



MANAGING BUSINESS RELATIONSHIP DEVELOPMENT: A CROSS-CULTURAL PERSPECTIVE

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Abstract

Cross-cultural issues have been put forward to explain the high failure rate among American firms doing business in China and vice versa. This study focuses on investigating the strategic orientations and behaviors of subsidiaries in business relationship development (BRD) for multinational firms with bases in both countries. In particular, it explores how local managers perceive the effectiveness of BRD and cope with issues between the parent company and the local environment. The study conducted multiple-case studies, based on examination of documents, observation and extensive interviews with local managers from four multinational firms. It provides an integrated perspective for increasing the success of BRD for a subsidiary's manager dealing with interactions between the organizational culture of its parent company and the subsidiary's environment. The research focuses on understanding how organizational culture may conflict with a subsidiary's local environment and affect the local manager's strategic orientation, which in turn produces different performance expectations.

Keywords: Cross-Cultural, Subsidiary's Strategic Orientation, Relationship Development.

1. INTRODUCTION

Effective *Business Relationship Development* (BRD) orientation – such as relationship marketing – has been rooted in Western cultures for decades. In China, however, this concept is often considered even more appropriate as it has been deeply embedded within the culture for thousands of years. We examine BRD in the context of multi-nationalism where the parent company is rooted in one culture, and the subsidiary unit is embedded in a different one. As the concept of BRD has become increasingly pervasive in global markets, the question of how multinational

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organizations effectively process local business relationships has gained great attention. Relationship marketing appears to be a dominant paradigm for effective BRD in Western companies, whereas *Guanxi* utilization or networking is the standard in Chinese society. Both paradigms emphasize strategic effectiveness and efficiency. The extent to which the practices and processes of BRD can be transferred from one country to another has been the subject of considerable debate, particularly between Western and Chinese experts. Multinational enterprises (MNEs) have been defined as those corporations that “engage in foreign direct investment (FDI) and own or control value-adding activities in more than one country” (Dunning, 1992: 1). The foreign subsidiaries must conform to environmental legitimacy at two levels: the organizational culture and the subsidiary’s local environment (Kostova and Roth, 2002). Thus, without simultaneously investigating both the impacts of the organizational culture *and* of the subsidiary’s environment for a multinational firm, those studies are too simplistic in explaining BRD’s effectiveness and, ultimately, misjudge the complicated effects of a subsidiary’s strategic orientation and behaviors on BRD. Such misjudgments in turn cause unexpected outcomes, particularly for US firms in a Chinese environment – and vice versa.

1.1. Case Selection (Managing BRD in a Subsidiary’s Environment)

This study defines “*the effectiveness of managing BRD in a subsidiary’s environment*” as the “case” for study, as a very specific phenomenon where a MNE’s organizational culture differs from its subsidiary’s cultural system - as demonstrated by American firms with Chinese subsidiaries.

1.2. Effective Business Relationship Development (BRD) Defined

In the West, Gruen (1995: 34) clearly posited that “*by focusing on profitable customers..., relationship marketing can enhance the efficiency and effectiveness of marketing efforts*”. Sheth (1996) has suggested that marketers have to limit relationship marketing to only focusing on serving the needs of key customers and measuring the success of relationship marketing as a growth in control/ownership of a customer’s business (and its profitability). In light of this, this study defines *Relationship-Marketing Orientation (RMO)* as managing BRD to maximize a firm’s profitability by offering adding-values and maintaining collaborative relationships among key customers. In Confucian societies, *Guanxi* is defined as a “*good and close connection*” (Tsang, 1998). Empirical studies have demonstrated that a *Guanxi* network plays positive and critical roles for members to work together and gain competitive advantages. A case of economic success in the four Small Dragons

of Asia (Taiwan, Singapore, Hong Kong and Thailand) has attributed to the use of *Guanxi*: benefits derived from quick interaction within networks, reciprocity and trust for partners, and high levels of flexibility and adaptation (Wong and Leung, 2001). This study defines *Guanxi Network Orientation (GNO)* as managing BRD to cut costs associated with environmental uncertainties and gain competitive advantages by sharing both resources and inter-organizational knowledge. It focuses on how environmental legitimacy impacts on local managers' strategic orientation and behaviors vis-à-vis BRD. It also explores how the strategic orientation of local managers affects their results. To guide the research, the structure-conduct-performance (SCP) framework is used to investigate causal relationships and posit critical ideas (*cf.* Bain, 1956: an industry's structure determines its competitive behavior (conduct), which in turn determines its profitability (performance)). Another research goal is to determine what conditions contribute to effective BRD. It considers a subsidiary's managerial values and behaviors by comparing American firms with subsidiaries in Taiwan – and vice versa.

2. RATIONALE FOR THE STUDY

2.1. The Subsidiary's Environmental Legitimacy and Institutional Theory

Institutional theory provides an appropriate theoretical framework to study a multinational firm's strategy given that its environment is characterized by high uncertainty and multiple demands (Xu and Shenkar, 2002). Kostova and Roth (2002) suggest that the foreign subsidiary needs to achieve and maintain environmental legitimacy in both its within-organizational domain and its host country's environment. This study applies the logic of institutional theory to analyze a subsidiary's strategic orientation and BRD mechanisms on two levels: the parent company's organizational culture (internal legitimacy) and the subsidiary's environment (external legitimacy).

2.2. Organizational Culture (Internal Legitimacy)

Deshpande and Webster (1993) have distinguished organizational culture along two dimensions: whether the organization is more internally or externally focused, and whether responses to change are flexible and spontaneous, or tightly controlled and orderly. Each organizational culture has different mechanisms for processing information, selecting its leaders, and determining its dominant values and strategic emphasis about a changing market environment. These findings imply that differing cultures and values may influence the

management team to adopt strategic behaviors when forming and processing business relationships.

