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## Comparative Analysis of Cultural Differences on Sino-US Business Activities

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### **Authors' contributions**

*This work was carried out in collaboration between both authors. Author CY designed the study, wrote the protocol, and wrote the first draft of the manuscript. Author LS managed the literature searches, analyses of the study, performed the case analysis and edited the manuscript. Both authors read and approved the final manuscript.*

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### **ABSTRACT**

With the rapid development of economy, the business activities between China and America become more and more frequent. And China has become one of the major trading partners of the America. However, the huge cultural differences between the two countries may give rise to potential cultural conflicts and unnecessary misunderstandings. So it is necessary for the businessmen to know more about cultural differences. Based on Hofstede's cultural theories [1] and by way of comparative approach and case analysis methodology, this article mainly shows two typical cultural differences and cases analysis. At last it provides some practical suggestions to promote the business communications.

*Keywords: Cultural and business activity; case study; cultural differences between Sino-US.*

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## 1. INTRODUCTION

As we all know, the cross-cultural business communications involve the business activities from different countries. So knowing the cultural differences is necessary for the businessmen. Based on Hofstede's cultural theory [1], this article uses comparative approach and case analysis methodology to explain the different behaviors towards the same business activity in detail. And the reason we choose Hofstede's cultural theory [1] is that this theory plays a very important role in dealing with the cross-cultural business negotiation. Generally, it includes four value dimensions, namely individualism/collectivism, uncertainty avoidance, high/low power distance, masculinity/femininity. According to the cultural theory, researchers can explain some different business cultural phenomena and provide practical suggestions to the cross-cultural business communication.

This article is divided into five parts: the first part is the introduction. The second part is about literature review which briefly explains the previous study about the Hofstede's cultural theories in cross-cultural business context. The third part is the body part of the article which explains two typical cultural differences on Sino-US business activities. The fourth part is the suggestion part which provides some practical suggestions for the Sino-US business activities to develop the cross-cultural business activity.

## 2. LITERATURE REVIEW

One of the most significant studies to look at the role of cultures within a single organization operating across many parts of the world was conducted by Geert Hofstede. His research played a significant role in generating interest and additional research in multicultural settings. Hofstede's findings suggest that there are some differences between national cultures in the way they look at the world, particularly in relation to the cultures' values. It has four dimensions: power distance, individualism/collectivism, masculinity / femininity, uncertainty avoidance [2].

About the four cultural value dimensions, each of them has its own emphasis. In individual culture, "I" is emphasized, while in collective culture, "We" is emphasized. In high-uncertainty-avoidance culture, people are afraid to change and seek for the stable things, while in low-uncertainty-

avoidance culture, people accept the new changes and seek for the flexible things. The power distance describes the attitude towards hierarchy in social relationships. In high power distance country, people value the class and their position, While in low power distance country, people think that everyone is equal and don't judge people by their position. The masculinity and femininity describes which one prevails in a society. People in masculinity society tends to be more aggressive, while people in femininity society people tend to be more cooperative.

Based on Hofstede's theory, different scholars have done researches from different perspectives. Most of them do the research from four cultural dimensions which influence the Sino-Western business negotiations. For example, Yao Jian had a study of American and Chinese business negotiation styles from a cross-cultural perspective [3]. Sun Hua did the research about the influences of cultural differences on Sino-US business negotiations [2]. Hu Min had the study of influences and countermeasures on the cultural differences between China and Western countries in intercultural business negotiations [4]. In these researches, most scholars analyze cultural theory directly but few of them connect the theory with the case study. By using the cultural theory and case study, this article shows the cultural differences between Sino-US business activities and provides practical experience for the further business communications.

## 3. THE INFLUENCE OF CULTURAL DIFFERENCES ON SINO-US BUSINESS ACTIVITIES

Cross-cultural business communication is a complex process which not only concerns the business itself but also can be influenced by the covert cultural factors. Hofstede's cultural theory provides a foundation to explain the different cultural behaviors in business contexts. Here is the Table 1, which shows the comparative numeric value between the two countries.

In this Table 1, we can clearly see the comparative numeric value between America and China: the uncertainty avoidance is 21:44; the individualism is 100:39; the power distance is 30:89; the masculinity is 74:54. Here we can get there are two typical cultural differences between them: the individualism and power distance. Next part is the typical case analysis.

