

A Study on Cultural Conflicts Faced by Chinese Enterprises in Africa—A Case of Huajian Group

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ABSTRACT

With the development of the "Belt and Road" initiative, an increasing number of Chinese enterprises have begun to adopt "Going Global Strategy". The positive trend, however, is now impeded by various cross-cultural conflicts which will be more complicated and severe as the communication continues, which implies an effective cross-cultural management is essential for every Chinese enterprise during the process of going international. From the cross-cultural perspective ,this paper aims to study the challenges and problems faced by Huajian Group , the world's largest high-end leather female shoes manufacturer–Huajian Group , followed by some effective measurements.

Key words: FDI; Cross-cultural management; Huajian Group

INTRODUCTION

With the continuous development of "Belt and Road" initiative, many enterprises also are beginning to conduct the corresponding strategy–going international. However, in the process of international operation of enterprises, enterprises also need to face large cultural differences and diverse cultural conflicts. The existence of cultural conflicts is based on two different organizational cultures. In the process of generating certain interactions and interactions, there is a phenomenon of conflict and even opposition. Under normal circumstances, cultural conflicts in the development of multinational corporations are one of the major factors that enable multinational corporations to operate normally. It is also a thorny issue that enterprise managers must solve.

The research purposes are as follows . Firstly, through the enterprise research and in-depth interviews with senior executives, the research analyzes the case of Huajian (Ethiopia), and identifies the cross-cultural conflicts encountered in the process of implementation of the 'going out' strategy. Besides by using the theory of cross-cultural management, the research expected to find out the reasons for the existing conflicts and put forward some measures. Secondly, through the study of the case of Huajian (Ethiopia), it intended to provide a useful reference or experience that Chinese enterprises can learn.

The research methods used in this study are literature study and case study. In the process of case study, field investigation, interview and questionnaire survey are used to obtain relevant first-handed materials and data. The problems are analyzed by the combination of theoretical model and data analysis.

This research centers on the following issues: First, what are the cross-cultural challenges and problems faced by Huajian Group under the inevitable situation of cultural differences and conflicts? Second, from a cross-cultural perspective, what are the reasons for the challenges and problems encountered by Huajian Group? How effective these measures were? Third, what experiences can other Chinese enterprises learn from the practice and case study of overseas investment by Huajian (Ethiopia)?

THEORETICAL FRAMEWORK

Hofstede's National Culture Model

Hofstede's (1980) Cultural Dimension Theory is one of the most important theoretical frameworks as a measure of cultural diversity in different countries in the field of international cross-cultural studies (Geert Hofstede, 1980), which concludes six dimensions of national culture, i.e. power distance, individualism & collectivism, masculinity & femininity, and uncertainty avoidance, self-indulgence and restraint.

KS index

KS index is a formula proposed by Kogut & Singh to measure the distance of a country's culture. The formula is a further application of Hofstede's cultural dimension. It can be used to calculate the value of cultural differences affected in the performance of multinational corporations. The smaller the KS index is, the smaller the impact of cultural differences on the performance of multinational companies will be. The formula is set as follows:

$$CD_{ij} = \frac{1}{n} \sum_{k=1}^n (I_{ki} - I_{kj})^2 / V_k.$$

In the above formula, CD_{ij} represents cultural differences between country i and country j , I_{ki} represents the score of the k th dimension of country i , I_{kj} represents the score of the k th dimension of country j , V_k represents the variance of the k th dimension scores of all countries, n represents the number of cultural dimensions.

The 'Diamond' structure model of cross-cultural management

'Diamond' structure model consists of trust, cooperation, objective, integrating-innovation, culture etc., in which each element is made up of many different sub-elements. The first level of 'Diamond' structure is composed of "trust", "cooperation" and "objective", which constitute the basic level of enterprise cross-cultural management - stability, the foundation of enterprise cross-cultural management. The second level of 'Diamond Model' is the 'Diamond' structure composed of "integrating innovation" and "stable triangle".

RESEARCH PROCESS

First of all, through interviews, questionnaires and field research to collect relevant information of Huajian Group's foreign investment process, and through the literature combing the theoretical models and related concepts used in this paper, provide theoretical basis for research.

Secondly, this study analyzes the cross-cultural conflicts encountered by Huajian Group's foreign investment process through the inductive analysis of interview results and the results of questionnaire data analysis, and uses Hofstede's national cultural model and KS index for analysis.

Finally, using the "diamond structure" model, combined with the analysis results, targeted countermeasures and suggestions.

