

Guanxi Empowers Inter-cultural Competency --- A Taiwanese Business Group Case In China

Meiling Wong¹, Ren-Jye, Liu, Ming-Hong Lai

Department of Industrial Engineering & Enterprise Information, Tunghai University, Taichung,
Taiwan, R.O.C.

Department of Industrial Engineering & Management, National Chinyi Institute of Technology,
Taipin, Taichung, Taiwan, R.O.C.

Department of Business Administration, National Taichung Institute of Technology
Taiwan, R.O.C.

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ABSTRACT

Increased global competition has been the most influential trend in economics during the last decade. As a consequence, the concept of inter-cultural competencies has become increasingly important in business management as the growing number of international joint ventures and people moving to other countries to find work and prosperity. Though studies have been to identify skills, attitudes, and behaviors of individuals that contribute to effective inter-cultural interactions and successful cultural adaptation, the actual effect of these identified competencies held by individuals is limited and bond to the particular ones, which may cause the firms' deterioration when the competencies owners left. In our case study, joint ventures of the Taiwan business group are introduced to elaborate how guanxi activates the intra/inter-culturalization and brings in the effect of inter-cultural competencies for the international joint ventures. Thus Taiwanese business group plays the role as "cultural interface", which is able to have guanxi built among the international joint ventures, consolidate their cooperation and partnership, and assure their success.

Keywords: cultural interface; inter/intra-cultural competencies; inter/intra-culturalization; guanxi; Confucianism

1. INTRODUCTION

While facing global markets, firms sell global products are facing similar factors such as financial, technological, and market conditions, etc. The only significant difference is the cultural environment in which the company operated. Studies found that cultural differences among the nations of co-operation organizations are decisive for the instability and even for the failure of global joint ventures (Barkema and Vermeulen, 1997:845; Fedor and Werther, 1996:39; Li, et al., 2002:321). It requires an overall cultural fit for steady and long lasting business cooperation. While it is emphasized in Western on “what you know”, refers to technological expertise, including the price and quality of tendered product or service, it is emphasized in Confucian societies on “who you know”, which refers to personal connections with the appropriate authorities or individuals. These connections are known in Chinese as guanxi (Yeung & Tung, 1996). Guanxi seems to be the lifeblood of the Chinese business community, extending into politics and society. Without it one simply cannot get anything done. Guanxi thus is believed to be a striking feature that helps to enter a profitable and growing Chinese market. With respect to interpersonal networks, it is similar to inter-cultural competency which has been identified as skills, attitudes, and behaviors of individuals that contribute to effective inter-cultural interactions and successful cultural adaptation.

China, the great family of nationalities with minor estrangement among, in particular, is a society built based upon Confucianism where people are tied closely into varieties of guanxi, whose networks bind millions of Chinese firms into social and business webs, largely dictating their success (Pearce II and Robinson, Jr., 2000; Gibb & Li, 2003). Though many have guanxi well-defined and classified including the way of maintaining it as well as its importance to business in China (Yeung & Tung, 1996; Pearce II & Robinson, Jr., 2000; Fan, 2002), the core value undermined within the Confucianism what constructs guanxi networks, the mechanism of how guanxi works, and the factors that make them sustainable and durable in Chinese societies have rarely been discussed thoroughly. In other words, what makes guanxi particular and irreplaceable regardless of the ethical defaults and in turn makes itself the inter-cultural competency for international joint ventures attracts our attention and indeed deserves a close-up lens. The purpose of this article is to examine the inter-cultural competencies in terms of guanxi, a particular social network of Chinese, acts both as the catalyst and the buffer for effective inter/intra cultural interaction and cultural adaptation, thus enables international joint ventures entering and operating in China by taking care of the implicit cultural conflict concealed in cross national business.

In pursuing the objectives the paper is organized as follows. First, the concept of intra/inter-culturalization is introduced. Second, it reviews briefly with the meaning and context of guanxi with respect to Confucianism. Third, there is discussion of the guanxi mechanism in enabling inter/intra-culturalization and its role playing in facilitating business management is introduced. Fourth, our case study, a Taiwanese business group, entering and operating in China through intra/inter-culturalization across nations, is analyzed within the framework. Finally, the paper concludes with a review of what can be learned, if anything, from the Chinese experience of business groups and joint ventures in creating gateways for future management of cross-national business in this field, which can also be applied to other countries with similar cultural context.