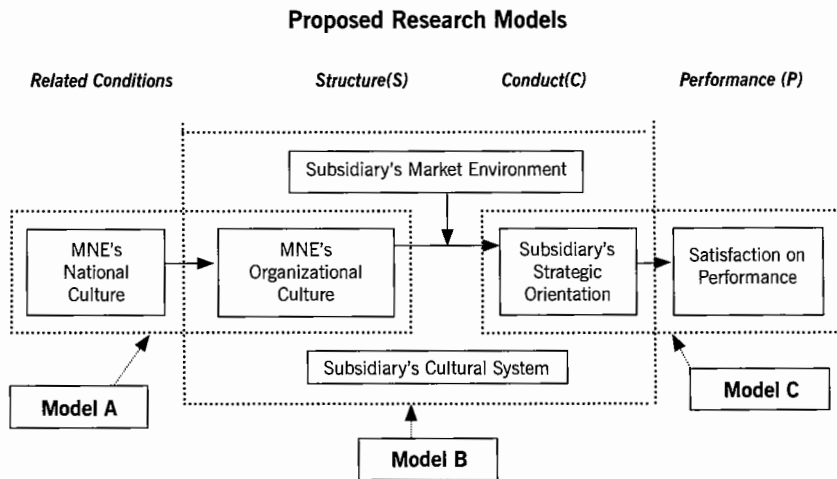
2.3. The Subsidiary's Environment (External Legitimacy)

Previous studies suggest that the degree of collectivism / individualism in a country (Weaver and Rockman, 1993) and the degree of environment turbulence might impact the MNE's devotion to forming and processing business relationships (Bensauo and Venkatraman, 1995). This study suggests that the subsidiary's cultural system and market turbulence are two major moderating factors that affect a subsidiary's strategic behaviors and orientation on BRD.

3. PROPOSED RESEARCH MODELS AND PROPOSITION DEVELOPMENT

This study further applies the *Structure-Conduct-Performance* (SCP) approach in which, as a process for managing business relationship development, managerial values and strategic behaviors are viewed as "conduct" while the antecedent of variable organizational culture is viewed more as "structure". The subsidiary's environments are viewed as moderators, which may impact local managers' values and strategic behaviors on BRD – and, in turn, cause different performance expectations (*Figure 1*). The three major research questions that this study seeks to address point to three subsets of the overall conceptual framework. Propositions associated with each sub-model are discussed in turn.

FIGURE 1



3.1. Research Model A: National Culture Impacts

3.1.1. National Cultural Values

Hofstede and Bond (1988) proposed five dimensions of national culture: power-distance; individualism versus collectivism; masculinity and femininity; uncertainty avoidance and long-term versus short-term orientation. Their studies show that three countries – US, PRC and Taiwan – provide a high level of variance across three dimensions: culture-individualism, power distance and long-term orientation. For instance, the US exhibits a high degree of individualism, whereas the Chinese (in PRC and Taiwan) score high for power distance and long-term orientation. Appropriately, this study selects individualism versus collectivism as the starting point for comparing difference at the societal and organizational levels between the US and China.

3.1.2. Individualism and Collectivism at Societal and Organizational Levels

An individualistic culture focuses on individual efforts based on personal needs and rational calculations of possible outcomes (Vroom, 1964). These perspectives highlight the importance of individuals' interests and needs for understanding goal-oriented behavior. By contrast, in collectivist cultures, the need to fulfill obligations and the need to contribute to the group are central components of motivation (Yu and Yang, 1994). Rousseau (1995) distinguishes between transactional and relational psychological contracts within cultures. From a cross-cultural perspective, it is likely that transactional contracts, which are characterized by short time frames and specific obligations, are more prevalent in individualistic cultures whereas relational contracts, which are characterized by long-term relationships with diffuse obligations, are more prevalent in collectivist cultures. According to Aston's types of organization (Pugh and Kickson, 1976), a family or "clan" type of organization is highly significant in China, whereas a structured market type of organization is significantly emphasized in the US. Therefore, it is proposed that:

P: An individualistic culture tends to create a "market" type organization whereas a collectivistic culture tends to create a "clan" type organization.

P: A Chinese-based MNE is more a "clan" type of organizational culture than a US-based MNE is whereas a US-based MNE is more a "market" type of organizational culture than a China-based MNE is.

3.2. Research Model B: Organizational Culture and Business Relationship Development

3.2.1. The Organizational Culture Types Model

Deshpande and Webster (1993) identify four organizational culture types: Clan, Adhocracy, Market, and Hierarchy. This classification is very suitable for this study because BRDs are expected to display certain similarities or differences among those cultures.

3.2.2. Clan vs. Market Type of Organizational Culture

The clan culture is characterized as being internally focused. The “clan” culture is adaptive and focuses on developing human resources, commitment and morale. Organizational members in a “clan” culture are bonded by loyalty, tradition and interpersonal cohesion. A clan culture tends to employ an organic process – a flexible approach to management in a dynamic changing environment. People in network-oriented organizations tend to operate using information and knowledge sharing and team performance. By contrast, the market culture is externally focused. A market culture tends to employ a mechanistic process of management. Rules and procedures are written, formalized and closely followed under well-defined chains of command. Goal orientation, production and competition unite people within the organization: its market culture strives for competitive advantage and market superiority (Deshpande and Webster, 1993).