Data collection

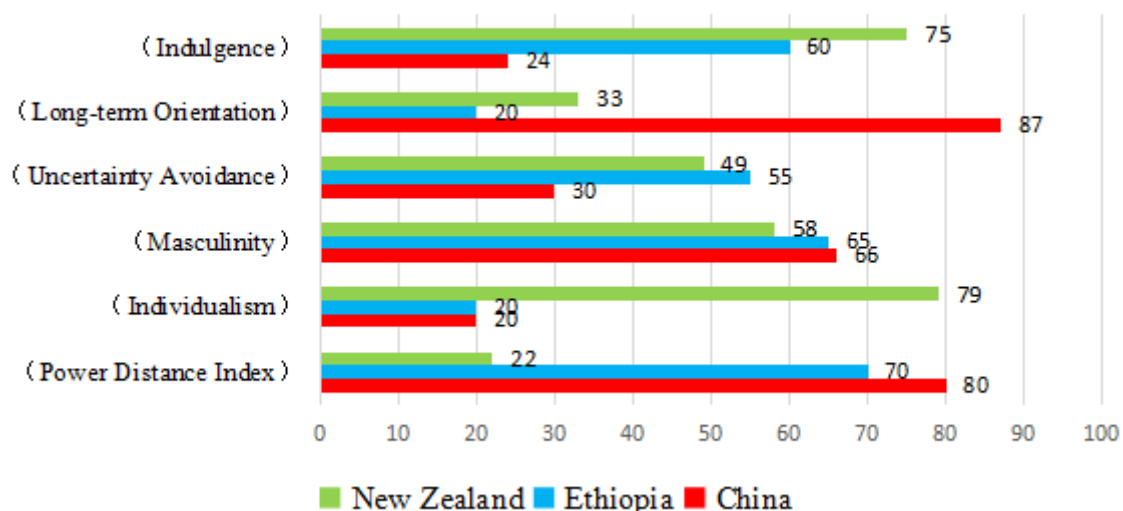
In order to have a better understanding of cross-cultural challenges in the investment process of Huajian in Ethiopia, we invited three members of Huajian (Ethiopia) to participate in our research. They are Ms. Zhang¹, Mr. Liu² and Ms. Li³.

Besides, in order to have a deeper understanding of the staff's personal experience, questionnaires for this survey were all issued and recycled through the Internet. The survey distributed 90 questionnaires totally, in which 86 were recovered, of which 45 were valid and the effective rate was 95.56%.

Data analysis

The culture distance between China and Ethiopia

Putting the Chinese and Ethiopia data which is under the model of Hofstede national culture (see below Chart, the six dimensions of the data) into KS formula. Then we can find the numerical value is about 396.59, which is higher than the average value of 200, thus we may well draw a conclusion that the culture distance between China and Ethiopia is large, which indicates that, macroscopically, there is a culture difference gap between China and Ethiopia.



Sources: Geert Hofstede, Gert Jan Hofstede, Michael Minkov. *Cultures and Organizations—Software of the Mind*, McGraw—Hill, 2010.

Religious culture and ethnic differences

On one hand, Ethiopia is always a multi-ethnic country in the history. After thousands years' of evolution, more complex ethnic, religious and cultural structures have emerged in the local society. This is result of history revolution and culture interaction for millennium years. According to the statistics, there are more than 80 ethnic groups in Ethiopia, which of them are mainly Oromo and Amhara, accounting for 40 percent and 30 percent respectively. Because of the hegemonic domination and forced assimilation of other conquered nationalities by the

¹ Ms. Zhang, daughter of the chairman of Huajian, is currently the general manager. She is responsible for the whole process of Huajian's investment in Ethiopia.

² Mr. Liu, senior manager of Huajian (Ethiopia).

³ Ms. Li, senior manager of Huajian (Ethiopia). She has worked for three years in Ethiopia.

ruling Amhara ethnic group in Ethiopia, the class division coincided with the national boundary, leading to sharp ethnic contradictions in Ethiopia and sanction of anti-government who ruled the nation.

On the other hand, according to Hofstede's theory of cultural dimensions and data, China is scored 20, so is Ethiopia in the dimension symbolizing individualism and collectivism (Individualism vs. Collectivism, IDV). Therefore, China and Ethiopia are both collectivist countries. In countries with collectivist, members of its society will be more closely linked. They have a strong sense of collective pride and ethnocentrism. It is difficult for people with a sense of ethnocentrism to separate from their own cultural beliefs, models of thinking and ways of speaking. In other words, it's easy for business managers to make decisions with the influence of their own culture, which is opposite to the culture of other countries. And that's the root of many cross-cultural conflicts.

