, can produce large companies see article therefore has strong expansion drive and vitality. Corporate culture, though it cannot directly create economic benefits, can affect production and sales through the management of the enterprise staff, and a series of links, and thus indirectly affect the enterprise benefit. It can be concluded, therefore, that an enterprise's development and destiny is a kind of potential, a huge cultural productivity. Material data will always be exhausted, but corporate culture is a kind of renewable energy, sustaining the sustainable development of enterprises. Even if the enterprise is not good, a culture can still grow, but without a good corporate culture it is difficult to achieve sustainable development of the enterprise. So it is only through cross-cultural management to form a set of unique to fit the development of the company a good corporate culture, multinational companies to obtain sustainable development in the fierce international competition power.

## **2.3 Research status at home and abroad**

### 2.3.1 Foreign theoretical research trends and levels

Western scholars started multinational culture management research earlier, making theoretical achievements and leading to the "hundred flowers" boom. These experts and scholars reached consensus in one aspect, which was to ignore the existence of cultural differences, which cause the birth of cultural conflict and thus inevitably lead to the failure of multinational companies and overseas businesses. These can be internationally influential multinational business failure cases. As a result, these experts have respectively from the understanding of cultural differences and analysis, strategic methods dealing with cultural

differences and the cultural conflict, cross-cultural business management three aspects to study and draw their own views and theories.

A: study of cultural differences

#### 1) Hofstede's five-dimensional theory of culture

Hofstede (1991) is a famous Dutch intercultural expert, and he is also the first scholar in the world to put forward the cultural subdimension mode. From the early 1970s, from the world-famous Hofstede IBM group in the world to extract the 50 samples of all the subsidiary, investigating its nearly 160000 managers, collected a large number of valid data and analysis, summarized that the four aspects of the different cultural values differences. Until after the 1980s, the Hofstede cooperation, jointly with other scholars, had made up at that time due to the constraints to this important area of mainland China because of the defects of investigation and study, which lasted for more than ten years, and finally put forward the cultural analysis of the fifth dimension. These five dimensions are power distance, uncertainty avoidance, individualism and collectivism, masculinity and femininity, and long-term and short-term orientation. The theory of "five dimensions of culture" is the most widely used and most influential in the field of intercultural theory (Hofstede & Michael, 1998).

Power distance refers to when there is power distribution inequality in the organization, people to its acceptance, is all kinds of social and cultural groups widespread phenomenon, it can use the size of the right gap index PDI (power distance index). In a society with a large power gap, people have a strong sense of hierarchy and superior authority. They are not open-minded and there is little interaction or trust between employees; they are willing to submit to the more authoritative guidance and control, and at the same time are also worried about their own ideas and the difference between their opinion and that of the leadership. In contrast, in a society with a smaller power gap, people are less hierarchical and believe that there is an equal relationship between people, and the boss adopts trust management and democratic leadership. There is honest, mutual help between staff, and they want their work to be approved by the leadership and be satisfied with their pay, but they don't see eye to eye when their own opinions and leadership, they will directly.

Uncertainty avoidance refers to the extent to which a society is affected by the uncertainty and ambiguity of a situation. A society with weak uncertainty avoidance has established rules and regulations, and does not like risk and innovation, and the management mode is mainly task oriented. In contrast, a society with strong uncertainty avoidance places little emphasis on control, has an open mind, encourages innovation and is tolerant of different viewpoints.

Individualism and collectivism are two different cultural characteristics that are directly linked to the historical background of cultural development; some countries pursue collectivism, some the supremacy of individualism. In collectivism-oriented countries, people depend emotionally on organizations, usually from the moral standpoint of dealing with their relationship with an organization, and they think the conditions offered by the organization and collective decision-making are very important and they attach great importance to the stability

of the position in an organization. In a country that is individualistic, people are emotionally and organizationally independent. They only care about the rights of the individual, and they establish their relationship with the organization on the basis of personal interests. People believe that personal life and personal decisions are important, and they value freedom and challenge at work.

Masculinity and femininity are two cultural tendencies that Hofstede proposes are based on the division of labor between different gender roles. The so-called “masculine tendency” refers to success, the acquisition of property and status as the dominant values of the society. The success of the enterprise and the accumulation of wealth are considered to be successful, and the individual is the independent decision-maker. In contrast, the tendency of femininity is the opposite of that of masculinity. Focusing on interpersonal relationships and quality of life are the leading values of women’s society. People attach great importance to cooperative relations and advocate collective decision-making.

Long-term orientation and short-term orientation is Hofstede in the late 1980s, the Chinese mainland in this important area to join the empirical research and combining with the traditional Confucian cultural values analysis it is concluded that the fifth dimension, whether it refers to the people in the implementation of the strategy of long term vision to look at. The difference between short-term and long-term cultures lies in the difference between strategic perspectives: focus on past and present outcomes, and long-term goals.

B deals with cultural differences and related theoretical studies of conflicts.

1) The strategy of using cultural differences to gain competitive advantage of Schneider and Jane (2002).

