

https://www.aimsciences.org/journal/A0000-0006

STEM Education, 2 (2): 96–120 DOI: 10.3934/steme.2022008

Received: March 2022 Accepted: May 2022

Research article

How power distance affect motivation in cross-cultural environment: findings from Chinese companies in Europe

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Academic Editor: William Guo

Abstract: Motivation is a key factor for success in education and modern working life. Cross-cultural environment is a challenge to it and, if not taken into account, it can impair learning outcome and lead to high turnover rates in companies. We performed an ethnographic study in two Chinese companies expanded to Europe and observed what problems the organizations faced. Our finding is that main problems originate from cultural differences between Chinese and Western organizations, and that they are mostly explained by the different power distance in the two cultures. The host company has a steep hierarchy of the organization, and it did not delegate the decision making to the locals. This led to frustration, loss of motivation, and high turnover rate.

Keywords: cross-culture organization, power distance, Hofstede dimensions, motivation

1. Introduction

Power distance is a well-establish theory that explains into what extent the lower ranking individuals of a society accept that power is distributed unequally. Hofstede's famous power distance index [1] provides country level scores to express the average power distance in each culture. Beugelsdijk et al. [2] later tested how much the country scores have changed over the past decades. Modernization theory predicts that as countries grow richer, people's values will change. Indeed, they observed decrease in power distance scores in many countries. However, the relative difference remains remarkably high between China and the countries in our study. In other words, the difference in power distance can still explain many organizational problems [3].

Authoritarian leadership has been reported to enhance employee performance in high power

distance countries [4]. Two arguments were provided. First, it is more effective to set specific and unambiguous goals. Second, it enhances followers' sense of identity as group members. However, a study by [5] showed that high power distance had a negative effect on workplace communication due to the fear of authority. Qinxuan [6] also showed that authoritarian leadership clearly reduced the level of employee creativity in low moral cultural climate. However, all these studies were made in China, a country of high power distance, and the results can be very different in cross-cultural environment.

The effect of power distance on student performance have also been reported. Hu [7] found out that Hofstede's long-term versus short-term orientation had most significant positive correlation with mathematics achievement. Power distance was not a significant predictor, though. Similarly, high uncertainty avoidance had a positive effect on knowledge-sharing intention while power distance had no negative effect according to a study in higher education in Jordan [8]. However, de Vries [9] has reported that the ideas were less creative in high power distance environment.

In BBC documentary *Are Our Kids Tough Enough*? five Chinese teachers adopted Chinese teaching style for four weeks in grade nine high school in UK. They emphasized strict Chinese style classroom discipline to control the students who refused as they were used to question their teachers and challenge them every day. Wenxin and Yue [10] addressed the reasons due to the difference in power distance in British and Chinese cultures.

Power distance was also found to be the most striking factor to explain the acculturation problems of migrant nurses entering foreign workplaces in New Zealand [11]. In general, soft skills have been recognized as a deficiency of STEM graduates. To compensate this, Hickam [12] explored the use of virtual reality to help STEM students to reach intercultural leadership skills to become global business leaders capable to solve both the technical and human related problems. It is also worth noting that the power distance in educational environment may be different to the corresponding country-level power distance value. Dentistry students in Mahidol University, Thailand, was found to have much lower power distance than the corresponding country level power distance value according to Fuangtharnthip [13].

In this paper, we study how the power distance affects the working environment in Chinese multinational companies operating in Europe. A common behavior is that the companies send abroad a larger number of Chinese expats. The key positions and the management level are held by the Chinese expats whereas the working level consists mostly of the locals. This kind of integration causes an unintended home-country effect [14], which enhances the existing cross-cultural boundaries between local employees and Chinese expats caused by language barrier, different values and communication styles. International management experience and cross-cultural skills have been recognized as a growing need for the Chinese expatriates [15,16]).

We summarize the main results from two case studies in Chinese companies; both top-5 in their respective fields in China. We wanted to find out whether the companies managed to integrate to the local culture, and if not, what kind of problems they had. Our main goal is to recognize the problems and identify their root causes. Instead of management issues, we focus on cross-culture aspect in the context where the managerial level comes mostly from a hierarchical culture with high power distance (Chinese), and the working level mostly from a culture with flat organizational structure and low power distance (European). When starting the study, we did not have any presumptions others than the cultural differences must have some impact on the working culture - positive or negative.

An organizational ethnography was chosen as the research method, and it was performed by the first author. This method allows collecting first-hand experience via informal discussions, which can yield much more useful insight than formal surveys. People are more likely to talk about delicate matters in private interviews, especially if they know the recipient personally. The intense field work within the companies took 4 months in total. Because of the opportunity to live with the participants for longer period, the ethnographer was able to build a professional and trusting relationship with the staff. In this way, the data collecting process became also an auto ethnographical experience.