2. INTRA/INTER-CULTURALIZATION

The context of culture contains the intellectual factors, such as technology and education, the spiritual factors, such as ideal, belief, ethics, and value, the social cultural network, and the traditional cultural force which affect the real life (Gia, 1992). Inter-cultural differences exist only if differences among national cultures exceed differences of cultural groups with the respective national cultures (England and Negandhi, 1979; Helfrich, 1999; Hofstede, 1992; Muller and Gelbrich, 2001). For countries like Germany, Korea, Vietnam, China, etc. and their disrupted ones, peripheral cultures (socialized) in between may somewhat be various, but their core values (authentic) originated from the same root stays in common.

For nationalities rooted from the same origin characterized with close cultural values, people share each other with common core values, spirit, and language, etc. (such as China, Taiwan, Japan, Korea, Singapore, and so on), which makes it a lot easier to have national amalgamation and successful cooperation. This is the phenomena of intra-culturalization. Those who were not rooted from the same origin do not share common core values but try to cooperate with one another, certainly would have the inter-culturalization with degrees of obstacles. For those who do not even have the peripheral cultural values in common, would certainly face difficulties in having inter-culturalization.

3. GUANXI AND CONFUCIANISM

Guanxi interaction has been viewed by many scholars as an idiosyncratic cultural phenomenon. Others have argued that guanxi network can best be explained in terms of the institutional environment presented by China's transition to a market-based economy (Lee and Ellis, 2000). In China, guanxi has

been a way of life since time immemorial, and the personal investment required to develop and maintain good social relations is accepted as an unavoidable fact of life. People in China 'make out' through interpersonal accommodation and negotiation for each specific relationship (Li, 2004). Guanxi is considered as a unique Chinese construct (The Economist, 8/4/2000) and a product of Confucian values and the contemporary political and socio-economic systems (Fan, 2002). Confucianism is the major life philosophy for most of the East Asia, thus has great influence in their daily life within each social cast. Starts with the core basis of the "family" and out pushes toward to social and political levels, where the concept of Wu-lun is constructed (see detailed discussion in next section). Social norms, though somewhat are different around the world, mostly are attached to the social status, which is the position where people stand in a social system. And the regulation integrated for a certain status is the "role" (Linton, 1972; Chang, 1986). For someone who takes the proper role and plays it accordingly receives high praise for being qualified for his social status.

In China social status is determined largely by the guanxi system to which one belongs—a determination often preordained by the composite membership of one's extended family. The Chinese strive to keep relationships among guanxi members stable and harmonious because guanxi is the basis on which they exchange a lifetime of favors, resources, and business leverage (Pearce II & Robinson, Jr., 2000). With respect to social context, the Chinese culture provides a tightly knitted social framework in which individuals are protective of one another and organizations safeguard their members' interests. It projects a preference for cooperation, group decision-making, and relationships. Thus, the importance of networks lies in their emphasis on collectivism and group harmony.

Wu-lun (五倫), the basic norms of guanxi, is basically the main idea of the ideal type of manhood and patriarchy and filial piety and the spirit of trust(信)and justice(義) in regulating different levels of guanxi and setting them in hierarchical order with priorities in Chinese societies. It consists of five rules: the monarch and his subjects(君臣), the father and his son(父子), brothers(兄弟), friends(朋友), and the husband and his wife(夫妻). Among these guanxis, while the three basic guanxi of the father and his son, brothers, and the husband and his wife are inside of the family, the political guanxi of monarch and his subjects is up-pushed to the national level, and guanxi of friends contains the rest who are outside of the families. From the perspective of Chinese societal progress, the "family - nation - world" is the structure from inside out where the family ethic is the basis of Confucius' human relations, where each one ought to be committed, responsible, and content to his given role. As long as every member in the group follows

the rules, the whole society stays in harmony. As time went by, the Confucius followers elaborate and report Confucius' doctrine to the societies in accordance with the trend of the times. Thus there is bifurcation of Confucianism, such as neo-Confucianism and others, which states the difference in the implementation of it although the basic thoughts are the same.