3.2.3. Dominant Paradigm on BRD

In recent years, relationship marketing has appeared as a new paradigm, leading to discussion of BRD whereas *Guanxi*-networking has been embedded in Chinese societies for thousands of years. Although the West and China argue for strategic effectiveness and efficiency in today's BRD, the processes and focuses of both might be different between these two cultures.

3.2.4. Western Relationship Marketing Orientation (RMO)

Harker (1999) reviewed 26 definitions of relationship marketing and proposed the following description: “An organization engaged in proactively creating, developing and maintaining committed, interactive and profitable exchange with

selected customers (partners) over time is engaged in relationship marketing". As discussed earlier, relationship-marketing orientation (RMO) can be defined as managing BRD: a) to maximize a firm's profitability by offering adding-values and b) to maintain long-term relationships by cooperating with key customers.

3.2.5. Chinese Guanxi Network Orientation (GNO)

Guanxi represents "close and good relationships" and "networking" with others or organizations in Chinese culture. *Guanxi* networking has been explained as long-term social interactions within network places and members, via infinitely repeated favor-exchanges, ensuring a measure of trust among the members of those networks (Davies 1995). Wong and Leung (2001) explicitly defined *Guanxi* as having two major elements: instrumental and affective. Affective components consist of entertainment and social gatherings, such as business dinners. Westerners often pursue affective approaches with an overemphasis on treats or gift giving. What they do not realize is that the Chinese may regard them as "meat and wine friends", who are not to be trusted in a BRD. The Chinese always place greater value on friendships built on hardship or developed in difficult situations. In this study, we focus on instrumental, perspective-building and long-term *Guanxi* style business relationships. We define *Guanxi*-network orientation (GNO) as managing BRD to economize transaction costs associated with environmental uncertainties. GNO fosters competitive advantages by sharing specific resources and inter-organizational learning in Chinese society. Thus, it is proposed that:

P: A high degree of "market" type of organizational culture will be positively related to RMO for managing the processes of BRD.

P: A high degree of "clan" type of organizational culture will be positively related to GNO for managing processes of BRD.

3.3. Research Model C: Exploration on Dominant Paradigm of BRD (RMO vs. GNO)

3.3.1. A Process Model of Relationship Marketing

Parvatiyar and Sheth (2000: 615) argue that *"the objective of relationship marketing is to increase customers' commitment to the organization through the process of offering better values on a continuous basis at a reduced cost"*. They have developed a four-stage relationship marketing process model. This broad model suggests that the relationship marketing process comprises four sub-processes:

formation, management and governance, performance evaluation, and relationship evolution or enhancement. However, relationship marketing must be limited to the discipline of marketing and must focus on understanding and managing customers' needs and behaviors (Sheth, 1996).

3.3.2. Relationship Marketing and Transaction Cost Analysis (TCA)

Transaction cost theory suggests that human behaviors are intentionally rational, and actors are opportunistic; they pursue self-interest (Vibert, 2004). In partnering, transaction costs arise principally when it is difficult to determine the value of collaboration and cooperation (e.g., they can arise because the exchange partner is untrustworthy and the environment is complex) (Vibert, 2004). Consequently, a dynamic and highly uncertain business environment makes it difficult and costly for business partners to build long-term, committed relationships. During the relationship marketing process, managers must define their purpose for engaging in relationship marketing, select parties for relationship marketing and develop marketing programs (Sheth and Parvatiyar, 1995). Once a relationship making program is developed, the program as well as the individual relationships within it must be managed and governed. During this stage, several issues must be addressed, including communication and common bond, the planning process, process alignment, and monitoring procedures. In addition, companies periodically need to assess the results of relationship marketing in order to evaluate whether or not the programs are meeting expectations and whether or not they are sustainable in the long run. When performance is satisfactory, partners will be motivated to continue or enhance their relationship programs (Shamdasan and Sheth, 1995). When performance fails to meet expectations, the relationship may be terminated. Clearly, although relationship marketing has been defined as "*the ongoing process of engaging in cooperative and collaborative activities and programs with customers to create or enhance mutual economic value or reduced cost*" (Parvatiyar and Sheth, 2000: 9), there is no promise or further expectation to maintain the relationship once one party dissatisfies the other in economic performance. This approach to business relationship is considered a part of transaction cost theory, which emphasizes maximizing profits (the goal of extrinsic output) based on a calculation of costs and benefits, as well as on an evaluation of economic performance. Therefore, while the process model of relationship marketing may tend to focus on economizing transaction costs by choosing an appropriate governance structure and control system, eventually it also forces all parties to evaluate their short-term economic performance. Thus, it is proposed that:

P: RMO tends to be a more TCA approach for managing the processes of BRD with a focus on short-term economic performance.

3.3.3. The Process of Guanxi-Network Dynamic

Wong and Leung (2001) identify an approach to the *Guanxi* network dynamic: System, Scarcity, Saving, Security and Success. Due to the radically weak Chinese legal system (especially concerning property rights) and the country's uncertain government style, most private enterprises tend to build up social capital using a *Guanxi*-based network (the saving of *Guanxi*) instead of earning personal economic capital. Chinese merchants have developed substantial negotiation skills – and created flexible contacts – within an ever-changing hostile environment. The holistic perspective of *Guanxi* building within a security network has motivated Chinese companies to build a mutual obligation and trust network for the exchange of resources, one that is efficient, interdependent and dynamic. Such a network also allows them to enjoy greater flexibility in dealing with an ever-changing environment.

