Managing Cross-Cultural Conflicts in Sino-Foreign Joint Venture: Insights from SAIC General Motors Corporation

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Abstract

As international cooperation intensifies, cultural conflicts have emerged as a key challenge in the joint ventures. This paper offers an understanding on managing cross-cultural conflicts from the perspective of Sino-foreign joint venture. Using a case study approach in Shanghai Automotive Industry Corporation (SAIC) and General Motors Corporation in China, analyzing intercultural tensions between Chinese and foreign staff. The findings reveal that conflicts commonly stem from decision making, management process, and reward system. These conflicts are caused by the differences of national cultural background and management philosophy. Resolution strategies involve development of effective communication channel, providing cross-cultural training sessions enforcement of institution management, and improvement of reward mechanism. This study contributes to the knowledge of cross-cultural management in joint ventures and provides practical insights for multinational managers to build collaborative culture in the global business contexts.

Keywords

Cross-Cultural Management; Cultural Dimension Theory; Conflicts Management; Sino-Foreign Joint Venture

Introduction

Since the economic globalization in the 1990s, an increasing number of scholars have started to pay attention to joint ventures in both theory and practice aspects. Joint venture is an independent organization established by two or more companies for expanding new markets through integration of different resources including capital, technology and human resources (Harrigan, 2017). In China, the Sino-foreign Joint Ventures are formed by an international enterprise, other economic organization or individual with a Chinese enterprise on the basis of equality and mutual benefit with the approval of the Chinese government (Wu, 2014). Cross-cultural conflicts are caused by the difference of ethnic groups due to different cultural backgrounds, values and behavior patterns. In the perspective of corporate culture, it is believed that cultural differences lead to psychological or behavioral conflicts among employees in the organizations (Mayer & Louw, 2012; Wu, 2014; Zhang et al., 2020).

Lin (2015) mentions that the joint venture remains a high failure rate, the failure of the joint venture accounted for about 30% of the 40% in all joint ventures while the Sino-foreign joint ventures the success rate of 45%. According to Luo (2016), the failure of many large multinational companies resulted by the ignorance of cultural differences. Consequently, conflicts caused by cultural differences impact the effective operation of the joint ventures and bring huge cultural risks to their operation and management (Liu et al., 2020). Therefore, understanding the relationship between different cultures and dealing with conflicts is an important task for joint venture managers. In this paper, the researcher aims to provide a theoretical understanding on managing cross-cultural conflicts and take SAIC General Motors Corporation (SAIC-GM) as an example to explore the relevant measures in coping conflicts in the Sino-foreign joint ventures.

Literature Review

Cultural Dimension Theory

Hofstede's Cultural Dimension

Hofstede (1980) considers culture can be regarded as values shared by people in the same environment which can distinguish a group of people from others. These mental programs affect the business operation from the cross-cultural aspect and cause cultural conflicts in organizations with mixed cultures. Several dimensions have been proposed in the theory and the researcher focuses on the dimension of power distance, individualism or collectivism and long-term or short-term orientation (Hofstede, 2011; Leonavičienė & Burinskienė, 2022).

Firstly, power distance refers to the acceptance of distribution of power which is inequality for the person in a low position in the society (Hofstede, 2011). Wu (2014) finds that Chinese society pays more attention to power compared to the American one which is low level in power distance. Secondly, the dimension of individualism and collectivism measure the majority focus of society is Individual interest or collective interest (Hofstede, 2011). Lin (2004) states it is obvious that collectivism has been more focused in China while the "self" is promoted in the American culture. Thirdly, the culture of long-term or orientation means that the acceptance of people to delay the satisfaction of their needs, such as material and emotional needs (Hofstede, 2011). Yuan (2010) mention that short-term orientation companies like many American companies more focus on the performance assessment of the employees while companies with long-term orientation like many Chinese enterprises pay more attention to the future influence of actions at present.