As Hwang (1987) characterized guanxi bases, the strongest ones are referred to as the affective or "expressive" ties found among family members and close friends. In contrast, more distant others, such as salesmen and customers, and connected by temporary "instrumental" ties that are enacted regularly in the pursuit of material goals. In between the two extremes are found "mixed" ties, which are governed by norms of equality (a function of *renqing* and *mianzi*) and thus describe the most active domain for guanxi networking. Nuang (1992) also elaborates and sees guanxi as: interactive relationship between people in social life, which can be observed from dynamic and static view points. From the dynamic point of view, human relationship is the interactive process of thinking, affection, and behavior, whereas from static point of view, it is the coagulation of affection between people. Nuang further classified guanxi into four categories in accordance with its bases: 1) guanxi based upon kinship, which kinship refers to members of a person's immediate and extended families, such as married couple, and parents and children; 2) guanxi based upon locality, which locality refers to the ancestral village of province, such as neighbors; 3) guanxi based upon business relation, such as colleagues, employees/employers, and business manager/clients; 4) guanxi based upon affection, such as friendship and lovers.

4. GUANXI MECHANISM

No matter how guanxi is classified and implemented, there are certain rules for each role played among parties in accordance to Wu-lun. And rules are borrowed for the ones not clearly defined. For example, a business relationship built between strangers is seen as most distant unless credentials and a mutual sense of identities are established in terms of insiders, such as the "Zijiaren" (will be discussed in the following section), then the guanxi can be upgraded and seen either as brothers or friends, which is borrowed from "Hsin"(信) and "Yi(義)" of Wu-lun, and with which people involved in business have the rules to follow.

Just as its name implies, guanxi networks are sub nets (groups) collected with sum of cells (units) constructed by threads (individuals) with knots (guanxi), where groups stand for sub societies, such as communities, and cells stand for organizations, such as families. While guanxi plays the role as the "protocol", setting the rules governing the communication and the transfer of affection between

individuals in Chinese societies, the teaching of Confucianism deeply rooted in effect constructs the norms for guanxi in its establishment and maintenance. Although in this article we limit our discussion within the phase of guanxi and business, we can still see guanxi networks knitted across reach out broadly and wide spread into every corner of Chinese society. Though guanxi is defined as a network of relationships a person cultivates through the exchange of gifts and favors to attain mutual benefits, it is based on friendship and affection, and on a reciprocal obligation to respond to requests for assistance.

4.1 Guanxi networks and business

There is a belief that networking can enhance a company's competitive position and also bridge the gap between businesspeople of different nations and cultures, stimulating trade that might not otherwise take place at all (Thorelli, 1986). Networks enhance competitive advantage by providing access to the resources of other network members, and are particularly important in respect to market entry, where their strategic role has been well-documented (Davies, et al., 1995).

From the analytical point of view, it is emphasized that networks are not discrete events in time in particular, but are continuous relationships, which requires that "activities undertaken by the parties in a relationship cannot be completed without the active and reciprocal involvement of both parties (Haskansson & Snehota, 1990). The possibility of cultural misfit begins to be considered as a serious variable for maintaining a long-term business relationship. In markets, people see one invisible hand - price, while in China, another hand - guanxi, is seen as a potential solution for most problems of entering and operating in China. Although both in theory and in practice, culture is not a factor that, like technology, market or financial conditions, can easily be quantified or shown to be a major causal variable, guanxi, a particular product of culture, works as a specific mechanism to facilitate business in China and its effect can obviously be presented.

With respect to trustworthiness, guanxi can also be classified into three categories: "family", "helper", and "business" guanxi, where "family" guanxi is deeply rooted in the Confucian heritage, "helper" guanxi and "business" guanxi are mainly the product of the political and socio-economic systems in the contemporary China (Fan, 2002). Chinese offer privileges to people whom they consider as "Zijiaren" (one of us, but not necessarily of one's own family), and purposely keep distant with those whom they consider as "Weyeren" (outsider). Since there is no particular elaboration in Wu-lun for

business relationships in China, “Hsin”(信) and “Yi(義)”, stand for honesty and loyalty and exist only between brothers and friends are borrowed as the metaphor of the norm, which people accept it as true. Thus for outsiders involved in the business with Chinese, they always try hard to step across the “door” to become an insider. And the magic code of doing so is to have guanxi upgraded to be brothers or friends through dining, face-giving, and so on. When such roles are firmly placed, guanxi is bilaterally defined and committed, and rules will be mutually agreed and followed without contract or any other written format. That is also why Chinese business men in particular worship Guan-Yu, a legend character, who is the symbol of the great spirit of “Yi”.