When analyzing the data, our limitation of the cross-culture knowledge became obvious. Even if both authors have seemingly long experience of working in an international environment, the importance of having two opposite views emerged. The first author has the Chinese upbringing, and she represents the Chinese viewpoint. Despite of studying for years in western countries, she was not able to see the issues from the Western perspective at the time when the field study was performed. The second author has long-term experience on leading international research group and supervising graduates from many Asian countries including China. Despite of this, he was equally blind to the Chinese viewpoint. These two complementary viewpoints turned out to be very valuable to interpret the results.

From the interview data, we conclude that the local employees were open-minded and motivated for working in a Chinese company until they started to encounter the above difficulties and become eventually frustrated. Especially in the Nordic subsidiary, the local workers had joined to be part of the success of an international company. They explained the problems in terms of culture differences. One of the main issues we observed is disempowerment, i.e. the host company not delegating the decision making to the locals. We further divide it into the five themes show in Figure 1. Other factors the locals also addressed are unstable environment, language barrier, lack of trust and motivation.

The rest of the paper is organized as follows. We first describe the two companies of our case study. We summarize our interview framework, the interviewees, and how the data analysis process was performed. After that, the concept of power distance is introduced. We then summarize our main observations via selected examples and put the observations in the context of the theory. Finally, their practical implications of the results are given.

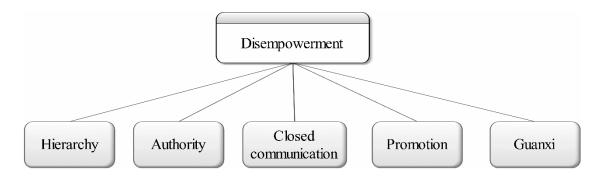


Figure 1. Themes of disempowerment in the perceptions of local employees

2. Research site

Profiles of the selected companies are summarized in Table 1. They are fully owned subsidiaries of two large Chinese companies who have existed for about twenty years. Both utilized a Greenfield entry mode when expanding to Europe. We call the two case companies CDD and KBB¹.

Entry mode	Founded	Location	Employees	Parent company		
				Industry	Employees	Founded
Greenfield	2000s	Scandinavia	>20	Communication	>80,000	1980s
Greenfield	2000s	Germany	>200	Machinery	>60,000	1980s

Table 1. A profile of Chinese multinationals chosen in the study

2.1. Companies of the case study

CDD Scandinavia is a representative office of a Chinese telecommunication company. The company assigned the ethnographer to Norway because they thought a Nordic office would serve as the best example of successful cultural integration between local and Chinese employees in the whole CDD group. Based on their own experience, they have had more conflicts in other countries.

Nordic countries are characterized as having a high standard of life, high salary and excellent education. Our impression was that money was not the main motivation for the local employees to join the company. Unlike other local companies taken over by Chinese companies, people actively chose to work for CDD because its reputation as international company. The employees wanted to gain experience and achieve skills that could not be achieved in local companies.

The second company, KBB, was located in Germany. It represents the heavy machinery industry. Germany is a developed country, which is characterized by punctuality, a focus on exports, hierarchical bureaucracy and respect for orderliness [17]. The heavy machinery industry is characterized by traditional manufacturing, skilled workers, and a low level of mobility. Many of the local employees were transferred from the previous company because it was taken over by a Chinese company. Unlike people in CDD, many workers in KBB have not changed their job for their entire life; this was their first time to work for an international company.

2.2. Data sources

Ethnographic data were collected between April 2011 and July 2011 by the first author, referred to here as the *ethnographer* [18]. She spent two months at each of the company sites to collect data (with permission) using interviews, observation and document analysis. Her role was an intern working in the HR department. The Western employer saw her as a researcher, and their attitude was very open. They hoped she could deliver the messages to the upper levels of the business hierarchy, because the messages they had tried to convey to their leaders many times, had gone amiss. They strongly wished the company could change. The Chinese employees, however, were very careful about what they told, and much less information was got from them.

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¹ These are not their real names for the sake of anonymity.

Interviews constitute the major data collection method. Eight interviewees were senior executives at the subsidiary level who hold positions ranging from chief executive officer (CEO), vice-general manager, director of R & D center, and so on. The interviews generated a total of approximately 21 hour of audio recording, 150 pages transcription.

As a requirement of in-depth analyses [19], the ethnographer observed daily activities, working conditions, office environment, interactions, and company events. Her roles as an observer ranged from outsider to semi-participant to an active participant depending upon the contextual, practical, and ethical realities and requirements in the field. The ethnographer used several types of notes during the fieldwork including (1) key words, phrases, or sentences as aids to memory; (2) descriptive notes; and (3) a diary where she recorded her personal reactions and concerns over the period of the fieldwork. The total number field notes amounted to thirty. The field notes were made during the day or at the end of the day.

Two types of documents were also analyzed for this study: official papers and magazines [20]. The information collected from these documents was used to verify the data obtained from other data sources such as interviews and observation. The ethnographer read the company newspaper daily and took three newspapers and three magazines for further analyzing.

2.3. Interview framework

We followed the recommended principles by the American Psychological Association. Official letters were first written to the companies to inform by whom, how, when, and where the research will be conducted; and how the acquired information will be reported. All participants gave their consent to become participants in the study. They were very open-minded and helpful. To avoid situations where the results might have negative impact on them, we did our best to protect their identity. Once accepted to work inside the company, the company gave permission to conduct both surveys and interviews. Qualitative research was chosen as the general design because of the following reasons.