Hall's Cultural Context Framework

Hall (1989) proposed a theory of high-context and low-context cultures, which is considered as one of the earliest frameworks used to explain communication differences across cultures (Reardon and Miller, 2012; Ferreira et al., 2014; Manrai et al., 2019). High-context cultures rely heavily on implicit communication, non-verbal cues, and shared background knowledge. In contrast, low-context cultures prefer direct, explicit, and clear verbal messages (Manrai et al., 2019). For example, China and Japan are considered high-context cultures, where people tend to "read between the lines" and avoid direct confrontation. On the other hand, countries like the United States and Germany follow a low-context style, where clarity and openness are valued in communication (Manrai et al., 2019). This framework is particularly useful in understanding cross-cultural challenges in international business (Ferreira et al., 2014). In international joint ventures, communication barriers can arise due to differing expectations about how information should be shared. While Hall's model is simple and intuitive, it has been criticised for being overly general and lacking empirical support. Nevertheless, it remains a valuable framework for raising awareness of cultural communication styles and is often used alongside other models such as Hofstede's dimensions. In cross-cultural management, recognising context-related differences is a key step in reducing misunderstandings and improving collaboration between culturally diverse partners.

Trompenaars Model of Cultural Difference

Trompenaars (1993) developed a framework of seven cultural dimensions that explain how people from different societies approach rules, relationships, time, and authority. These include contrasts such as universalism vs. particularism, individualism vs. communitarianism, achievement vs. ascription, and sequential vs. synchronic time. The model is widely used in cross-cultural management and knowledge transfer to interpret how underlying cultural values influence workplace behaviour (Sapuarachchi, 2021). In the international joint ventures, this framework helps explain the reason that partners from different backgrounds may clash over leadership style, reward structures, and the processes of decision making (Reis et al., 2013). For example, a company from an achievement-oriented culture may reward individual performance, while one from an ascription-based culture may value seniority. Similarly, time orientation can affect project planning and perceptions of punctuality or flexibility. Managers can gain benefit from understanding these cultural differences to anticipate possible resistance and design more adaptive structures.

Cross-Cultural Conflicts in Sino-Foreign Joint Venture

According to Greblikaite & Daugeliene (2010), cross-culture refers to the cultural differences between different nations, countries and groups and the interaction between people attributes to different cultural backgrounds. In the aspect of managing cross-cultural, cultural conflicts can be generated due to the differences between different cultures and values but cultural identity also gradually emerges with the continuous occurrence of the conflicts. In the Sino-foreign joint ventures, the employees are not only made up of people inside China but also large numbers outside. In terms of the difference in cultural background, conflicts affect the business decisions of enterprises and communication among employees and even everywhere in the management of joint venture (Lin, 2015).

Conflict of Values

According to Lin (2015), values determine how employees perceive issues. However, the different values have been formed due to the different cultural environment of Chinese and foreign employees in the Sino-foreign joint ventures. Western employees value work-life balance and are driven by both material rewards and personal fulfilment. They tend to be proactive and willing to take risks and try new ideas. In contrast, Chinese employees focus more on workplace relationships and a harmonious environment. Due to weaker incentive systems, they may show less initiative, prefer stability, and are more cautious about change and risk (Huang, 2010). These values may lead to further arguments and conflicts in the companies.

Conflict of Institutional Culture

There are great differences between China and western countries in institutional culture. According to Wu (2014), the country like America has a rigorous system culture which not only the companies has established a relatively complete institution but also the employees strictly work in accordance with the regulation of the companies. In contrast, the rules of Chinese companies need to be improved, and the employees take interpersonal emotions into account to treat the institutional management which cannot strictly follow the regulations.

Conflict of Interpersonal Communication

In a Sino-foreign joint venture, the language barriers may exist between the employees who have different native languages, which affects the communication on both sides (Ma et al., 2019). Also, Chinese employees attach more importance to interpersonal relationships while foreign employees in countries like America pay more attention to the work quality.

Critical Analysis of Cross-Cultural Conflicts in Sino-Foreign Joint Venture

Cross-cultural conflicts in joint ventures have a dual impact. It not only brings many negative factors to the operation process of the joint ventures but also play a positive role in promoting the improvement of the operating efficiency of the enterprise to some degree.

The negative effects of cross-cultural conflicts on joint ventures in China are mainly manifested in the following aspects. Firstly, the conflicts cause tension between the employees of the joint venture and make the enterprise unable to form a harmonious corporate culture. Walsh et al. (1999) state that the culture difference of the employees may cause communication barriers. In this situation, if the managers cannot correctly manage the conflicts, they may lead the conflicts and misunderstandings deepen among employees and even between employees and managers. Secondly, cross-cultural conflicts lead to low efficiency in the operating departments inside the joint venture, which may lose opportunities in the market. From the internal perspective, different concepts and behavior orientation of the employees create difficulties for the organization to communicate and coordinate in a short period of time as well as increase the cost of management.