**Table 1. Percentile ranks for Hofstede’s cultural dimensions for the United States and China by cultural cluster (100 = Highest; 50 = Middle)**

Cultural group	Uncertainty avoidance	Individualism	Power distance	Masculinity
United States	21	100	30	74
China	44	39	89	54

(Source: Hofstede, Geert. 1991. *Cultures and organizations: Software of the Mind*. London: McGraw Hill) [5]

**3.1 The Influences of Individualism and Collectivism**

From the above Table 1, we can see the US reaches the highest in individualism and China even has not reached the middle. The US is a typical individual country and China is a typical collective country. Americans emphasize individualism which regards man as an independent sovereign entity. They express themselves directly and seldom concern others’ faces. “I” consciousness prevails in individual cultures. While China is a typical collective country, it emphasizes “We” rather than “I”. In China, it stresses the harmonious relationship among groups and the importance of avoiding conflict to save face. Here we can see this clearly following the case one:

Ma Ping Works in a joint-venture company as an executive in China. His boss is an American named Steve. They are good friends. Once, at a meeting with mostly Chinese participants including Ma Ping, Steve didn’t receive any different ideas when asking for any suggestions on his new project. So he took it for granted that his new project would be quite satisfactory to everyone present at the meeting and decided to implement the plan. But to his great surprise and puzzlement, after the meeting, Ma Ping came to his office and told him that there were problems with the project, and the project might not work properly. This time, to Ma Ping’s surprise, Steve didn’t seem happy, and even got annoyed with this [6].

In this case, Ma Ping and Steve come from different countries. So it is common that there indeed exist some cultural differences which will affect their behaviors. From the case, we can get the following information: Ma Ping is a Chinese employee working in a joint-venture company. Steve is an American and also Ma Ping’s boss. They are good friends. In the meeting, in order to protect Steve’s face and maintain good relationship, Ma Ping doesn’t directly point out the problem of the new project. But after the

meeting, he tells Steve about the problems of the project. However, to his surprise, Steve doesn’t seem happy but annoyed instead. In the end, both of them are puzzled by the others’ behaviors. So what is wrong with them? This is caused by the covert cultural factors. It also proves that the cross-cultural business activity does not only concern the business itself.

From the Table 1 above, we get that China is a collective country. Confucianism is the philosophical tradition that has exerted a fundamental influence on the Chinese modes of thinking and ways of behaving. Confucianism highlights the importance of interpersonal relationships. The Five Cardinal Relationships is the basic rule and emphasizes the importance of harmonious relationship among people. Under such kind of cultural atmosphere, Ma Ping saves the boss’s face instinctively to maintain the harmonious relationships.

However, the Americans belong to the individual country. These cultures perceive members as being unique individuals who are responsible for themselves as well as their nuclear family. In America, everyone is equal and there is almost no sense of class among people. Under such kind of culture, people express themselves directly and seldom consider others’ face. In this case, Steve is annoyed by Ma Ping’s behaviors. What causes their convergence is the cultural differences.

**3.2 The Influence of Power Distance**

The power distance is an attempt to measure cultural attitudes about inequality in social relationships. In high power distance countries, less powerful people accept power relations that are more autocratic and paternalistic. While in low power distance countries, people expect and accept power relations that are more consultative or democratic [7].

China belongs to the high power distance that emphasizes the hierarchy structure in the organization. That is, bosses act like bosses and workers act like workers, and there is no confusion about which is which. By contrast,

people from the American culture believe in low power distance. They think that power differences should be minimized. So if workers have some suggestions or new ideas for the company, he or she has to tell the department which is in charge of the issue. Even if he has got some power, the final saying must be made by his manager. Here follows the second case to show this point clearly:

John Coleman was twenty-five and an ambitious businessman. He had recently graduated with an MBA degree from a prestigious American university. From the age of eighteen he had been interested in China and had become convinced that this extremely large country represented great potential for international investments. During his college years he had studied Chinese and become reasonably fluent. After being hired by an American pharmaceutical company, John convinced his superiors that the company would be well served if he were assigned to China. One of John's superiors happened to know of some Chinese business people who wanted to look into the possibilities of expanding their line of nonprescription medicines. This superior contacted the Chinese business people, and they agreed to work with John out of their offices in Shanghai. After arriving in Shanghai and settling in, John reported to work. He discovered that his superior in China would be Fang Dachun, a fifty-year-old businessman who had recently been able to amass considerable wealth working with American firms desirous of expansion in China. Mr. Fang was impressed with other Chinese. Grateful for this attention, John shared some of his ideas for the manufacturing of nonprescription drugs. One afternoon, Mr. Fang invited John to a meeting with the executives of a Chinese pharmaceutical company. Mr. Fang presented some ideas about possible future joint ventures between himself and this company. John was pleased to hear Mr. Fang present some of John's own idea, but he was not pleased after the meeting when he realized that Mr. Fang never made a connection between the ideas and the person who had developed them. John concluded that he could not work with Mr. Fang, and he began to consider drafting a letter to his company in the United States recommending the severing of ties with Mr. Fang [6].

In this case, we can get the following information: John Coleman moves to the Chinese company and shares some of his own idea for the manufacturing of non-prescription drugs. But to his surprise, in the meeting, Mr. Fang shows the new idea but never makes a connection between the idea and himself. He cannot understand and he feels puzzled.

Mr. Fang is affected by the Chinese environment and influenced by high power distance. So in his mind, it is normal that he presents the employees' idea without their name. China is a typical hierarchical society which puts much emphasis on the status. The leader with higher power has the right to make the final decisions. And also the people with higher status will be respected by the lower class. In the meeting, Mr. Fang as the elder leader should have been respected by the employees. So in the meeting, it takes for granted that he proposes the ideas to show everyone. Still, China is a typical collective country and the individual is always minimized. On the contrast, John Coleman is affected by the culture of low power distance. In his mind the leader and employees are equal. So in the meeting, Mr. Fang should tell them the idea which is showed by John. In the high power distance countries, decision-making tends to be centralized and it should be the leader who decides. However, in low power distance countries, decision-making is dispersed throughout organization. People at all levels can make decisions. So the misunderstanding between them is caused by the cultural differences between two countries.

Based on the above two cases' analysis, we can get that the cross-cultural business activity is not a common business communication but inserts the cultural elements in it. For the businessmen, especially those who work in the joint-venture companies, it is necessary for them to know the cultural differences when doing business with different countries.

#### **4. SUGGESTIONS FOR SINO-US BUSINESS NEGOTIATION**

According to the previous cases analysis, this part provides some practical strategies for the Sino-US business communication to avoid the cross cultural conflicts.

First, for both sides they should pay attention to the language style. The America belongs to the Individual country, so they usually express

themselves directly and seldom use the obscure expressions. However, China is a typical collective country, they especially emphasize harmony during the business negotiation, so they express themselves indirectly to save both faces. Affected by the different language culture, before the business negotiation, they should collect some cultural knowledge and learn the language culture to change their negotiation style if necessary. For the Chinese negotiators, they had better show their ideas clearly to avoid unnecessary misunderstanding. For the American side, in order to be harmony during the business negotiation, they should concern the cultural differences and try to be adapt to the Chinese style.

Second, affected by the power distance, the two countries exist some differences. For the transnational companies, workers from different country should know the cultural differences well. China is a hierarchical society and they pay much attention to the position in the company. While, the America is a low power distance country and everyone is equal in the company. So workers from different country should try to adapt to each others' culture and communicate with each other.

Third, they should know well about their own culture and then deeply research about the opposite culture including customs, religions, local language, nonverbal communication, etc. The America and China have different customs and also it is the major factor to influence the business activity.

## 5. CONCLUSION

The cross-cultural business activity is a kind of special activity which not only involves the specialized business knowledge but also the cultural factors. By using the comparative approach and case analysis, this article mainly discusses two typical cultural differences. For each discussion, we can see the cultural differences between Sino-America clearly. Although there exist the cultural differences between the two countries, the two sides can be

done something to minimize the differences. During the business activity, culture is the covert factor to shape people's opinions towards the business activity and influence people to conduct the business. China and America come from different cultural roots. Therefore, for the businessmen in different working environments, they should cultivate the cross-cultural awareness and be familiar with some basic codes of different cultures. Only in this way can we avoid the misunderstandings in the international trade and business.

## COMPETING INTERESTS

Authors have declared that no competing interests exist.

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