In China, the success of relationship marketing is based on guanxi networks. People do business only with those they know and trust, and those who are connected into guanxi networks. In guanxi networks, members give each other highly preferential treatment. Business relationships are designed to enhance guanxi and thereby lead to other opportunities. Taiwanese Business Group, in our case, having guanxi with local suppliers or competitors on one side, and guanxi with government authorities on the other, is engaged in the process of intra-culturalization.

Guanxi with competitors outside joint ventures or related groups may improve the interpersonal ties across organizational boundaries and serve as substitutes for formal institutional support and as access to information and resources in a highly volatile and turbulent environment (Yu, 2002). Obligations to personal attachments and ties sometimes hinder organizational improvements that are necessary to increase the firm's productivity and efficiency (Luo, 2000). However, cultivating and sustaining guanxi can be costly in meeting reciprocal demands even though it contributes to the joint venture's sales growth. The guanxi network does not necessarily contribute to profit growth because of these costs, liabilities, and attachment inertia problems.

Business conditions for foreign firms in China are not as easy as they appear. Guanxi with government authorities is critical for any firms operating in China. The political system has been firmly controlled by the Communist Party, while most recently initiated rules and regulations remain ambiguous and their enforcement subject to the personal interpretation of government officials (Bjorkman & Osland, 1998). The Chinese government also dominates the economy through its ownership of state-owned enterprises and through its control over infrastructure, utilities, sources of input, distribution networks, and pricing (Sanyal & Guvenli, 2001). Government authorities at various levels have considerable power to approve projects, allocate resources, and arrange financing and distribution. Arbitrary intervention from the government remains a constant danger to many firms in the absence of a stable legal and regulatory environment. Thus guanxi with government authorities provides a delicate balance to the cumbersome

Chinese bureaucracy by giving those managers more leverage to manage the business context better and lead their firms to higher performance. Such ties also help a firm's infrastructure access, distribution arrangements, wholesale networking, and project location selection. Though guanxi with government authorities is costly to maintain, the cost of not having these ties in the right place with the right players may be even more prohibitive (Luo, 2000). Guanxi networks may be regarded as valuable and unique intangible resources which are very difficult to replicate by competitors, thus giving firms which possess them a significant competitive advantage.

5. CASE STUDY

Though firms may progress alone in a quickly evolving economy, business ties and strategic alliances with others provide greater opportunities for gaining competitive advantages in accessing markets, accelerating innovation (Lewin 1999), obtaining economy of scope (Hansen and Nohria, 2004), building economies of scale (Martinez and Dacin, 1999), and minimizing risks (Pietras and Stormer, 2001). Firms collaborating with others who have complementary capabilities can combine resources and competences of the partners for mutual benefit.

For once being occupied by Japanese for over fifty years, Taiwanese culture is deeply influenced in the areas of legal, education, and other social systems. While Taiwanese are somewhat characterized with colonialism, Japanese are having superiority complex for the historical evolution. With this particular guanxi, mutual benefits accrue for both sides from cooperation. While affiliating with Taiwanese firms to overcome cultural differentiation and technological discrepancy, Japanese firms can overcome their disadvantages in language, culture, and labor management, Taiwanese firms can obtain advanced technology and know-how, and in turn overcome their loss of international competitiveness owing to rising land costs and labor costs (Liu, 2003).

Taiwanese firms with earlier successful operations in China can enjoy opportunities to exercise greater political influence, establish standards for legitimacy, control valuable information, or broker new cooperative arrangements. Many Japanese firms as new comers to the Chinese market can overcome legitimacy barriers through involvement with these Taiwanese firms, providing them wider opportunities to fit in and function well in China's constantly changing local, political, and regulatory environments. Affiliating with Taiwanese firms provides greater opportunities for Japanese firms to gain competitive advantages in accessing markets, building economies of scale (Martinez and Dacin, 1999), and minimizing risks (Pietras and Stormer, 2001). Japanese firms have learned their lessons through their earlier failures in cooperating with local Chinese firms which often lead to compromised or unethical

practices. Affiliating with Taiwanese firms provides the substitutive and complementary relations to overcome cultural differentiation and technological discrepancy without compromising to other not-for-profit considerations. Taiwanese firms can provide knowledge of the local business conditions, desirable location and infrastructure, access to the distribution system, contacts with the local government, and a supply of experienced labor and management (Liu, 2003).