From the perspective of the external environment of the enterprise, conflicts cause situation that joint venture unable to give full play to the advantages of both sides to face the market challenges, which the enterprise may fail the competition with others in the same field and miss opportunities in the market (Liu & Jin, 2016). Thirdly, cross-cultural conflicts make the obstacles to the development of international investment in the Chinese market. According to Hoon–Halbauer (1999), one of the purposes of many international companies to establish joint ventures in China is to develop businesses in the Chinese market. However, due to cultural conflicts, many joint ventures suffer from communication deficits, disordered procedures, and lack of coordination between the parent companies, which make joint ventures operate inadequately and slow the progress of international enterprises in expanding the Chinese market.

Compared to the negative side, the internal cross-cultural conflict also has positive effects on the joint venture. Firstly, the beneficial conflict is in favor of the values of unity within the enterprise and promotes the integration of different corporate cultures. Huang (2010) states that employees tend to reject cultural differences at the beginning, but they gradually respect and accept the existence of other forms of culture. If the appropriate guidance is being given in this situation, the employees with different culture background may consider the conflict from the opposite standpoint, which may help them to understand different value orientations. Secondly, the beneficial conflict may lead to the best advantages of combination of both sides in the joint venture. The conflict of collaborative purpose and profits aspect are the common issues in the joint venture. However, the process of resolving the conflict also can be regarded as the process of communication between both sides (Hennart & Zeng, 2002). Only when the division of objectives and interests is coordinated can both sides make more concerted efforts to achieve the strategic objectives of the joint venture. Thirdly, beneficial conflicts may stimulate the innovative ability of the employees. Jiang (2001) states that conflicts between different values and ideas occur when facing the same problem because different cultures can generate different values. However, this conflict may enlighten employees with different cultural backgrounds to think from new perspectives and generate ideas.

Case Study of Managing Conflicts in SAIC General Motors Corporation

SAIC-GM Joint Venture Background

According to the official website of SAIC-GM (2022), the company, formerly known as SGM, was established in 1997 by a state-owned automotive company called SAIC which refers to Shanghai Automotive Industry Corporation and General Motors which can be regarded as one of the biggest automobile manufacturing companies in the world. After more than 20 years of development, SAIC-GM has been leading the Chinese automobile industry and has become one of the developed joint-venture automobile companies in China (Ozturgut, 2012). SAIC-GM takes "leading the future, leading domestic and internationally competitive automobile company" as its development vision and the company has established a relatively complete automobile product series under the guidance of this development vision (Nam, 2011). The car types produced and sold by SAIC-GM are very popular and the after-sales service has also been fully recognized by domestic consumers. In 2015, the became the first automobile enterprise in China's automobile market with annual production and sales exceeding two million cars.

During the years of operation and development, the company has always had many Chinese and international employees who jointly supported the development of the company. Although SAIC-GM is a first-class automobile enterprise in China, cross-cultural conflicts cannot be easily avoided due to the high numbers of American employees in the joint venture. As a result, the company has been faced with many problems of cross-cultural conflict in more than two decades of operation and has made many attempts in managing conflicts as well as accumulated relevant experiences.

Cross-Cultural Conflicts in SAIC-GM Joint Venture
Decision Making

As a typical Sino-American joint venture company, SAIC-GM has many American employees who are the personnel of core technology and management as well as directly involved in the management decisions of in the company. However, according to the cultural dimension theory, cross-cultural conflicts based on the personality of Chinese and American are particularly highlighted in the decision making because Chinese are indirect and cooperative, but Americans are direct and competitive. For example, there is conflict exists in the R&D team for dual-clutch transmission in SAIC-GM. The project manager from China concerned the dual clutch one might not fit the Chinese market in the fuel consumption and late maintenance but the senior engineer from America held the opposite view with forecast data and thought that it can be applied to various types of vehicles. Due to the cultural difference between China and America, the American senior engineer directly pointed out the defects of the scheme provided by Chinese manager and the arguments almost happened every meeting, which caused the low efficiency of decision making.