3.3.4. Guanxi Network Orientation and Resource-based View (RBV)

Resource-based theory assumes that firms try to maximize long-term profits by exploiting and developing their resources (Penrose, 1959). The resource-based view suggests that a firm can obtain a sustained competitive advantage only by using strategies that exploit rare, valuable, nonsubstitutable, and difficult-to-imitate resources and capabilities (Barney, 1991). Firm resources can be classified into three categories: physical capital resources, human capital resources and organizational capital resources. Human capital resources include: knowledge, skills, experience, intelligence of individuals, and *relationships* associated with a firm. *Guanxi*, viewed as human capital, may be considered an organizational level resource. In a business setting, a Chinese organization's interactions and exchange processes with other firms in a network develop links of resources and activities. These resources and activities among firms complement one another. Organizations can use the existence of complementarities or competitiveness in their relationships in different ways as they interact with one another (Wong and Leung, 2001). Tsang (1998) has used resource-based analysis to view *Guanxi* as part of organizational human capital, which may contribute to a firm's competitive advantage. For companies influenced by Confucian dynamics, a *Guanxi*-based relationship is consonant with a network perspective of business relationships. Economic success achieved in the Chinese societies such as Hong Kong, Taiwan

and Singapore has been proved to be due to the Confucian Dynamic: quick reaction between and within networks; bonding and reciprocity; high level of flexibility and adaptation; and long-term relationship development and maintenance (Wong and Leung 2001). Chinese Guanxi network building with its partner for a firm is based on the resource-based view to accumulate its competitive advantage in the Chinese business environment. Clearly, *Guanxi* satisfies all the conditions of a strategic resource. Thus, it is proposed that:

P: GNO tends to be a more RBV approach for managing the processes of BRD with a focus on long-term social performance.

4. RESEARCH METHODOLOGY AND SETTING

This research focuses on the dynamics of business relationship development in its natural setting by investigating four multinational firms in two different cultural environments in China and the US. The case study was chosen as the primary research methodology in this study because it examines a contemporary phenomenon within its real life setting (Yin, 2003). Relationship marketing is a contemporary and on-going phenomenon, and it must be investigated within its real-life context. *Guanxi*-network development is a dynamic process, a complex and broad phenomenon that has been present in Chinese societies for thousands of years. While we study the subsidiary's environment in the Chinese culture of American firms, the boundaries of BRD between phenomenon and context appear to be not clearly evident. Thus, a case study is useful to understand the phenomenon and its meaning.

4.1. Data Collection Procedures

In this study, Yin's (2003) case protocol has been used to ensure reliability, and multiple sources of evidence are used to ensure construct validity. The multiple sources of evidence consist of examination of documents, observation and extensive interviews. We interviewed local managers relevant to the business relationship development with experience (ranging from 2 years to 12 years), as well as a cross-section of their co-workers, both vertically (such as their parent company's supervisors, CEO and their subordinates) and horizontally (employees from customer service, sales/marketing and accounting, and logistics). Interviews with the Chinese informants were conducted in Chinese and with the American informants in English. Over 30 in-depth interviews were completed during 10 months of field work with the four participating firms: 2 American-managed firms (XOM and EduCo) with

subsidiaries in Taiwan and 2 Chinese-managed firms (CMI and Advance) with business units in the US. The participating firms provided a level of heterogeneity across a number of dimensions, including: business-to-business versus consumer markets; high technology vs. low technology and large vs. small companies. *Table 1* provides a brief overview of each multinational firm, its subsidiary's business unit's strategic focus on its local business relationship development and relevant relationships with the parent company, subsidiary and local customers.

TABLE 1

Four Firms: Industry, Relationship Type with Local Customer and Focal Strategy on BRD

	Industry	HQ	Sub.	Relationship Tension between HQ and Local Customers	Focal Strategy
XOM	Lubricant Oil	US	Taiwan	Global Supplier vs. Local Distributor	Optimizing Distributor Network
EduCo	Education	US	Taiwan	Consultant / Teacher vs. Student	Facilitating Chinese Alumni Association
CMI	Integrated Marketing Communication	Taiwan	US	Cross-Cultural Agent vs. Local Clients	Bridging Cross-Cultural IMC Service
Advance	IT	Taiwan	US	Computing Hardware Supplier vs. Local Software Designer	Partnering for Digital Signage Solution

5. DATA RESULTS AND ANALYSIS

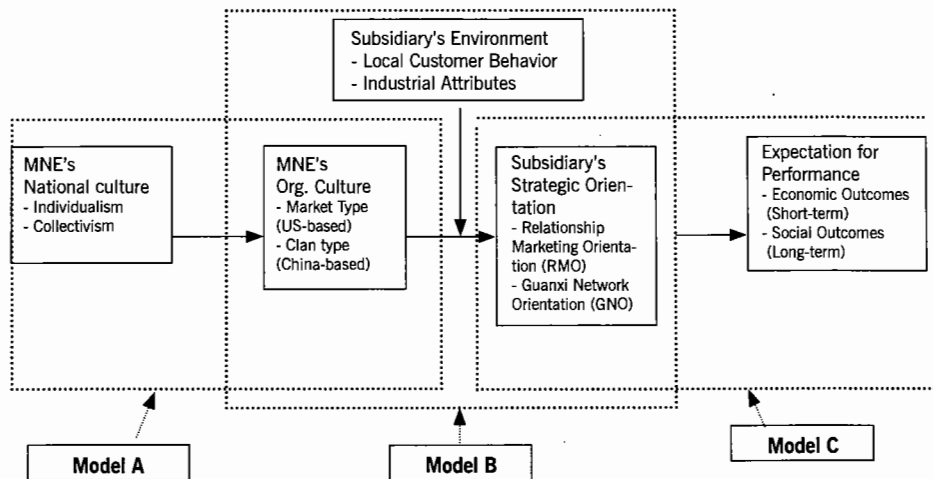
5.1. Overview of Findings

The analysis suggests that a subsidiary's strategic orientation to developing a business relationship is affected by three distinct models: (A) the impacts of national culture on a multinational company's organizational culture; (B) the impacts of a parent organizational culture on a subsidiary's strategic orientation, which might be moderated by the subsidiary's local environment, in terms of market and cultural system while managing BRD; and (C) the impacts of a subsidiary's strategic orientation, which might be moderated by the regional manager's industrial background and personal commitment to the parent company's requirements for performance (*Figure 2*).