Taiwanese firms having long-term keiretsu ties with Japanese firms are the few ones capable to facilitate the management of business groups in China. In a sense, Taiwanese firms in China can take full advantage of language, culture, and shared values in using guanxi as a facilitator in operations, especially in cases where the technology used in China is transferred from Taiwan. On the other side, these Taiwanese firms are in need of advanced technology from Japan to implement differentiation strategies. Japanese firms can be of great assistance to Taiwanese firms in this area of business operations. Ito (2005) is the first economist to point out such a trend in English on the sharp rise of Japanese investment in China utilizing Taiwanese managerial resources, as shown in Table 1.

**Table 1: Sharp Rise of Japanese Investment in China Utilizing Taiwanese Managerial Resources
(number of cases by industrial sector and timer period)**

Industrial sector	(Cases)		
	~1999	2000~	Total
Electrical and electronic appliances	23	32	55
Automobiles and auto parts	11	30	41
Machinery	16	21	37
Chemicals	12	20	32
Food and beverages	8	8	16
Rubber and leather products	8	5	13
Textiles	11	2	13
Metal products	4	6	10
Precision instruments	4	4	8
Ceramic, stone and clay products	3	2	5
Miscellaneous manufacturing products	1	3	4
Iron and steel	4	0	4
Others	2	9	11
Total	107	142	249

Source: Ito, 2005 (Compiled by MHRI on the basis of various data and material.)

Note: In contrast to a mere 107 cases of JCT investment during the eleven-year period from 1989 to 1999, there were 142 cases during the four and a half year period from 2000 to the end of Jun 2004.

Lioho Machinery and many other Taiwanese firms have emerged from small or medium firms in Taiwan to large business groups in China. This study focuses only on Lioho business group in developing our cases. Nonetheless, the theoretical framework of this study can be applied to joint ventures in other Taiwanese business groups because joint ventures in these Taiwanese business groups share the same advantages in language, culture, labor management, and knowledge of using guanxi. In addition, these Taiwanese business groups can also enjoy their Japanese partners' complementary abilities in brands, channels, and product technology.

5.1 Lioho Machinery

Lioho Machinery was established in 1971 in Chung Li with NT\$720 million in capital to make auto parts. It has gradually expanded its markets all over Taiwan, Japan and America, and its after service markets are found in America, Japan, Canada, Korea, Southeast Asia, and Europe. There are 1080 employees with total floor and factory area of 112,500 square meters in the headquarter of Lioho Machinery, as well as Lioho business group, in northern Taiwan. Its total capital has grown to 0.5 billion U.S. dollars with total revenue of 1.33 billion U.S. dollars in 2003. Lioho Machinery has been very successful in Taiwan not only as one of the two leading auto part producers but also as a joint venture partner with Ford Motor, which firm is named Ford Lioho Motor. This joint venture with Ford Motor is one of the four largest automobile makers in Taiwan - Toyota Kuozui Motor, Ford Lioho Motor, China Mitsubishi Motor, and Yulon Nissan Motor.

Furthermore, Lioho Machinery has had long term keiretsu ties with Toyota Motors since the time it was established. Although Lioho Machinery has extended its relationships among automobile factories around America, German, Japan, and Taiwan, the relationship between Lioho Machinery and Toyota Motors has been very close. Moreover, Lioho Machinery is deeply influenced by Toyota Motors and it is a firm believer of TPS, which emphasizes free flow of information, tightly coordinated production and distribution schedules, wide dissemination of technology, and effective long term planning.

As a Taiwanese firm with accurate and realistic knowledge of guanxi from its earlier experience in Taiwan, Lioho Machinery is fully aware of the benefits and troubles of using guanxi as a facilitator in doing business in a Chinese business context. Such knowledge and its manufacturing expertise in the auto industry sector render it a good joint venture partner for Japanese auto part firms, most of which have vague perceptions that guanxi seems to be indispensable but difficult to handle when doing business in

China.

5.2 Taiwan-Japan Joint Ventures Related to Lioho Business Group

Lioho Machinery first planned to invest in mainland China in the early 1990s. Toyota Trading asked to participate after hearing of the plans. After thinking about the political risks and the market Toyota Trading has in Japan, Lioho Machinery agreed to form joint ventures with Toyota Trading in China. Their first adventure is Liufeng, which is the biggest factory that manufactures aluminum compound wheels in either Taiwan or mainland China. There are 1,380 employees in Liufeng. The number of Taiwanese employees is thirteen and they hold personnel, finance, marketing, and production jobs. They also pay attention to the shop floor control. To deal with the growth of mainland China's market, Liufeng moved entirely from exports to local markets. Its market share in mainland China in 2000 was about 30%. Guanxi with local officials or other key players has been friendly and carefully maintained since the establishment of Liufeng.