Management Process

At the state of designing management process, the American employees are keen to offer advice, but they strictly follow the process and regulations which has been confirmed by the company. However, the Chinese employees are unwilling to make suggestions but arguing it when meeting the specific problems after the process and system has been formalized by the company. For example, in the recent work of optimizing R&D process, 8 American employees offered over 20 useful pieces of advice while there were only 22 suggestions from 44 Chinese employees. As a result, cross-cultural conflicts happen between the employees from China and America even they are working as a team. Also, the conflict between Chinese and American employees currently restricts the role of the management process in SAIC-GM.

Reward System

As an automobile joint venture, the Chinese side holds at least 51% of the shares under Chinese law, which is in the dominant position (Ozturgut, 2012). However, American employees in SAIC-GM are normally paid two or three times more than their Chinese counterparts because they are subject to a common American compensation system with overseas benefits. In the aspect of reward management, American employees are used to getting more compensation through personal performance and their salary level is directly linked to their comprehensive ability. When determining the salary level of employees, the education level and even background of Chinese employees are considered while the skills and their work performance are not fully considered. Also, most Chinese employees want the balance of compensation in the company. As a result, there exists cross-cultural conflict in the reward management of SAIC-GM.

Discussion on the Causes of Conflicts
National Cultural Difference

There are many differences between China and America in national culture, which can be regarded as the fundamental factor that creates the cross-cultural conflicts of Sino-American joint ventures. In the US, the core of national culture is embodied in freedom, hard work and self-fulfillment on the one hand and pragmatism on the other (Lin, 2004). America is a country of immigrants, and the history of the country is short. In the long-term development process, freedom and individualism have dominated the concept of the Americans and gradually led to the development of the national culture. Also, the Americans attach great importance to the value of everything in their work and life due to the influence of pragmatism. By contrast, China has a relatively long history, and cultural traditions have been formed during the years of development. One of the traditions called "Golden Mean" means "doing things at the middle level" neither the best or the worst, which affects the way of thinking and doing of Chinese people (Wu, 2014). Consequently, Many Chinese employees are trying hard to find a balance in daily work and life under the impact of this tradition. Therefore, due to the differences in national cultures, employees from China and America in SAIC-GM have different ideas and behaviors, which is the key factor of cross-cultural conflicts in joint ventures, especially leading to cross-cultural conflicts in the process of decision-making.

Management Philosophy Difference

Cross-cultural conflicts also caused by differences in management philosophies of employees from America and China. In SAIC-GM, American employees have a deep-rooted concept to be managed in standardization while Chinese employees lack attention to institutionalized management. The American employees consider not only the institutional system should be established but also the regulations need to be strictly followed in order to promote the long-term development of the company. However, many Chinese employees may consider "the favors of interpersonal relationship" in the management concept and sometimes cannot strictly follow the rules (Jiang, 2001). In addition, America is more individualistic while China is more collectivist according to the Hofstede's cultural dimension. Thus, American management philosophy focusses on improving the performance of the companies by stimulating individual initiative but Collective strength is emphasized in Chinese enterprises.

Conclusion

In conclusion, cross-cultural conflicts between employees from China and foreign countries are inevitable in the business operations of Sino-foreign joint ventures. If these conflicts cannot be appropriately managed, it may have negative impacts on the operation and management of the joint ventures as well as causing low efficiency. However, the cross-cultural conflict may bring the power which accelerates cultural integration for the joint ventures to become better. Based on the previous literature and a case study in SAIC-GM Motors Corporation, the researcher found the main issues of managing cross-cultural conflicts are existing in the aspects of decision making and the difference in management philosophy between Chinese and American employees in the company. In view of the existing issues in cross-cultural management, the researcher puts forward the following suggestions: Firstly, Sino-foreign joint ventures should focus on developing an effective communication channel and cross-cultural training sessions. This help promote the employees from both sides to make common efforts for the company. Secondly, it is important for similar joint ventures to strengthen the enforcement of institutional management to achieve collaborative culture. This creates the better integration of advantages that not only can meet the requirement of foreign employees but also offers opportunities to Chinese employees to adapt to the international approach of management. Thirdly, improvement of reward mechanism for both groups of employees can reduce the influence of conflicts in the joint ventures with culture differences.

Conflict of Interest

The author declares no conflict of interest.

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