Differences in value orientation

From the perspective of uncertainty avoidance, China's UAI value is 30 and Ethiopia's UAI is 55. Generally speaking, the higher the UAI value, the more people avoid uncertainty and fuzziness and pay more attention to the law. People in countries with low UAI have better ability to adapt to changing environment. As a result, employees in Ethiopia may become more accustomed to legitimate rights. Ethiopia's Labor Law covers the labor relations, labor conditions, basic guarantee and labor dispute resolution and so on, especially in the aspects of laborer's rights and interests. This law is a strong protection for workers to participate in trade unions, vacation and compensation. According to article 9, except article 10 which is a labor contract of temporary job, all of the contracts are viewed as the non-fixed term labor contract which means that as long as a company in Ethiopia signs labor contract with employees, they enjoy a lifetime employment. Unless there is a very good legal reasons, they could not be fired. Article 24 stipulates, only when the worker dies and retires, the enterprise ceases to work due to bankruptcy or worker is unable to work, the contract can be terminated according to law. In article 61 and 64, normal work time is 6 days per week, no more than 8 hours a day and extra time is no more than 2 hours a day and 20 hours a week. Penalty for violation of the regulations is 500 local bill. These rules protect workers' rights such as freedom right of rescission, but make some employees think wrongly that if they are not satisfied with work, they can cancel the contract. So it's aggravating Ethiopia staff liquidity.

In-adaptability of China employees

Based on the survey data, we analyzed the differences in cultural levels and the adaptation situations for employees in Huajian (Ethiopia). First, the questionnaire examined 13 cultural levels, covering the major factors of both shallow and deep cultures. Each option represents a degree of difference by a score of 0 to 5. The smaller the score is, the greater the differences are. Through analysis, the average information of each item is shown in Figure 3-1.

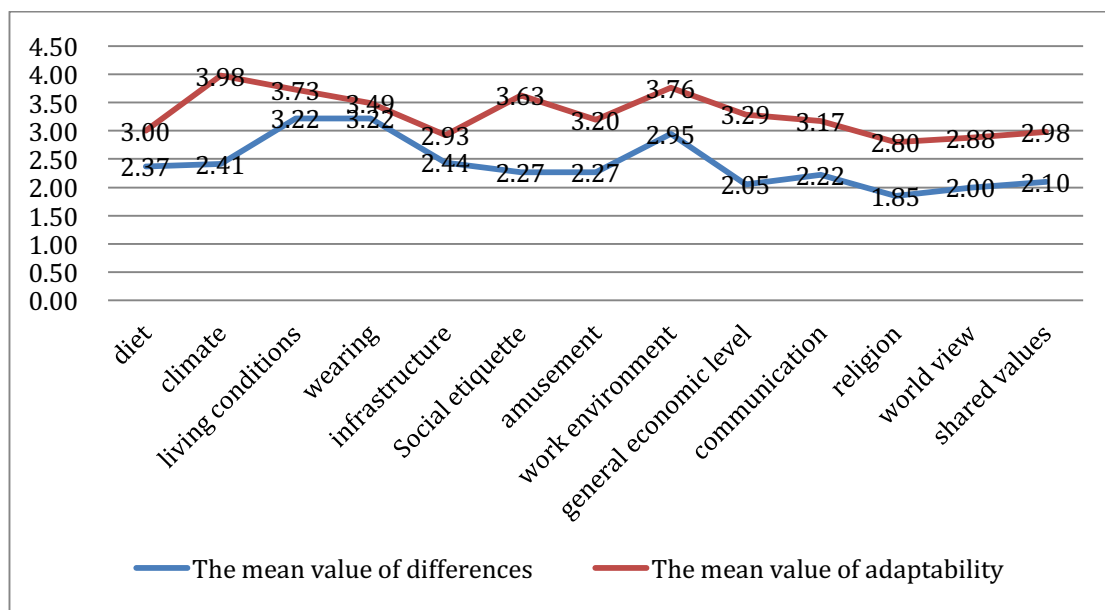


Figure 3-1 The distribution of mean values of differences and adaptability of cultural aspects

Overall, the average difference between Ethiopia and China is (2.41 ± 0.14) , which is lower than the general level of 3 points. This shows that for Chinese employees of Huajian(Ethiopia), the cultural differences between China and Ethiopia are great. From the graph, we know that the differences of the shallow cultural factors in dietary habits (2.37 ± 0.18) , social etiquette (2.27 ± 0.14) , social activities (2.27 ± 0.12) , and communication methods (2.22 ± 0.16) are very obvious.