Lioho Machinery is known not only as the first Taiwanese firm in the Kunshan Industry Area, but also as a paragon of joint venture between Japanese and Taiwanese firms. Jing-Zheng Liao, then the chief representative of Lioho Machinery in mainland China, believes that keiretsu ties between Toyota group and Lioho Machinery can be thought of as the foundation of Liufeng. The successful operation of Liufeng makes Lioho Machinery the one particular firm to which Japanese firms related to the auto industry generally look to cooperate in China. Other joint ventures soon follow the same path. Centering on Lioho Machinery and helped by Toyota Trading, the number of these keiretsu-guanxi facilitated joint ventures in China has gradually increased. Table 2 presents basic information about these joint ventures.

Table 2. Basic Information of Joint Venture Cases Related to Lioho Business Group through inter-culturalization

Name of Firm	Year Established	Joint Venture Partner	Total Investment	Core Competence	Inter-culturalization
Liufeng	1992	Toyota Trading (Japan)	167.89 Million US Dollar	Japanese Quality, Taiwanese Facilitation, & Chinese Cost	Well Established & Maintained
Toyota	1994	Toyota	44 Million	Same as	Well

Industry		Shokki (Japan)	US Dollar	above	Established & Maintained
Fujiwa Machinery	1995	Tochigi Fuji Sangyo (Japan-Britis h)	52.5 Million US Dollar	Same as above	Well Established & Maintained
Lioho Machinery (Fuzhou)	2000	Ibara Seiki (Japan)	29.98 Million US Dollar	Same as above	Well Established & Maintained
Lioho Precision Tooling	2001	Toyota Trading (Japan)	4.4 Million US Dollar	Same as above	Well Established & Maintained
Takaoka Lioho (Tienjin)	2001	Aisin Takaoka (Japan)	28.73 Million US Dollar	Same as above	Well Established & Maintained
Liufeng Tool & Die	2003	Toyota Shokki (Japan)	14 Million US Dollar	Same as above	Well Established & Maintained
Takaoka Lioho (Guangzhou)	2005	Aisin Takaoka (Japan)	*	*	*
Toyota Industry (Shenzhen)	2005	Aisin Takaoka (Japan)	*	*	*
Lioho Machinery (Guangzhou)	2005	Ibara Seiki (Japan)	*	*	*

* means this joint venture has been established, but detailed information is not available for publication.

Both the Taiwanese advantage and Lioho Machinery's experience of investing in mainland China played important roles when Fujiwa Machinery was setting up and starting to operate. They also helped when exploiting the local Taiwanese market. South East Motors, which used Fujiwa Machinery's parts, is a good example. There are 800 employees in Fujiwa Machinery, including twelve international staffs. Five Japanese employees are general managers and process technology managers. Seven Taiwanese

employees are the executive vice-general manger, casting managers and process managers. The Taiwanese side plays a more important role on operation management, market extension, and guanxi maintenance than the Japanese firm.

5.3 Other Cases Related to Lioho Business Group

There are other members related to the Lioho business group and these firms can be considered as rival cases. Overall, the other cases can be classified as wholly owned subsidiaries and joint ventures of Lioho Machinery with local Chinese partners. The basic information about other cases related to the Lioho business group is listed in Table 3. In addition, we are surprised to know that years of negotiation with Ford Motor end up with no joint venture in China.

Table 3. Basic Information of Other Cases related to Lioho Business Group through intra-culturalization

Name of Firm	Year Established	Joint Venture Partner	Total Investment	Core Competence	Intra-culturalization
Lioho Light Metal	2000	Wholly Owned Subsidiary	30 Million US Dollar	Economy of Scale	Well Established & Maintained
Fuzhou King Duan	2001	Wholly Owned Subsidiary	7.57 Million US Dollar	Economy of Scale	Well Established & Maintained
Lioho Casting	2002	Wholly Owned Subsidiary	10 Million US Dollar	Economy of Scale	Well Established & Maintained
Liuzhou Lioho Fangsheng	2003	Guangxi Fangsheng (China)	4.15 Million US Dollar	Unclear	Well Established & Maintained
Shanghai Lianming Lioho	2003	Shanghai Lianming (China)	5.5 Million US Dollar	None	Well Established & Maintained