First, rather than working with just statistics, we were more interested in understanding how people interact with each other, how they describe and interpret their experiences. The aim was to explore interactions and episodes relating to cultural encounters. For example, rather than finding out how many people want to quit their job, we were more interested in what people think about their job and why they want to quit. These questions are about understanding their experience and perceptions and would call for a qualitative design.

Second, the reliability of a questionnaire based-survey for Chinese respondents can be dubious [21]. Chinese are likely to "save face" for the researcher. It is therefore unlikely that they would provide honest opinion and their response is highly contextual. Distributing the same questionnaire at different times can provide very different answers depending on the situation. Another problem is that in the company settings, only very few would answer the survey voluntarily unless they felt direct pressure from their supervisors. Chinese also do not take surveys seriously because they do not believe it can have an effect. According to Di Minin, Zhang, and Gammeltoft [22], questionnaire-based survey is unsuitable for in-depth empirical analysis in Chinese companies.

Dimension	Theme	Code	Original data		
	Limited decision	Not able to make decision	Somehow as a Scandinavian, I think I am not regarded as a person; we are not able to make decisions.		
Power	making	Framework vs. Detail	The Western leadership is only a general leadership, only the concept, the boss doesn't get details. The Chinese boss wants to know everything, and he is the one who knows everything.		
distance -	Hierarchy Military style		A typical Chinese leadership is based on more centralized thinking and in this way is more like the military style of leadership.		
	Follow	Never ask	Never ask, I don't know why, but never ask.		
	the order	No discussion No explanation	No one has discussion with the employees, like whether or not we should do something. No thoughts around it, no communication to the employees.		

Table 2. Characteristics of the participants and example of the coding process in the data analysis

2.4. Data analysis

The data were analyzed by thematic analysis (TA), which identifies relatively broad themes to summarize the content of the data [23]. The most difficult challenge was that the data could be analyzed from several different perspectives. The second challenge was to decide how to categorize the codes. Themes were created to group similar codes. However, there were always codes belonging to more than one theme. Putting the codes in the most proper place required to re-read the data and to revise the categorization several times until satisfied.

The number of themes at the end was 20 and there were approximately 1000 individual codes. Table 2 illustrates how the data analysis was done. The two authors brought two opposite perspectives to the analysis process. The first author, the ethnographer, is Chinese and many of the observations were completely new and surprising to her background. The second author represents the Western perspective. These two complementary points of views helped us to understand the observed issues from both the Chinese and Western perspectives.

3. Power distance

We found many theories that could explain some of the problems. These include *communication* theory [24], trust theory [25,26], Schein's concepts [27] and motivation theory [28–30]. However, among all of the theories, the concept of power distance turned out to be most powerful and able to explain most of our observations. In the end, it addresses one main issue pertinent to our data: who is given the power to decide and what?

Power distance affects the working environment in numerous ways. First, it would require much stronger participative climate in the organization to employees voice their opinions in high power distance culture [31]. Hofstede's cultural dimensions have been used by professors when teaching international courses [32]; and according to Gerritsen et al [33], power distance of student's home country also correlates with his/her willingness to speak or remain silent in classroom.

Second, power distance also matters what is considered as good leadership. For example, leader humility was found to have positive correlation with team information sharing in low power distance

teams but negative relationship with team psychological safety in high power distance teams [34]. In China, organizational culture is heavily influenced by the societal culture; there is much stronger focus on relationship management than on performance management [35]. Paternalistic leadership is also commonly practiced. It can be perceived as repressive and exploitative behavior characterized by disempowerment [36].

Disempowerment has negative effect on the success of organization, and it has been rooted to the power distance. The results of Chen, Zhang, Wang [37] within two telecommunication companies show that power sharing improves job performance partly through psychological empowerment. Lin et al. [38] showed that employees' psychological health and job satisfaction was affected negatively much more in case of a low power distance orientation. Power distance also impacts creativity: Yuan and Zhou [39] developed a conceptual model which suggested several ways to promote group creativity in a high power distance culture.

According to Schuder [40], many of the existing theories are culturally specific to individualistic societies with low power distance. She offered strategies to empower people in large power distance cultures utilizing followership. Barner-Rasmussen and Björkman [41] studied multinational corporations in China and Finland. They found out that language fluency correlated significantly to shared vision and perceived trustworthiness in both the Chinese and Finnish subsidiaries.

3.1. Power distance index

Hofstede [42] created so called *power distance index* (PDI) as a country-level measure based on a large-scale survey of cultural values among 116,000 IBM employees distributed in 40 countries and regions [42]. PDI scores of selected countries are shown in Figure 2. Norway (31), Finland (33) and Germany (35) are at the bottom of the scale; they belong to low power distance countries whereas China (80) belongs to the high power distance countries.

In high power distance countries, subordinates highly depend on their superiors. The emotional distance between them is high: subordinates are unlikely to approach and contradict their superior directly. Individuals have high tolerance of unequal distribution of power and wealth. Managers tend to use indirect strategies to put pressure on their subordinates.