Although the average level of adaptability is generally better than the mean difference, that of the Huajian Group's expatriate employees are still at a low level according to deep cultural factors. This is reflected in religious atmosphere (2.80 ± 0.17) , world outlook (2.88 ± 0.15) and view of values (2.98 ± 0.15) , which are all lower than the general level of 3 points.

The universal "China Ambivalence"

Since China's reform and opening up to the outside world, China has made unceasing efforts and also remarkable achievements. With the rapid development of China's economy, enterprises that 'go abroad' have also grown geometrically. But behind the glory there also derives a series of issues worth considering. Among them, the phenomenon of 'ambivalence in China' is a problem that Chinese companies overseas have had to face. This is also a new and huge challenge for China as the world's second-largest economy striding towards the world.

At present, Chinese companies are in the initial stage of 'going out'. At this stage, the contacts between Chinese companies and overseas citizens and the understanding between each other are functioning at a starting point. The same is true in Ethiopia. Due to the lack of mutual understanding and trust, Ethiopian people have incomplete and fragmented impression on Chinese companies. These different sources of information are difficult to put together into a complete concept, and it is easy for local people to have a 'tangled' view and understanding of Chinese companies including Huajian.

RESEARCH FINDINGS

Adverse effects of religious culture and ethnic differences

Through literature research, we have found that, of the past researches related to the 'going out' of enterprises, one of the most prominent problems encountered by enterprises in the cross-cultural aspect was the conflict or contradiction brought about by religious differences.

This phenomenon has also been reflected in the interview. Although Huajian (Ethiopia) has been working hard to improve the communication environment between Chinese employees and Ethiopian employees in terms of work and life in order to create a good cultural atmosphere to promote cross-cultural exchanges between the two countries, it is still difficult to overcome the impact of religious differences. Secondly, in this survey question, religious culture is one of the biggest differences between China and Ethiopia, however, the adjustments are not satisfactory. In addition, Ethiopian people's self-esteem is relatively high, which is consistent with the weak tolerance of Islamic culture, and they have a strong sense of national honor and superiority, which makes it more difficult for Chinese employees and local residents to achieve cross-cultural exchange and cooperation.

In addition to religious culture, the negative effects of ethnic differences cannot be ignored. Due to the differences in historical and cultural backgrounds, the Chinese are not well integrated into the local cultural circle. Most of the activities are restricted to Chinese people. The company organizes group events such as basketball games, tea parties, etc. Nevertheless, the participants are all Chinese without any involvement of local people and hence, the lack of communication and necessary social interaction is bound to result in negative effects. Secondly, China is a multi-ethnic country dominated by the Han nationality, while Ethiopia is mainly Amhara and Oromo. Due to the influence of history and many other aspects of the local ethnic group, ethnic groups will inevitably have great differences. It is obvious that they are reflected in different aspects of behaviors, customs, and social relations in life and work. Differences in etiquette can adversely affect communication between people and the integration of groups. As a result, Huajian's investment in the local area will be adversely affected.

In summary, the differences in religious culture and ethnicity will have an adverse effect on Huajian (Ethiopia)'s investment.

Negative impact of value orientation of Ethiopian employees on personnel management

The results of the interview show that employees in China and Ethiopia are different in their value orientation. For instance, the specific manifestations can be loose attitudes, high mobility, and theft. These problems lead to certain difficulties for Huajian's personnel management.

Employees in China and Ethiopia have great differences in work attitude and work efficiency. Huajian (Ethiopia) has always regarded this problem as the major issue of personnel management. First of all, the staff of the Ethiopian are poorly organized, and they are lazy and lax in work. Also, they often need special supervision. Secondly, Ethiopian employees lack the concept of punctuality. On one hand, they are often late for attending meetings, and on the other hand, they are unable to complete the task on time. In addition, the work efficiency of Ethiopian employees is comparatively low, and the education level of Ethiopian employees is mostly limited. Ethiopian work efficiency is only about 40%-60% of our Chinese workers. The salient feature of local employees is 'lazy', greatly requiring supervision. For example, for one task, Chinese employees need one day to complete, while local employees need 2-3 days.