5.4 Summary of Cases

Joint ventures related to the Lioho business group have both language advantages and investing experience in Mainland China. These advantages have been improved with the inclusion of abilities in technology and market information brought in by the Japanese partners. Their competitive advantages are from consistency of product quality, increasing production efficiency, and well-functioned human resource management facilitated by keiretsu through inter-culturalization and from smooth operational relationships with government authorities, good public relationship, successful development of new local suppliers and customers facilitated by guanxi through intra-culturalization. Either keiretsu or guanxi is all based upon guanxi networks. Furthermore, large volume of stable orders from Liufeng and other group members or from Japanese auto assemblers, such as Toyota Motors, with keiretsu ties to help in forming internal capacities in producing efficiently, whereas guanxi enacts dynamic environments and builds up external capability in finding and exploiting new product and market opportunities.

Taiwanese wholly owned subsidiaries in Lioho business group emphasize more on gaining cost leadership advantage than on accumulation and skillful usage of sophisticated process and product technologies. Restricted of managerial options, these firms strive to efficiently serve stable and narrowly defined products or market domains and put more emphasis on historical precedents and programmability, and less on external risk and outcome uncertainty. These firms often develop cost-efficient single core technologies and seldom adjust their internal orientations. They concentrate exclusively on building economy scale by manufacturing only a few types of similar products firms and tend to focus on increasing the efficiency of existing operations through continuous improvements.

Taiwan-China joint ventures in Lioho business group emphasize totally on guanxi while struggling to avoid the down side of it. Efficiency and productivity have been compromised when the influences of guanxi with other not-for-profit agendas set in. Emphasis on economy of scale and economy of scope becomes superficial. Furthermore, ethic consideration and the paying of “management fees” to government officials put these firms in danger of being accused of immorality or even bribery, which may harm these firms as well as the Lioho business group in the long run.

Nevertheless the inter-cultural competency exists for Taiwanese business group and its joint ventures entering and operation in China for having feasible guanxi networks in enabling intra-culturalization when face the party with core value in common, and inter-culturalization with the ones having similar peripheral value, China and Japan in our case.

6. RESEARCH AND MANAGERIAL IMPLICATIONS

6.1 Research Implications

The strengths of this study are two-fold: First, we were able to clarify the intra- and inter-culturalization patterns of cross national business. Second, we were able to set some precedent for future researchers regarding the examination of the cultural coefficient variables for cross national business. While the findings in this study are quite insightful, the exploratory nature of this research generates several limitations, such as a finer definition for core and peripheral values, and so on. Until other studies can support these findings—preferably—readers are cautioned in their use of this study for prescriptive purposes.

6.2 Managerial Implications

Our findings suggest that cross national business operations, particularly in China, the society constructed with *guanxi* networks---a product of Confucian values, with which projects a preference for cooperation, group decision-making, and relationships. However these values have some room for flexibility. For those whose core values are in common, the intra-culturalization proceeds, thus make it much easier to cooperate and through the whole organizations. For those merely have similar peripheral values, inter-culturalization proceeds, and have only technical level cooperation. Others do not even have peripheral values in common, would have to have *cultural interface* to bridge up the cooperative connections and further maintain long-term relationship.

7. CONCLUSION

For nations influenced by the teaching of Confucius (neoconfucianism), such as China, Hong Kong, Taiwan, Japan and Korea, are likely to have core values in common, with which is easier to have inter and intra-culturalization proceeded. Others without such characteristics face cultural conflicts and in turn have difficulties for inter-culturalization. Therefore there is the need for “cultural interface”- one who has *guanxi* built in-between (Taiwan in this case) to bridge up the international joint ventures and to assure its success.

While many studies in cross national business concerned with culture, *guanxi*, and Confucianism are available in the popular literature, there is lack of discussion relating to these three together and explain how they correlate to one another. Therefore, this study attempts to fill in the gap and provide some

precedent in the existing literature by providing some insights on two important questions: First, how important are cultural-related values to cross national business? Second, do intra-culturalization and inter-culturalization demonstrate similar cooperative patterns?

Despite several limitations of this study, we strongly believe that we have provided some information in answering each of the above questions. With our findings, we hope we have helped advanced the body of knowledge regarding cross national business strategies.

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