In low power distance countries, subordinates depend less on their superiors. The emotional distance between the subordinates and their superiors is relatively small. Individuals pursue equality and democracy, expression, and protection of their personal rights. Managers tend to use direct strategies such as giving criticism or blaming subordinates [43].

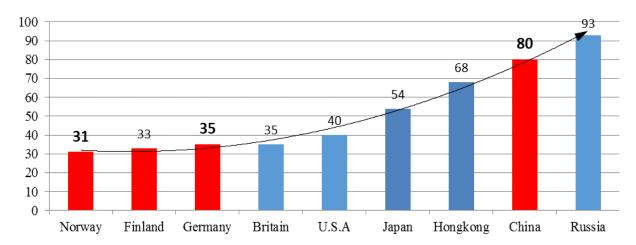


Figure 2. Power distance index adapted from [42]

3.2. Sense of power

Anderson, John, and Keltner [44] view power not only as control of resources but also as a psychological state – a perception of one's capacity to influence others. It does not directly correspond to real power [45]. The sense of power, however, will affect the real power, which in turn has an impact on power related behaviors [46]. For example, a person who thinks he or she has a great amount of power will act more effectively, which in turn, will enhance his or her actual influence.

Many studies have found that high power holders have more positive emotions, higher self-esteem, and more assertive understanding of the world than low power holders [47]. Sense of power seems to have more influence over one's own behavior than the actual power [48].

3.3. Leadership style

According to Morrison and Milliken [49], leaders in high power distance cultures have an implicit assumption that employees are egoist and are, therefore, not trustworthy; they do not understand the problems inside the organization. Leaders believe that consistency leads to a healthy organizational culture. Leaders in high power distance countries, such as in China, focus on self-expression and find it important to protect their authority. They do not expect any objection from subordinates [50] and consider themselves as sole decision-makers in the organization [51]. They believe that subordinates only need to execute their orders. Leaders are afraid of negative feedback because it will embarrass them [52]. High power distance leaders tend to criticize and suppress employees; sometimes they even use their power to punish employees who make proposals [51]. Thus, employees tend to remain silent because their good intentions of proposing may lead to revenge [53]. Employees tend to keep distance from their leaders and show lack of interests in the organization [54].

Avery, McKay, Wilson, Volpone & Killham [55] found that the leader's attitude and behavior affect employees' socializing process in the organization. Employees will observe a leader's behavior, develop a cognition map to guide their own behavior, and detect when it is the right time to express their ideas. If they perceive that the leader prefers power and control, they will choose to avoid the risk of taking initiative but rather obey instructions [56]. This kind of behavior is very common in Chinese organizations. The leadership style therefore has very significant effects. Chinese employees are very used to adapting to this behavior, whereas in European cultures this kind of adaptation is mostly lacking. In low power distance countries, subordinates are encouraged to break away from their roles to maximize their potential [57].

Liao, Zhao, and Zhang [58] analyzed power distance as a factor in Chinese economic reform. They suggested that autocratic leadership should be changed to transformational leadership. Leaders should increase the possibilities for group decision making, empower more, decrease enforcement, respect employees, and use efficient communication styles.

3.4. Empowerment

Empowerment refers to organizations allowing employees to choose and be independent [59]. Moye and Henkin [60] argued that a high level of trust can increase employee engagement. Likert [61] points out that a democratic participative leadership style is the most effective for employee participation. Hammuda and Dulaimi [62] noted that some leaders worry about undermining their own power if they grant more power to their employees.

Pasa [63] points out that people in high power distance cultures do not expect their leaders to adopt democratic management or involve subordinates in the decision making process. Instead, it would be considered as poor leadership. Accordingly, leaders from such cultures tend to be less willing to give up their power.

Napier and Ferris [64], on the other hand, consider power distance as psychological distance. Less distance will create a more attractive work environment, higher employee satisfaction, and appreciation of subordinate's performance. Hofstede et al. [42] found that managers in low power distance cultures consider their subordinates' suggestions before making final decisions, while in high power distance cultures, only managers are involved in the process. De Souza and Klein [65] emphasized the importance of the leaders to involve their subordinates when they plan company goals and objectives. Accordingly, they argue that supportive leaders initiate their subordinates in the process because it makes them feel valued within the organization.

Liao et al. [58] studied how power distance impacts empowerment and team participation in fully Chinese owned R & D companies, and China-based American R & D companies. The results show that these two companies have different perceptions of individual power distance. The Chinese employees in American companies prefer a lower power distance than the Chinese employees in Chinese companies. This implies that the Chinese employees – after gaining work experience in American subsidiaries – make better leaders in the long run.

3.5. Employee voice

Van Dyne and LePine [66] defined employee voice as a constructive challenge rather than criticism. Hirschman [67] suggested that employees respond to work-related problems in one of two ways: voice or exit. Exit means that the employee terminates his or her employment relationship. The exit/voice decision is affected by the degree of loyalty to the organization. Loyal employees are more likely to voice and less likely to exit when dissatisfied. Organizational researchers view employee voice as a positive way to contribute to organizational effectiveness [68].