When comparing Chinese and American international organizations, the analysis also suggests that research *Model A* of impacts on a multinational firm's organizational culture can be modeled by two national cultural orientations: collectivism and individualism. *Model B* of impacts on a subsidiary's strategic

FIGURE 2

Proposed Conceptual Frameworks with Three Models



orientation (in terms of GNO and RMO) is comprised of “clan” and “market” type organizational cultures, including two key dimensions of market environment and cultural systems. These interacting factors within *Model B* appear to impact strongly upon a subsidiary’s BRD, yet they have received little attention within international business marketing literature. Therefore, *Model B* provides the most novel insights into differences and similarities regarding the beliefs and behaviors of GNO and RMO in two different kinds of international organizations. Research *Model C* further provides a deeper understanding of how differing strategic orientations affect local managers’ expectations for performance, in terms of short-term economic outcomes or long-term social outcomes. Here, propositions are presented, each of which summarizes a set of inferences as a theme.

5.2. Model A: National Cultural Orientation Impacts on Organizational Culture

Propositions:

P: A Chinese-based MNE is more a “clan” type of organizational culture than a US-based MNE is whereas a US-based MNE is more a “market” type of organizational culture than a China-based MNE is.

5.2.1. Findings

5.2.1.1. National Culture Impact

A US-based multi-national firm like XOM tends to form a market type culture, which strategically pursues market superiority and competitive advantages in the global market. Evidence was derived from interviews with the leadership of XOM. A senior director with 12-years experience in Taiwanese business development described his company:

You know, this is an American company, which emphasizes job performance and goal fulfillment. We position our company as the leader in the oil industry. We know how to win in the global market. We have to be responsible for our shareholders. Therefore, the tasks accomplishment, cost efficiencies and revenue enhancements are our priorities.

Advance is a Chinese-managed multinational firm, which emphasizes loyalty, commitment and human relationship cultivation among employees. Developing human resources and sound social interactions are important goals for anyone first encountering this company. A senior human resource manager exhibited great pride in responding to the questions on corporate culture:

Advance is filled with Chinese culture which highlights teamwork and departmental cooperation although for over 25 years it has been a multi-national IT firm with leading positions in the industrial computing sector. We are a service-oriented company and very serious in our recruitment procedures of potential personnel. We don't fire people very often. We focus on group-goal achievement and team spirit, not individual excellence or heroism – which may distract from the group's sense of unity and harmony. If someone cannot perform well, we believe it must be something wrong with his job function and position. We will try to rotate him or her to find them the right position.

A summary of the four firms appears in *Table 2*:

TABLE 2

Summary of Four Firms Applied to Model A

	National Culture	Company Attribute (Size/Offices/Employee/Profitability)	Org. Culture
XOM (US-based)	Individualism <i>High Impact</i>	Large/ 41 branches/100,000 Earning of US\$39.5 B <i>High Impact</i>	High Market
EduCo (US-based)	Individualism <i>Low Impact</i>	Small/2 subsidiaries/15/NA <i>Small Impact</i>	High Clan
CMI (Taiwan-based)	Collectivism <i>Middle Impact</i>	Small/ 7 subsidiaries/200/NA <i>Middle Impact</i>	Mixed
Advance (Taiwan-based)	Collectivism <i>High Impact</i>	Large/36 branches/ 2,700/ Market Capital of US\$1.56 B <i>High Impact</i>	Middle Clan

5.3. Model B: Organizational Culture and Business Relationship Development

Propositions:

- P: A high degree of "market" type of organizational culture will be positively related to RMO for managing the processes of BRD.*
- P: A high degree of "clan" type of organizational culture will be positively related to GNO for managing processes of BRD.*
- P: A subsidiary's strategic mechanism might be moderated by a subsidiary's environment, in terms of local customer behavior and local industrial attributes.*

5.3.1. Findings

5.3.1.1. Organizational Culture Impact

5.3.1.1.1. XOM – Controlling and Monitoring Distributors via Members' Competition

In order to reach global market superiority and operational efficiency, a market type organization of Taiwan XOM usually creates and manipulates competitive games for all its distributors. Those "fear balance" actions not only help select the most competitive distributors and remove the less competitive ones, but also effectively control and monitor the distributor's loyalty and capability (XOM intended to employ two distributors with similar capability and sales force to compete with each other in the same territory). Following the merger of two big oil companies and the resultant strategic focus on global integration and operational efficiency, XOM continuously conducted RMO for its Taiwan distributors, pressuring them

to reach profit maximization for the global market. A senior director of distributor business development explicitly explained the situation:

Regarding our business partners, we accept Darwin's theory on competition – “The winners of the competition, those who are most fit to gain the resources necessary for survival and reproduction, will be selected, the others are eliminated”. If our local distributors cannot catch up to our changing tempo to meet our production standards and operational performance, you know...we have to choose the best ones, now, no matter how good they were before. Control awareness within a company is very important for our global integration and market superiority.