Swiss management scholar Schneider and French scholar Jean is how to correctly treat and deal with the issue of cultural differences on many years of research, finally puts forward three kinds of common use cultural differences to gain competitive advantage strategy method, but these three methods are respectively based on three basic assumptions. The three basic assumptions are: between different cultures it is not relevant, it will create problems or forming rib, and it is an opportunity to learn from each other and make innovations or causes of competitive advantage; and its corresponding three types of strategies are: ignore cultural differences, minimize cultural differences and make use of cultural differences (Schneider & Jane, 2002).

The cross-cultural management scholars Buller, Kohls and Anderson (2000) from multinational company appeared in the process of transnational operation of intercultural conflict of moral values, proposed the coordination and management decision tree model of intercultural conflict. They believe that the process of cross-cultural conflict strategy is suitable for most of situations of conflict. They analyzed carefully distinguish from completely ignore the culture of the host country (i.e. adhering to the home country culture) to completely accept the culture of the host country in the process of the six kinds of cross-cultural conflict strategies: evading, enforcement, training, balance, cooperation and adaptation; the six strategies are a

continuum. These six strategies are not superior to each other, and each strategy can be optimal for resolving cultural conflicts in certain situations. Decision-makers, in deciding which cultural conflict handling strategy ultimately to choose, generally want to consider several aspects, including: whether the treatment strategy will affect moral value, the impact of severe conflict and the need for immediate conflict resolution.

## 2) Three solutions to Nancy's cross-cultural conflict

Nancy (1986), a Canadian research scholar on cross-cultural management, has proposed three solutions to the cultural conflicts that exist inside and outside of multinational companies:

The first is dominance: The more so-called ling refers to the fact that two or more different types of culture may exist in an organization, but there is a kind of cultural influence than other culture completely, and all operation and management activities within the organization are dominated and influenced by this culture, with other cultures being almost completely ignored. This belongs to the extreme type of strategy; it can be used in the organization by the dominant culture to quickly resolve cultural conflict in the organization, and in the short term to form a unified culture to manage and control the organization. But the members of the organization will fall by their own cultural repression and question the "occupation" of a foreign culture and resistance, leading to intensified cultural conflicts, and eventually to the failure of the operation and management.

The second is compromise: This refers to circumvention and compromise between two different cultures; it mainly refers to situations where the difference between two kinds of culture is very small and where compromise and concession can be employed in seeking common ground while putting aside differences, as far as possible avoiding cultural differences and cultural conflicts, in order to ensure the harmonious and stable development of the enterprise.

The third is synergy: The uniqueness of this cultural conflict solution lies in facing up to the cultural differences that make up the two or more cultures that make up the organization. Synergy refers to the process of complementing and integrating different cultures in an organization to form a new organizational culture. This plan is the most ideal processing culture conflict solution, but it requires individuals from different cultural backgrounds to be the first to attach importance to the cultural differences between each other, and then the coordination and integration of a variety of cultures, to form a new organizational culture to guide the management of the entire organization activity. The new culture is the culture of eclecticism between results, and it generally has strong stability and obvious advantages (Nancy & Robert, 1986).

## C: intercultural enterprise management theory

The so-called "intercultural enterprises" refer to enterprises where the members of the enterprise are from different countries and nationalities, and their cultural backgrounds, working patterns and codes of conduct are different. Western experts and scholars learned

relatively early on how to manage this type of enterprise. Here are some well-known theories:

1) The intercultural organization management theory of American scholar Moran (2001)

The cross-cultural management of the famous American scholar Moran (2001) in “the success of the cross-cultural organization mode” and “cultural synergistic management”, two points in the book, when people work together hard to avoid can appear all sorts of problems, the loss will bring to organizations and individuals, and cross-cultural organization mode there is a potential best synergy, can guarantee the effectiveness of cross-cultural management.

2) The cultural coordination theory of Austrian psychologist Adler (1991)

Adler (2001) defines his cultural coordination theory as coordination of the manager’s individual members and clients in the organization.

The process of organizational policy and management method formed after comprehensive consideration and weighing of cultural patterns. The theory can also be understood as a new organizational structure and management of an organization mode of production; the new organizational structure and management model is a coordination and cooperation among the variety of cultures in organizations, and belongs to the achievements of “combining,” so it is better than any of the original cultural patterns. This theory is the premise of enterprise managers in admitting that organizations that exist in a variety of cultures can’t ignore any kind of culture, on the basis of correct understanding of the cultural differences between them, and then integration and coordination of these differences to produce a new organizational structure and management mode. So how do we integrate and coordinate cultural differences? Adler’s cultural coordination has also clarified answers to these questions and led to useful suggestions. Adler (2001) points out that these five choices, i.e. cultural domination, cultural adaptation, cultural compromise, cultural avoidance and cultural collaboration, help to balance a heterogeneous culture.