Hierarchical structure can make exchanging ideas threatening [69] because employees fear that voicing their ideas to higher level managers will trigger punishment and other negative consequences [70]. Employees from high power distance country are therefore less likely to voice their opinions [71]. They believe their opinion will not be taken seriously. Botero and Van Dyne [72] reported that high power distance negatively correlates with employee voice. Individuals in high power distance countries do not think it is their responsibility to speak up even if they have opinions. They will not report their problems but simply choose to ignore them [73]. In contrast, employees from low power distance countries expect authorities to share their power in decision making process by freely expressing their opinions.

According to Ma [74] subordinates in Chinese companies are more reluctant to make proposals because they are influenced by traditional farming culture: parental control, and obsession with hierarchy. Only those subordinates with higher statuses or personal influence dare to make proposals [75,76]. The correlation can also be seen via power distance; Chinese culture has high power distance, which causes the lack of voice.

3.6. Employee silence

Morrison and Milliken [49] defined organizational silence as a collective phenomenon of doing or saying very little in response to significant problems in the organization. It is a major obstacle to organizational development and reform. Dyne et al. [77] classify silence to three different types of motives: acquiescent, defensive, and social. *Acquiescent silence* is a passive behavior, when employees avoid expressing their opinions because of the requirement of obedience. *Defensive silence* is motivated by fear. Voicing can cause harm to the employee. *Social silence* is motivated by altruistic purposes or cooperation. Harmony in the work place is valued more than efforts to make changes. Dyne et al. [77] claim that no matter what the motivation is, employees voluntarily choose not to share their information or opinions.

Studies show that employee silence has both positive and negative impacts on the organization. For instance, Tjosvold and Sun [78] indicate that employee silence can reduce conflicts in organizations. Employee silence maintains harmony and strengthens organizational teamwork. In contrast, employee silence limits decision makers' ability to collect information, and thus, reduces the capability of error correction and can lead to failures in organizational reform [79]. Subordinates may agree with the managers publicly, but privately they have many complaints. This leads to cognitive dissonance which makes them feel stress and anxiety [80].

According to Milliken et al. [79] the main reasons for employee silence is that they fear of harming their image (losing their face) that leads to lack of support in the organization. Employees are afraid of destroying relationships, losing support, reprisal or punishment, and being labeled as a trouble-maker. In large power distance cultures, silence is the only choice. By analyzing the Chinese culture Yao, Deng, and Zheng [94] found that hierarchy is the key factor to understand employee silence in Chinese organizations. People are used to follow orders without questioning the authority.

3.7. Summary

A review of prior research suggests that power distance is related to leadership style, empowerment, decision making, employee silence, and voice. Literature demonstrates that power is a very complex phenomenon. It is understood differently in different cultures; some view it as relational, others hierarchical. Therefore, it is of utmost importance to realize that culture matters, and furthermore, the following questions must be considered, especially in the international organizational domain: What does culture mean to an organization? How members of different cultures interact when they have different understandings of power? How could an organization deal with differences? According to Smith, Bond, and Kagitcibasi [81], measures of power distance on individual and national levels are more successful predictors of cultural differences than other areas of psychology.

Taiwanese scholar Z.-F. Yang [82] and Chinese scholar Zhai [21] challenged the concept of power distance. Instead of concluding that all Chinese follow the orders blindly, they suggest that Chinese are grown up in a society which respects authority. From this starting point, it is easier to understand why and how the Chinese either obey or disobey societal rules. According to Zhai [21, p. 89], "it doesn't matter which skin you have, if you were born in a hierarchical society, you will exactly behave the same as the Chinese: respect authority".

Z.-F. Yang [82] and Zhai [21] also argued that characterizing China as a collectivistic culture is too simplified. Other scholars who had lived in China or foreign scholars who have a thorough understanding of Chinese culture agree with Yang and Zhai in challenging a stereotypical view of China as a laboring collectivist culture. They all emphasize that the Chinese have no spirit for teamwork and can behave very individualistically. From philosophical and historical points of view, Chinese traditional culture emphasizes an individual, not a group. According to Yang [82], Zhao [83] analyzed proverbs to test whether Chinese culture is collectivistic or individualistic. He found out that there are an equal number of proverbs belonging to these two categories. The Chinese sometimes emphasize group power, sometimes individualism. It entirely depends on the situation.

Chinese scholars often argue that Chinese culture cannot be simplified into stereotypes. However, Hofstede's analysis derives from the relative differences among cultures. It merely states that Chinese culture is more collectivistic and has higher power distance than the German and Nordic cultures.

4. Main findings

We next present our observations organized according to the themes presented in Figure 1. Our main goal was to recognize the problems in the companies and identify their root causes. The difference in power distance of the host company and the local subsidiary was found to be the most important factor. We next discuss the main findings.

