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Long-term orientation and international joint venture strategies in modern China

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ABSTRACT

Does high long-term orientation (LTO) as a distinctive feature of Chinese and Asian national culture still influence modern business decisions? It is difficult to answer this question when any such cultural impact must be qualified by the influence of local Chinese institutions. We study, therefore, different nationalities of international joint ventures (IJVs) within the same institutional setting of China. With foreign partners distanced from their national institutions, this isolates any cultural influence on strategies. We report that strategic commitment does indeed seem to be higher in IJVs with overseas Chinese and other Asian partners, but this conclusion is not general, and is limited to the subset of human resource strategies.

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It has been argued that globalization involves the gradual convergence of institutions, levels of economic development, and national cultures (Magnusson, Baack, Zdravkovic, Staub, & Amine, 2008), and studies of cultural differences and convergence have focused on either perceived values or reported practices, as in the GLOBE research programme (Javidan & House, 2002). Cultural differences have indeed been seen to converge with material prosperity, but local institutions may limit the rate of convergence (Pothukuchi, Damanpur, Choi, Chen, & Park, 2002). Despite this general result, some cultural differences may widen (Javidan & House, 2002).

Within this global context, Chinese national culture has been widely studied, but analysis has been complicated by simultaneous cultural influence, institutional change (e.g. economic reform) and rapid GDP growth. Nevertheless, Ralston, Egri, Stewart, Terpstra, and Yu (1999) found that modern Chinese work values have converged, but reported that a new managerial class has not yet forsaken its Confucian values. These values include high long-term orientation (LTO), defined as the extent to which a national culture programmes its members to accept delayed gratification of their material, social and emotional needs (Hofstede & Bond, 1988).

This paper contributes to this debate on time-orientation by taking a fresh perspective. It focuses on firms' *strategies* rather than surveys of attitudes, and this focus dispenses with the need to model entry choice or international joint venture (IJV) performance in the context of cultural differences (Magnusson et al., 2008). It addresses its central research question, *do the levels of time commitment in the strategies of Chinese firms in the twenty-first century still reflect a national culture of high LTO?* An answer to this question will add to our empirical understanding of cultural influence generally, and will complement the evidence collected in China by Li, Lam, Sun, and Liu (2008) in relation to the choice of low/high-commitment employment modes.

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We first position our study within the extant literature, explaining the research gap that we intend to fill. We then go on to generate hypotheses, followed by the usual sections on Results, Discussion and Conclusions.

1. Long-term orientation and institutions

Besides different legal, political and other institutions, business with China for westerners involves cultural distance (Tihanyi, Griffith, & Russell, 2005), and Cross-Cultural Psychology has tried to pin down these different national characteristics by conducting attitudinal surveys. They have revealed significant inter-country differences. For example, Hofstede (2007) reported measures for the USA (with China in parentheses) of power/distance tolerance (PDT) at 40(80), masculinity 62(66), individualism 91(20), and uncertainty avoidance 46(40). Thus, relatively low individualism and high levels of PDT are distinctive features of Chinese culture compared with the USA.

In addition to these four familiar cultural dimensions, however, Hofstede and Bond (1988) tailored a fifth element specifically for the Asian business environment: Confucian values that included LTO, defined above. High LTO turned out to be a third distinctive feature of Chinese culture, with the USA's LTO measured to be 29, and China's 118. LTO is arguably the most important cultural dimension through its strong association with a nation's propensity to save, invest, and thus per capita income growth (Hofstede, 2001); indeed, Hofstede (2001) observes that (p. 351) "...long-term orientation is thus identified as a major explanation of the explosive growth of the East Asian economies in the latter part of the 20th century." We therefore focus on LTO as a potentially important influence on firm strategies in China compared with the rest of the world.

However, the validity of Hofstede's concept of LTO is not universally accepted, and a number of alternative time-oriented constructs are available. One of the first researchers in Cross-Cultural Psychology was Hall (1959), who focused on the tendency for individuals and organizations in a country to treat time in a "monochronic" or "polychronic" way. Monochronic societies tended to address one task at a time in a sequential manner, and this was considered to be a familiar western approach to time, with careful planning and scheduling. Polychronic societies, however, are able multi-task and are more concerned with human interaction than particular outcomes. These ideas were adapted by Trompenaars and Hampden-Turner (1997), whose concept of human-time relationship introduced sequential (monochronic) and synchronic (polychronic) relations with time, adding the notion of past, present and future-oriented societies. However, concepts turned full circle with the GLOBE project's concept of future orientation, which turned out to be very close to Hofstede's LTO, as the degree to which a collectivity encourages and rewards future-oriented behaviours such as planning and delaying gratification (Javidan & House, 2002). Similarly, Harris and Carr (2008) have considered time-orientation in terms of the timeframes within which managers intend to achieve their goals.

Despite these nuanced differences, however, different empirical measures of time-orientation across countries have produced fairly stable results in broad terms (Harris & Carr, 2008). Hofstede (2007) clearly identify strong short-term human-time relations in the USA and UK and strong long-termism in Asian societies, albeit with countries like the Netherlands reporting contradictory results. However, in four international case studies, Harris and Carr (2008) found little correlation between declared business purposes and the national time-orientation measures of Hofstede and Trompenaars. For example, Harris and Carr (2008, p. 109) find an American firm with 15-year strategic objectives.

Taking certain contradictions into account, this study feels confident in recognising broad clusters of nations revealed by the GLOBE project in relation to time-orientation (Javidan & House, 2002). For example, the USA and UK cluster exhibits short-termism, whereas there is high LTO in most Asian countries. In contrast with the attitudinal surveys of Cross-Cultural Psychology (Hofstede, 2001; Trompenaars & Hampden-Turner, 1997) and deep case analysis of perceived business objectives in relation to time (Harris & Carr, 2008), we follow the GLOBE project (Javidan & House, 2002) and investigate the actual business practices of IJVs in China. For example, rather than enquire about the attitudes of HR managers, we focus on whether firms adopt a hire-and-fire approach to employee hirings, whether they invest in long-term training and whether they invest in arrangements such as employee pensions that cover long time periods. Without implying criticism of other approaches, our focus is on what firms do as opposed to what they believe.

While our cross-sectional study abstracted from institutional *change*, national institutions remain as an important potential influence, besides national culture. However, it will be argued that a cross-sectional study across different nationalities of partner absented from their home institutions means that all observations are made in the context of Chinese institutions, and variations in levels of strategic commitment may be attributed to culture.

Institutionalists (e.g. Peng, 2002) downplay intangible values, beliefs, attitudes and norms (i.e. national cultures) as influences on firms' decisions, but instead emphasize formal, tangible institutional structures that are consciously designed by humans. They feel uncomfortable with Cross-Cultural Psychology, which may be seen as national stereotyping (Adler, 2002), and relegate national cultures to the status of mere "informal" institutions that influence the shape of formal, deeply embedded institutions (Hill, 1995; North, 1990). One advantage of considering both institutions and culture as useful concepts is that an important difference between them can be exploited: mental attitudes (culture) are carried along as baggage when a human migrates internationally but physical institutions must be left behind. This study makes use of this distinction.

In addition to the finding of Ralston et al. (1999) that younger Chinese managers have given different levels of importance to cultural values, Cowen (2002) reports how globalization may be destroying the international diversity of national cultures. Leung, Bhagat, Buchan, Erez, and Gibson (2005, p. 367) claim that "...cultural changes are more frequent than

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