3) A joint venture by Canadian expert Peter Killing (1985)

Peter Killing (1985) is a Canadian research joint venture management expert; he spent 35 years investigating North American and British joint ventures and two joint ventures in developing countries. In his book *Strategies for Joint Venture Success* he sums up the famous joint venture management theory. A joint venture, as the name implies, is made up of two or more countries working as a joint investment company. It must have more than one affiliated enterprise, so the relationship with personnel and organizational form are more complex, making the enterprise difficult to manage. Killing also highlighted in this theory that in addition to the technical level, sincerity in deciding to cooperate in a joint venture is another key factor in the search for success, and the importance of sincerity is higher than that of the technical level. This also means that the core task of joint venture management is establishing a good interpersonal relationship network and trust mechanism, with a view to enabling people from different culture backgrounds to work together toward the same goal. The process of establishing a joint venture network includes the selection of partners, the selection of

enterprise managers and decision-makers, and the improvement of the joint venture infrastructure construction.

Other important research results of the theory indicate that the judgment and evaluation of joint venture business performance are based on two standards: according to the manager of the joint venture to assess the operating performance of subjective feeling and objective evaluation through the operating results of a joint venture, which is tending to bankruptcy and transfer of fixed assets or mismanagement led to a major restructuring (Killing, 1985).

#### 4) The organizational implicit model theory of Stervens (2003)

Based on Hofstede's theory of five dimensions of culture, Stervens (2003) puts forward the theory of tissue implicit model. He believes that power distance reflects the unequal distribution of power, so it is related to the centralization of power (i.e. the degree of centralization). Uncertainty avoidance reflects the fuzzy situation in the organization, so it is related to the degree of demand for formal and explicit rules (i.e. formal requirements). Because of the different cultures of the intensity of the size of the power distance, the uncertainty avoidance degree is different, so they have different degrees of centralization and formalization, which causes big differences within the organization. Vince will organize the degree of centralization and formalization as a theoretical perspective; the organization is divided into: French pyramid, Germany type lubrication machine type, British rural market-oriented, American and Asia type among family the five main types of tissue.

#### 2.3.2 Domestic theoretical research trends and levels

The research on cross-cultural management in China started late, and it only started after China implemented its reform and opening-up policy. The reform and opening-up policy provided investors with an attractive preferential policy, and attracted a lot of international direct and indirect investment in terms of "joint ventures" and "multinational companies." The number of these has risen rapidly, implying that the cross-cultural management question has become increasingly obvious. So Chinese scholars draw lessons from Western theories of cross-cultural management on the basis of careful research. The main theory achievement has the following several aspects:

(1) Professors Yu and Jia (1997) proposed a new model of common management culture (CMC) in the particular organizational form of Sino-foreign joint ventures. This cultural pattern namely after admitting to the parties under the premise of the differences of culture between different management, in the process of operation and management of a joint venture by mutual communication and understanding, coordination and integration, to achieve recognition by both members of the culture of a common mode of new administrative culture, in order to use the new model to pursue the economic interests of the common. This late form of management is new and effective and is accepted by both China and foreign countries. In Sino-foreign joint ventures all parties combine closely and the unification of the economic entity is referred to as "Sino-foreign joint ventures." Because managers and members come from different cultures, cross-cultural conflicts are inevitable. Therefore in a joint venture to combine enterprises, a new type of common management culture must be built, in order to achieve a reasonable

internal enterprise system and efficient operation mechanism.

(2) The psychology of cross-cultural enterprise management is compiled by Yan (2002), a famous scholar, who points out that the management of the 21st century will tend to be psychological. He acknowledged the cultural differences in the system analyzed under this premise, the operation mode of the Sino-foreign joint venture enterprise employees, the values, the differences between the demand and motivation as well as possible cultural conflicts, and thus put forward his new theory of cross-cultural management together one by one a new mode management culture and cultural integration assimilation theory.

(3) Chen and Zhua (2000) in the book in concert to cross-cultural management: Collision is discussed in cross-cultural organization plan and strategy, organization and management control problems, the problem such as communication and coordination, and put forward the multinational companies in China should be in a higher level and the dimension of cross-cultural management comprehensive.

(4) Zhao (1994), in enterprise human resources management and development of international comparative studies, pointed out that successful human resources development and management from the cultural differences of “take the essence and discard the dregs” : to integrate the different cultures and coordination, to extract the favorable factors conducive to the development of knowledge innovation and organization. Meanwhile, the lag and uncertainty of information transmission caused by cultural differences are ignored.

(5) Yao (2006) in the cross-cultural differences in the effect of psychological contract analysis of the article points out that the psychological contract of multinational company internal staff from different countries and nations is different, due to their different culture background in terms of differences in values and living habits. Multinational managers should respect and learn the host country’s culture, and strengthen their own cultural sensitivity, with careful analysis of the characteristics of the host culture and the kind of effect on employees’ psychological contract and whether employees’ psychological expectations of the host country are satisfied and whether this will affect the business activities of enterprises.

(6) Zhang (2011), in his book *International Management: Management in the Era of Globalization*, suggests how to strengthen the internal and external communication between cross-cultural enterprises and the theory of encouragement and leadership of cross-cultural enterprises.