4.1. Hierarchy

Hierarchy is one of the main themes we observed. It consists of opinions concerning distant leadership and focus on the leader instead of the task. As a Chinese researcher, the ethnographer's cultural background prevents her from seeing the hierarchical system. To her the office was very quiet and friendly. The tension was invisible and intangible, but when she started to interview the locals regarding the hierarchical management system, the conflict was gradually revealed.

In general, local employees considered organizational structure in Scandinavia and Germany as relatively flat compared to that of Chinese. A Chinese organization was perceived as a steep pyramid. The leaders are on the top, and they keep high distance to their subordinates. For example, local employees described the leader as "no one saw the boss appear in the work place", "one person at the top, everybody follows, no one dares to approach to him", "how can you go straightforward to say hello?" One employee described Chinese organization as military like. Another one who had previously worked in a Korean company, considered that the power distance in Korea is even larger than in China. Some Chinese employees gave the counter-argument that Europe was also very hierarchical 50 years ago.

Admittedly, hierarchical structure has its advantage, too: it is easier to control by the leader. However, one local employee pointed out that too many levels lead to falsifying the information in the end. Local employees usually work at the operational level, which requires immediate feedback from the headquarters when they deal with the customer. However, when the Chinese managers have problems, they must report level by level. Usually, it takes a very long time and often the problem remains unsolved. Chinese organizations lack independence in decision making as everything needs to be approved at the higher level. One of the employees used a strong expression: "they have to go back for everything single decision."

These findings can be understood by Hofstede's [1] concept of power distance, which is much higher in Chinese culture than in Nordic and German cultures. Western organization is more flat than Chinese, and subordinates have more equal relationship with their managers [84]. Our results also confirm the theory of X. Chen's [85] that hierarchy shows up in the time and space. Usually, if you go to a meeting, you can conclude from the sitting arrangement who is the manager. The person who has the highest position also speaks first and concludes the meeting. This was highlighted especially in KBB, where the Chinese manager has absolute authority throughout the company.

According to Anderson et al. [44], the sense of power is equally important as real power because it has a strong impact on all power related behaviors. However, it did not show up in the Chinese employees. This is probably because power is divided unequally in Chinese culture, and everyone is used to this. This concept is likely to be more relevant in cultures where subordinates are expected to have some power.

In general, the findings demonstrated that the structure of Chinese companies is very hierarchical, and subsequently, the local employees often had misunderstandings and frustrations with their Chinese managers. We recognized only one exception: a young Chinese manager who had adopted the European style. According to the German employees, this manager was democratic and easy to approach. He was born in the 1980s and graduated in Europe. Contrary to this, the KBB founders are usually born in the 1950s and represent the older generation who strictly follow the traditional communication style. It is their first time operating abroad. This exception indicates that the two cultures can adapt to each other. According to a literature, Chinese society is changing. According to

Busch [86]; Farh and Cheng [87] and King [88] the traditional Chinese way is declining in international companies. One can no longer assume that obedience to authority is a universal value of all Chinese, especially among those, who are younger and more educated. Subsequently, the sense of power may also emerge for the Chinese employees.

4.2. Authority

Authority means a degree of respect that must be shown to people in senior positions [42]. Concluding from the interview data, the following themes arose in our findings:

- (1) Lack of independence,
- (2) Never questioning your superior's decision.

The locals frequently complained that the Chinese do not decide anything on their own. According to local employees, the responsibility of work depends on the approvals, which you are able to present to the boss, "a minimum of six approvals." A common reaction to this was simply, "unbelievable." A Chinese manager noticed that one of his local subordinates was not content with the amount of authorization he got, and therefore the manager decided to increase the authorization power and considered it a big favor to his employee. However, the amount of authorization was far from the European employee's expectation. As a result, the good intention turned out to be a joke or insult.

Overall, the local employees felt Chinese organization lacks empowerment. They considered challenge and the leadership is inappropriate. This can be understood from three different perspectives: organization, leader and employee. From the company point of view, empowerment means trust. And Chinese organizations lacks trust in local employees. According to Mayer, Davis, and Schoorman [89], the level of trust reflects the organization's willingness to take the risk. One CEO pointed out that because the supervisory system is not developed, Chinese organizations are not willing to take the risk. From the perspective of the leaders, they are not willing to empower employees because they worry it will decrease their power and status within the organization [62]. From the employee's perspective, individuals from high power distance countries lack independence and responsibility, and they consider empowerment as increasing stress. Individuals from low power distance countries expect to have more power because it increase their job satisfaction and performance [90].

Numerous accounts from the interviews contain complaints about disempowerment. They clearly confirm the main points of [64], Hofstede et al. [42] that individuals from low power distance countries are willing to participate in the decision making process. However, according to our study, they were just being informed when decisions have been made. In Chinese culture there is a proverb "words from a man of a lowly position carry little weight." It implies that if you do not have a high position, better keep silent.

Our findings also agree with De Souza and Klein's [65] conclusion that supportive leaders include subordinates in the decision process because it makes them feel important. Local employees were ambitious when joined to an international company to be part of the success but then realized that they after all are not valuable to the companies.