Besides, Ethiopian employees generally lack long-term planning, and the phenomenon of abrupt departure is more common, which leads to greater employee mobility and operating costs.

Low adaptability of Chinese staff in Ethiopia

To ensure the managing capacity and preserve the competitive advantages, the exported-oriented companies always send Chinese workers at the early stage.

However, according to the interviews and questionnaires, Chinese expatriate workers have difficulties in adjusting to the local new surroundings, which thus decrease their product efficiency and harm the company gains.

To be specific, Chinese expatriate workers find it difficult to integrate into the local community. Firstly, they couldn't adapt to the local eating habit to some extent. Ethiopian staple food is Injera while Chinese staple food, such as rice and wheat, has little reserve. As for meat, Ethiopian mostly eat beef and mutton with little reserve of pork for main dish, which is unacceptable for Chinese with different eating habit. Secondly, Chinese workers feel uneasy to communicate with Ethiopian who speak Amharic with merely a small group of people speaking English. More seriously, the Ethiopian education lags behind to some extent that the local clerks aren't conversant with their mother tongue, which may constitute another obstacle for Chinese employees to arrange or allocate the work, not mention to assimilate into their communities. Thirdly, the external communication is patchy. Relatively speaking, Ethiopian information network is of poor quality, and therefore Chinese expatriate workers seldom follow the hot issues and even cut off the internet connection when the country is in the emergency state. Such a situation hinders the communication between employees and their family and may generate in them a sense of loneliness. Finally, the difference in decision-making process is another problem. When dealing with some contingency such as tribe conflicts, Chinese managers are used to making decision based on the rules and realities on the spot. However, Ethiopian people tend to rely on the rules and regulations and thus couldn't change their action plan as situations differs. As a result, the two sides are easily at odds with each other.

A contradictory view of China

More often than not, Non-Chinese tend to hold complicated and contradictory ideas toward Chinese enterprises in the countries where china directly invests.

Theses problems are characterized by the three features. The first feature is multilevel, which means that different levels maintain various attitudes towards Chinese companies in Ethiopia, including nation level, district level, society, companies and ordinary people. Take compensation system as a example, Huajian Group's pay for local workers is three times higher than the average salary of their counterparts, but that invited evaluations which are at opposite poles. Different subjects give different evaluation, either positive or negative. The local government appraises the high salary but meanwhile some officials regards it as exploitation. The media recons that Huajian Group offered a good opportunity for the poor to alleviate poverty while others contends that such unequal competition could harm their economic development. People are also divided in various aspects. Some people think it as a good opportunity for them to get out of poverty but others claims it as colonialism, arguing that it is deceptive. Another feature is the multiple points of view, mixing various assessment including likeness and hatred, and negative and positive attitudes based on their subjective impressions. According to the interviews, local residents think that Chinese companies are good at innovation and have the capacity for sustainable development, but at the same time, they are described as 'cheap maker' and 'pollution'. There are also contradictory views on the Chinese people: local people think Chinese are 'hard-working' but 'greedy', 'smart' but 'selfish'. (Yao Ming, 2015)

The final one is multiple stakeholders. As China is emerging as a world power, yet Ethiopia generates the contradictory mentality that tangles cooperation and fear, and openness and reserve in its communication and exchange with China. This mentality is repeatedly mentioned in the interview. That is, although locals are friendly with Chinese managers and employees,

they still keep their distance in most cases and can't trust Huajian Group and Chinese employees. This will not only affect the unity of employees, the relationship between the superior and the inferior, but the efficiency of the work.

In summary, considering the fact that Huajian Group went into Ethiopian market in 2011, and some local misconceptions as well as some erroneous information, these factors make it easier for the local people to think of Chinese people with the above mentality and, to varying degrees, hinders Huajian Group's development.

SUGGESTIONS

Taking full consideration the local situation and mutual trust

In order to increase the trust between the two sides, to respect the customs and religious beliefs of the local and to take a full account of the local conditions, Huajian (Ethiopia) is supposed to adopt a series of measures. First, Huajian (Ethiopia) need to keep in mind that the local employees have religious beliefs and chose to respect them. For example, give them a holiday and adjust their working hours, since the local need have their own specific time to pray. Second, the canteen also prepare food for them according to their taboos. Third, at the beginning of its entrance in Ethiopia, it's might well for Huajian Group to strengthen training and education for Chinese employees, making them abide by local laws, respect for customs, encourage the learning of local languages and cultures, make friends with the locals, integrate into the local society actively and strive to be the emissary of China-Ethiopia friendship. Chinese employees should also be encouraged to dinner with the local colleagues, and promote exchanges between Chinese and Ethiopian employees, rather than holding any discriminate against them in the process of enterprise management.