5.3.1.1.2. Advance – Building “Bigger Cake” Vision by Communication, Flexibility and Resources Sharing

Advance - a clan type organization - intends to seek real “insiders” for business partnering with more flexible and open attitudes on business relationship developments. A senior director noted:

In any business relationship, Chinese people tend to think of how to make a bigger cake by cooperating with partners. That's why we prefer partnership, not competition. Although we are the leader in the industry, it is not necessary for us to be a leader in all project initiations and implementations. Because we viewed our partners as “insiders” in the project... team performance will eventually benefit our company... Of course, it took much time in communication, discussion and trust to build up strong relationships. However, that's the way we do business with partners.

5.3.1.1.3. EduCo – Be a Customer One Day, Enjoy the Life-Long Benefits of the Alumni Association

EduCo - a clan organization - emphasizes team learning as well as flexibility and professional training as its strategic core values. The Chief Operational Officer in Taiwan explained the company's service goals and its vision to develop long-term relationships with its customers, via life-long educational services:

The aim of our service is to provide flexible and customized educational programs for those working professionals who can't leave their jobs to devote all their energies to schooling ... Once you become a customer of EduCo, you can enjoy life-long services, such as free English training and Study Group, and also participate in any activities of our Alumni Association with a special discount... We want to create an

environment of experiential learning for our alumni in the community and let them feel respected enjoy their personal lives, as they attain their career goals.

5.3.1.1.4. CMI – One Team (Branch), One Market

The organizational culture of CMI was formulated by the regional manager. The American general manager tends to focus on more profitable customers of a larger firm size, which in turn reduces the business risk. Thus, a market type of office culture leads to RMO for people in the US in dealing with their business relationships.

5.3.1.1.5. US Office – New Customer Development based on Budget Amount and Time-Effect

By and large, CMI's client list is carefully allocated by its management team, although, sometimes, the account manager *may* suggest which account should be prioritized. However, the general manager is the final decision maker regarding which clients /accounts should be kept. In the US office, the general manager often determines relationship development in terms of formation, maintenance and termination, based on the new client's budget allocation and its size. A senior account manager explained her experience in developing a large project from one with a small budget for a smaller client with a big potential for future growth:

I was arguing that "it is worth to develop the business relationship with this client gradually, based on my experience and industrial analysis". I expected to get approval and resources from my boss (the general manager in the US office)... Regrettably, my boss (the general manager) finally decided to cancel the project. According to him, this client is small and to allocate small budgetary resources ... is risky and a waste for the company. Although I may not agree with my boss's decision, he is the boss and I must listen to him, without a doubt.

5.3.1.1.6. Clan Culture in Taiwan and China Offices Causes GNO

In the Chinese-dominated office (Taiwan and China offices), *Guanxi* utilization and development is imperative for people within the company and externally with customers. The following excerpt from an interview with a senior director of business development in the Great China market explicitly illustrates the GNO approach for any relationship development:

My boss often invited clients to join his social activities, such as hiking, golfing and family gathering, even after working long hours or even weekends. Our senior account managers know how to maintain good relationships with their accounts/clients by sending greeting cards and gifts on holidays, even for weddings or funerals. The connection we are building is not only for the purpose of short-term business transactions, but long-term personal and organizational social networking. Professionalism is a leading quality in the US office, but, here in Taiwan, good Guanxi networking will lead to business success... In China, Guanxi networking with gatekeepers (key stakeholders) takes priority over anything...

5.3.1.2. The Subsidiary's Environment Impacts

5.3.1.2.1. Local Customer Behaviors

a) XOM – Taiwan Local Distributors Utilizing Prior Relationship

Local Taiwanese distributors have contributed an average of 75% of total sales volume to XOM for four decades. Some of their bigger distributors have built up strong relationships and commitments with XOM for a long time. They know not only how to help local managers reach their sales target by expanding their sales volume, but also how to utilize their business relationships to get special offers of products and channel benefits from XOM. According to Taiwanese managers:

Our local distributors tend to utilize their prior relationships, both business and personal, with XOM's managers to create business opportunities. They believed continuous social interaction is a critical and effective factor for building long-term and close business relationships with XOM.

b) CMI – Local Cultural and Market Systems Determine Customer's Behaviors

In the case of CMI, the following excerpts from local managers in different markets provided different perspectives on a local customer's needs and behaviors.

US Market-American Customers-Focusing on Written Contracts
We all follow a US client's demands and requests in project management. If you followed your US clients based on contracts, you are able to enjoy routine business, without worrying about conflicts and mistakes, but they never refer any clients to you... it's impossible to extend your business relationship or network...

China Market-Stakeholders' (Gate Keepers) Relationship Development
I must build up good Guanxi with gate-keepers, particularly for those institutions of local government. In China, who you know is the priority for developing business relationships. American clients trust our professionals in the China market where they have no clue.

c) EduCo – Chinese Customers Love to Network Socially for Business Opportunities

The senior operational officer explicitly explained the attributes of a Chinese customer:

Chinese people love to find resources and possible opportunities in any association and group interaction. We know the Chinese culture and developed our Alumni Association not only to satisfy our customers' needs and wants but also to simultaneously enhance our reputation and the power of word of mouth for our business.