In a high power distance culture decision making is considered a privilege and a subordinate's participation is regarded as an invasion for this privilege. Therefore, subordinates feel no

responsibility to speak out [91]. Subordinates consider that their managers know more than them. It is impolite to ask why. Leaders has more information than employees, therefore, they are able to make the right decisions [92]. Subordinates are afraid of their manager, or they feel their position is not high enough to have influence [76]. Asking why shows that subordinates are incompetent and stupid and thus be to laughed at by others [85].

Overall, small power distance cultures are good at tasks demanding initiatives from subordinates. Large power distance cultures are good at tasks demanding discipline. It is important for the management to utilize the strengths of the local culture [42]. Our interview data suggest that refusing to delegate power has negative effects on Scandinavian and German employees.

4.3. Closed communication

Closed communication means a communication style that makes little attempt to encourage participation. We observed the themes summarized in Figure 3. Especially in Germany, the ethnographer very often encountered the opinion that people were hoping to have a European leader because the communication would be much easier. According to the local employees, a European leader can understand the European working culture that sometimes is impossible for a Chinese leader.

The Chinese communicating strategy is one-way communication, but all the local employees disliked it. The locals also felt that there is not enough discussion. Due to the lack of the possibility to give feedback, the communication channel was closed. Employees felt that they cannot participate in the decision making process.

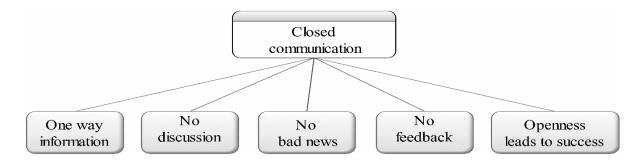


Figure 3. Themes of closed communication in the perceptions of local employees

One-way information appeared in the following ways. The manager gave instructions to the subordinates who could only accept and execute it without any responsibility. According to the local employees, the Chinese leaders "inform" but do not communicate. The information goes from Europe to China but not vice versa. German employees were surprised that the knowledge and experiences are not shared. The communication environment of the Chinese company is a strong contrast to the European communication environment. According to several Germans, the communication culture in Europe is open.

The European employees expressed their opinion that neither Chinese subordinates nor their managers want to hear bad news. Chinese employees were worried about when and how to report

negative information to their manager. The local employees gave many advice to the Chinese manager, but to their surprise, all were ignored.

These observations confirm the result of Bhagat and Triandis [93] result that in the vertical culture (high power distance), the information always flows from the top down in one way. Managers consider that they are the decision maker. Subordinates only need to execute the order without proposing any suggestions [51]. Chinese employees choose to keep silence even when they know the answer. In a high power distance country silence is usually the only solution [49,94]. Our results are also in line with X. Zhang's [95] finding that Chinese employees pay attention to harmony in order to avoid conflict. In contrast, people from individualistic culture emphasize the importance of "self." Rationality is of much greater importance than relations with others. Competence is very important element of the "self" [96]. For individuals from collectivist culture, work is a tool for building relations with others, but not the main aim [85].

As for the case of delivering bad news, the following aspects of management in high power distance countries seem pertinent: leaders tend to be autocratic and conceit. They sense more power than they actually have, and subsequently, believe everything is fine [48]. They tend to fear negative news, as it may embarrass them and show their incompetence [52]; thus, they tend to deny the facts. They are inclined to criticize, punish and suppress their subordinates [51].

Organizational silence [49] is very common in Chinese organization [94]. This was the case in our study as well. Chinese employees kept silent, whereas German employees pointed out problems directly. They believed this would help to solve the problem, whereas the Chinese would rather to avoid or evade the problem [95]. There is a saying in China "Turn a big problem into a small one and a small one into nothing". Ironically, in Germany there is a saying: "Turn a small problem into a big one and a big one into great one." Surprisingly, Scandinavians were a bit like the Chinese. As two local employees pointed out, "The Scandinavian model is like the Chinese model". According to our interview data, instead of speaking out, they tended to keep silent.

People also use avoidance as a response to conflict. This is typical especially in Finnish culture [97]. It has also been shown that the Scandinavian conflict management style has some degree of similarity to that of the Chinese management style [98]. Although it does not include the elements of social harmony in relationships and face saving mechanisms, Scandinavian people try to avoid direct and open confrontation as long as possible in case of severe disagreement and subsequently tend to suppress related negative feelings.

According to our observations, highly skilled employees not only follow the orders but expect to participate in the decision making process, and to use their expert power (knowledge and information power) to influence their manager's thinking and behavior [99]. There are good sides to closed communication: it is easy to control for the centralization country. Individuals from high power distance countries tend to falsify information when they give feedback. Therefore, the leaders do not trust the information from their subordinates but only believe in themselves for making decisions. This happens much less in low power distance countries [100].

There are numerous consequences of closed one-way communication. First, local employees thought that Chinese leaders want to hide things. Due to the absence of two-way communication, the local employees felt insecure and did not identify with the company. Second, leaders in high power distance cultures have an implicit assumption that employees are egoist, not trustworthy, and employees do not understand the problems inside the organization [49]. However, this kind of assumption is outdated in modern era where everyone has access to all kinds of information. It would

just allow the employees to see the inefficiency of their leadership. Third, as the employees felt useless, their motivation to contribute to the company decreased. In the long run, this will lead to the confirmation of the stereotype that Asian companies have poor communication: "This is how they do it in China."