Building a corporate culture suitable for the actual situation in Ethiopia

Huajian (Ethiopia) should improve the management from the following three levels. On the material and cultural level, to cater to the aesthetic demand and customs of employees of both parties, some mixed architecture can be built in the light industrial area. In addition, religious churches can be built for employees to pray.

At the institutional culture level, the human resources management system that embodies the humanization needs to be added, the daily work and life of the employees is objected to be taken care, the training and education of the employees is necessary to emphasize, and the ideological progress of the employees should be taken seriously. The China-Ethiopia trade unions are supposed to established within the company. Selecting union representatives, holding regular democratic life meetings, and setting up religious culture management in the cultural system are also important. For example, how to implement management in Ramadan, how to arrange daily prayers, all these questions should be listed int system. Finally, Chinese mangers are supposed to respect employees religious beliefs.

At the spiritual and cultural level, both Chinese and Ethiopian employees are necessary to be trained regularly to cultivate employees' common values. And employees of different levels access to different types of training, which enables employees translate knowledge into production motives.

Breaking the 'Ceiling Effect' of local employees in the workplace

Compared with Chinese employees, local Ethiopian employees are more familiar with local customs, religious beliefs, and laws and regulations. Hiring local staff to manage and run these business organizations not only increases local taxation and employment opportunities, but

also removes the conflicted view of foreign companies and capital investment. More importantly, it will decrease the expenditure of expatriates and the cross-cultural conflict.

Therefore, for Huajian (Ethiopia), it is advisable to promote more talented Ethiopian employees to serve in the grassroots and even middle-and senior-level management positions of companies gradually, so that it will break the 'Ceiling Effect' of local employees within the company. At the beginning, there may be some obstacles and difficulties. However, with the time passing by, as well as the improvement of the system and the adaptation of personnel, in the future there will be more effective measures that can be adapted to help reduce cross-cultural conflict.

Forming an cross-cultural international team

In the future, with the expansion of Huajian (Ethiopia)'s business, its demand for international teams will also increase, so Huajian (Ethiopia) should establish an international team in response to the future challenge (Yang Bo, 2016). First of all, the team members should be professional, they shall be equipped with professional skills in one or more areas, and are familiar with the entire process of business operations, and also recognize the culture and values of Ethiopia. Secondly, it is better to be more familiar with the culture of host country and corporate culture, which means they should be willing and able to communicate effectively with the local people. Therefore, team members are required to have a good personal character and a high level of professional ethics, and certain cross-cultural experience. Finally, This team is supposed to develop an international perspective and thinking, and is able to cope with various conflicts and events from an international perspective.

The above-mentioned measures may be more aimed at promoting the exchange and cooperation between the staff of China and Ethiopia, as well as to promote mutual understanding and cultural integration between the two countries. These, however, seem to be the only vehicle for reaching a state of satisfaction. Ethiopian employees or the Chinese management staff now should be in the face of a lot of negative situations, such as maladjustment, complaints, etc., and it still needs the efforts of Chinese and Ethiopia employees and other parties. Therefore, we must spend more time on 'satisfactory state' until a number of joint efforts could be achieved.

CONCLUSION AND FURTHER STUDY

Cross-cultural management is one of the important measures to resolve the conflicts brought by cultural differences. Scientific and effective cross-cultural management not only enables Chinese companies to effectively use the resources of the target countries, but also promotes their integration and collaboration among different countries and regions, offering them unique competitive advantages. Therefore, in order to better invest in countries along the 'Belt and Road', Chinese companies must implement scientific and effective cross-cultural management, that is, through the creation of excellent cross-cultural teams, effective cross-cultural human resource management, and the development of global managers. The accomplishment of the goal lies on the joint efforts and better ways to reduce the obstacles and problems caused by cultural differences and conflicts, so as to obtain a better and prosperous development.

In the future, with the process of "Going out" accelerating, China-invested enterprises will also encounter various problems and cross-cultural conflicts from the cross-cultural perspective. Thus, there is still a large space for further research and discussion. Additionally, it is hard to get into further analysis because this study is deficient in quantitative analysis and more information about Huajian and other China-invested enterprises in Ethiopia owing to the

limited conditions. Therefore, in the future, this paper will continue to research the two aspects mentioned above.

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