5.3.1.2.2. Local Industrial Attributes

a) XOM – Cut-Throat Competition for Oil in the Taiwanese Market Drives an RMO Approach

XOM stresses its global operational efficiency and technology excellence to its worldwide subsidiaries. Reaching a sales target appears to be a priority for regional and division managers. XOM 1 lubricant oil is an extremely popular, very high quality product in the Taiwanese retail market. The company and its channel members, including distributors and larger retailers, exploit that popularity to reach their specific business goals. According to a senior sales manager:

In the fourth week of each month, the American general manager would routinely call an emergency meeting to check on the status of sale performance from his division managers. If the sales number was far behind the forecast one or unreachable, he would force division managers to promote the premium product-XOM 1 5w50 to convince larger distributors to "eat" (placing orders) a big amount (normally at least one container size) at a much lower price.

This action would benefit XOM Corporation and larger retailers simultaneously. The American general manager could reach his forecasting sales numbers and report that good news to his parent company. Larger distributors could get an

incentive bonus based on their sales numbers. Larger retailers tend to slash prices to create higher traffic at stores and induce more consumers to buy a variety of other products (in addition to XOM 1 5w/50). Making use of this product appeared to be an effective weapon for all channel members to reach their individual short-term goals in the lubricant oil market of Taiwan.

b) EduCo – High Social Recognition of Taiwan Educational Industry
Is a Remarkably Effective GNO Approach

In ancient Chinese society, an intellectual was recognized as attaining the highest social status (hierarchically transcending the social ranks of farmers, engineers and businessmen). Today, the social ranking of the intellectual is not in the first tier. However, the Chinese still revere people in the educational field, especially teachers. The Chinese accept Confucius's admonition to pay high respect to teachers. Clearly, the founder at CMI knew how to exploit the teacher-student relationship in the educational industry – using GNO for RMO – here's how the founder explained how he effectively utilized his relationship with students:

Every time I want to promote a program, I would contact powerful politicians and well-known business executives who previously had been students in one of my programs. My students would draw attention to Renging (favor) and selling my Mianz (face) to me by referring students to me...

c) Advance – Longer Product Life, Product Reliability and Real-time Service Propels
GNO in Long-term Relationship Development

Advance's strongest competition comes from larger suppliers of hardware components, such as Intel, Dell and Cisco. Those suppliers often offer much cheaper prices to compete with a company like Advance. The technical marketing manager offered more details on the competition and Advance's unique advantage:

Our mission is to build long-term relationships and commitments with our local partners by offering them reliability, longevity and serviceability. We guarantee that we won't change the modes of hardware and software at least within three years. Thus, our customers can fully concentrate on their businesses and not worry about our partnering vendors changing, or buying new modes of hardware and software... For those big suppliers of hardware, they generally sign a short-term contract (6 to 9 months) with OEM partners, which could quote the lowest price for production based on the big amount of products.

A summary of the four firms appears in *Table 3*:

TABLE 3

Summary of Four Firms Applied to Model B

	Org. Culture	Subsidiary's Environment Industry Attributes Customer's Behaviors		Sub. Strategic Orientation
XOM (US-based)	High Market Type "Global Market Over Localization"	Oil Industry in Taiwan - Price Competition - Channel Conflicts - Faked Oil Product	Family-owned local distributors tend to utilize previous and long-term Guanxi in Taiwan market	High RMO with Taiwan Distributors
EduCo (US-based)	High Clan Type "We are a Family"	Educational Busi- ness with High Social Recognition in Taiwan -"One-day Teacher, Lifelong Father"	Chinese customers tend to be enhancing competitive ad- vantage and seeking business opportunities via participating in educational training pro- grams and activities of alumni association	High GNO with Chinese Members High GNO with Ameri- can customers in the beginning and finally maintaining RMO with them due to American partners' exclusive focus on contract-based relationship
CMI (Taiwan- based)	Mixed Type "Market Deter- mines Our Culture" -Market Type in the US Office -Clan Type in Taiwan and China Offices.	Client-Oriented Service and Cross- Cultural Marketing and PR Industry	-American customers stress professional service and writ- ten contract fulfillment -Chinese customers focus on personal relationship develop- ment and oral commitment <i>High Impact</i>	Mixed -RMO with American Clients -GNO with Chinese Clients
Advance (Taiwan- Based)	Middle Clan Type "Internal Harmony is Priority Within Office" <i>High Impact</i>	Computing Hard- ware (Longer-Life Cycle (3-5 Year and Higher Profit Margin 30%) Suppliers of Searching for Strategic Partners for Better Business Solution <i>High Impact</i>	-American customers focus on cheaper and shorter life-cycle products (3 to 6 months) and efficiency of technology operation <i>Low Impact</i>	Middle GNO With American Partners

5.4. Model C – Subsidiary's Strategic Orientation

Propositions:

P: A multinational firm employing relationship marketing orientation (RMO) tends to use transactional cost analysis (TCA) for managing the processes of BRD, with a focus on short-term economic performance.

P: A multinational firm employing Guanxi network orientation (GNO) tends to use the resource based view (RBV) for managing the processes of BRD with a focus on long-term social performance.

5.4.1. Findings

5.4.1.1. RMO (TCA Approach) Focusing on Short-term Economic Outcome

5.4.1.1.1. XOM's Distributor Network Optimization (DNO)

After its merger in 2000, XOM's strategic focus on BRD was distributor network optimization (DNO). Since 2004, XOM has executed this global strategy and policy for distributor business development in Asian countries, including South Korea, China, India, New Zealand and Taiwan. The Taiwan office's senior director emphasized the DNO's vision and initiatives:

Our vision for this global policy is to profitably grow sales by achieving the most efficient, effective and, ultimately, admired lubricants distributor network. We are going to consolidate our current 12 distributors to 3 distributors, which have a fully capable sales force, customer service agents and logistic capability to respond to market requirements. We anticipate implementing the DNO project within the coming year. Resource deployment centralization and distributor network optimization are our major concerns – not unnecessary localization..... This action resembles the pruning of an almost-ripe grape vine. Removing twigs that have stopped growing will affect the vine's growth – a major priority for a farmer. Then, the farmer can centrally control limited resources and direct nutrients to other twigs that are healthy.

5.4.1.2. GNO (RBV approach) Focusing on Long-term Social Outcome

5.4.1.2.1. EduCo's Alumni Learning Community

According to the EduCo's handout on its Alumni Association Service, there are six committee organizations offering diverse activities, including company visits, academic seminars, professional speeches and entertainment. This information clearly outlines the core values of knowledge accumulation, social networking and resource sharing among members. According to one of the most successful members within the alumni association:

The majority of EduCo alumni originally are people who earned an MBA degree from National Taipei University. They accumulated working experience and have become social elites in various areas of academia, industry, and government. Then, they further advanced their education via EduCo's services. This learning opportunity (via monthly study groups) not only stimulates our thinking but also often inspires

us to find good friends with common perspectives and goals in life – and business partners in the future. This is a brotherhood relationship and good “Gi-Yun” (“chance” and “fortune”).

5.4.1.2.2. Advance’s Digital Signage Solution (Partnering Alliances via Tradeshows and Word of Mouth)

According to an official document entitled “*Partnering for Success: Delivering Next Generation Digital Signage Solutions*” (Nov. 30, 2006), customer satisfaction is the goal and revenue is the outcome. Partnership is placed above competition as a priority among partners. Simply put, the company prefers to build up mutual trust through very careful discussion of both parties’ business objectives and cost/profit structures. Humanity (in the sense of compassion), humility and humor lubricate the entire reciprocal process of interaction. Contracting for a five-year-long agreement is the ultimate goal in forming such an alliance. A senior inside manager described partnership in this way:

We would prefer to “take off our clothes first” – nakedly discuss business goals as well as costs. I will ask our partner to do the same. We search for a serious business partner for long-term goals – not just make a quick business transaction. We spend more time in communicating with potential partners than we do in accelerating sales.

6. CONCLUSION AND BUSINESS IMPLICATIONS

The three distinct models proposed here provide an integrated perspective for increasing the success of BRD for a subsidiary’s manager dealing with interactions between an organizational culture of MNE and its subsidiary’s environment. Larger multi-national firms are more concerned about global market and organizational competing values (such as a market-oriented strategy) due to local cultural norms than they are with local market dynamics (e.g., the chaotic Taiwan oil market). For those smaller firms who intend to expand into overseas markets, a high degree of local responsiveness for a subsidiary’s strategy is the only road to business survival. The implication for subsidiaries’ managers is that successful strategic execution of BRD is not simply the implementation of the parent company’s competing values embedded in the organizational culture, but also a strategic adaptation of the business mission to local markets by skillfully mixing GNO and RMO. High understanding and commitment to the parent company’s policy is the first step to success in BRD. Communication (including bottom-up with the boss and top-

down with business partners) is the most significant lubricant in the process of BRD and project implementation. Comparing the two strategic mechanisms – RMO and GNO – implies that the most effective approach for a local manager to deal with issues of BRD between the parent company and local environment is to use mixed strategies with different priorities, extents and situations. The differences between American and Chinese managers can be applied at two levels: within the organization and its external local customers. Within an American firm, formal meetings and open discussions are more effective practices than social interactions for project implementation of BRD, although, very infrequently, social events are an effective way to go about it (for a small group of Americans). Developing solid personal relationships and internal harmony is critically important for a local manager to smooth BRD in a multi-national Chinese firm. As for dealings with local customers, comprehending the importance of written agreements and clarifying values and benefits of a product and services are more effective practices for American customers. When dealing with Chinese customers, building trust via close relationships must come first. Great flexibility must be employed in business contracts and strategic adaptations (e.g., oral commitment) on BRD, particularly when markets are fluctuating or the affiliate partner company may be going through its own financial upheavals. Such an approach will ultimately bring more business opportunities (e.g., via customer referrals and word-of-mouth). The results also suggest that local managers with bi-lingual (Chinese and English) and bi-cultural (Chinese and American) backgrounds are more likely to cope with issues arising between a parent company and local environments. American multi-national firms might consider Chinese people who have relevant working or studying experiences in Western culture for recruitment in HR development as well as local management.

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Resumo

Questões de cruzamento cultural são abordadas para explicar a elevada taxa de insucesso entre as empresas americanas que fazem negócios na China e vice-versa. Este estudo centra-se na investigação das orientações estratégicas e dos comportamentos das empresas subsidiárias face às relações de desenvolvimento negocial (RDN), através da análise de empresas multinacionais que operam em ambos os países. Em particular, é explorada a forma como os gestores locais percebem a eficácia das RDN e lidam com as relações entre a empresa-mãe e o ambiente local. O estudo congrega múltiplos estudos de caso, com base na análise de documentos, observação e extensas entrevistas com gestores locais de quatro empresas multinacionais. É apresentada uma perspectiva integrada que, ao aumentar a compreensão do gerente de uma filial sobre as interações existentes entre a cultura organizacional da sua empresa-mãe e o ambiente local, visa aumentar o sucesso das RDN. A investigação procura ainda compreender a forma como a cultura organizacional pode entrar em conflito com uma filial local, afectando a orientação estratégica do gestor local e conduzindo-o, por sua vez, a produzir resultados diferentes das expectativas.

Palavras-chave: Cruzamentos Culturais, Orientação Estratégica Subsidiária, Relações de Desenvolvimento Negocial.