4.4. Promotion

How did local employees see their chances to be promoted? Our findings suggest that the local employees did not see the organizational environment as suitable for employee's career development. Several employees concluded that salary depends on the position in the hierarchy and not on the performance. Position was also seen to depend on the relationship with the leader.

Both companies emphasized the importance to hire or promote the local employees to higher management positions. This strategy was demonstrated strikingly by the company magazine distributed widely inside both companies. On the magazine cover, readers can always see a large full body picture of a foreign leader. However, this contradicted the reality. The local employees hit the "glass ceiling" and the number of foreigners on the management level was very low. Chinese enterprises have the tradition of family culture, which influences how promotions are decided. In brief, employees of the same nationality are given preference.

Having a European leader was important for the locals not only because they can imagine themselves to be promoted in the company but also that a European leader increases trust in the company. Hiring a European leader also mitigated skepticism of whether the Chinese company investing in Europe has a long-term plan to stay.

The accounts about promotion relates to Hofstede's [42] concept of power distance. In a large power distance society, people can have wealth, power and status at the same time. Position is a sign of how successful you are, and the salary difference between the hierarchy levels in the organization must demonstrate this. To get a higher salary, people in high distance cultures indeed treasure the opportunity to be promoted.

In a low power distance country, more power does not always bring more money and the motives for promotions are slightly different. According to Greenberg [101], individuals tend to perceive the distribution of fairness (for example salary) to judge the fairness of the whole organization. In low power distance countries, unfair distribution is an important reason preventing an employee from identifying with an organization, and as a consequence, they choose to leave [102].

Our results also indirectly confirm Fei's theory [103] that enterprises in traditional family culture categorize people according to the region where they are born, and whether they are relatives. In high power distance countries people are used to the unfair distribution of salary and power, and therefore this does not function as a strong motivational factor.

On the other hand, Choi and Chen [104] found a positive relationship between perceptions of justice and fairness of salary system based on a survey of 161 Chinese employees of Sino-foreign joint ventures. This result indicates that also Chinese employees have the sense of fairness. However, the organization culture in the Sino-foreign joint ventures is typically American, which partly influences the results. It shows the sense of fairness can increase in (international) Chinese companies due to international influence.

In our study, we observed two local employees who were able to recognize the characteristics of the hierarchical system. One employee, an expert in his field, tried to change the system but failed. The other seemed to be the only foreigner who was recognized by the Chinese leaders. In fact, before

the interviews, the Chinese leader highly recommended to interview him because, "he is the only one who can understand both cultures; he is very flexible." However, his local colleagues did not evaluate him highly. He had the reputation of treating his subordinates badly. Someone even called him as an "ass-licker". During the interview, the feeling was that this employer indeed understood Chinese business culture. He clearly knew the names of the upper level management and their work relations. He got later promoted to one of the highest positions in the company. It seems authority power is stronger than expert power in Chinese organizations.

Overall, position (status or power) is the sign of the success in China; it becomes the target people pursue. The chance for local employees to get promoted is small because they are in the outermost circle in the societal difference pattern [103]. However, if one is able to break the "glass ceiling", the chances of further career success will become much higher than Chinese peers because the internationalization of Chinese company's needs "local face."

4.5. Organizational privilege (Guanxi)

Local employees perceived unequal relationship and a Guanxi orientation. Guanxi is a special characteristic of Chinese culture. Guanxi, face and favor are society rules that dictate the behavior of Chinese. Because of Guanxi, European workers perceive the Chinese companies do not respect rules and regulations but instead they value relations. A Scandinavian and German systems are very much regulated: there are rules which must be followed in order to succeed. Personal relationships matter also but they are not the key elements in organizational culture.

Employers felt they were treated differently by their manager. In KBB, Germans were treated the best and the Chinese worst. Even the leader adapted to the European culture: for example, the German employees were allowed to go home first. Still, as a result, the German employee felt guilty about her Chinese colleague who did not receives the same treatment. In this case, the intention was positive but because of the lack of communication, the effect was negative. Overall, it does not matter how many benefits local employees received, as far as they sensed organizational unfairness, they had negative feelings.

Chinese employees can tolerant more unfairness. Even if they do not get any benefit or they must do more work, they still accept the situation. Based on Fei's [103] theory, Chinese employees belong to the inner circle and Europeans to the outer circle. However, in our study it was actually the opposite: German employees were treated better than the Chinese. According to Trompenaars and Hampden-Turner [105], China is a particularistic culture where people look at relationships and circumstances in a specific situation to decide what is right. In KBB, the local employees had the privilege because they understand the local culture best and they are more easily able to gain trust from the local government and people. This may be the reason why Chinese managers adapt to the situation differently.

This categorization of dividing people according to their background is rooted in Chinese culture very strongly: for example, between nationalities, between urban and rural areas, between education and position. However, local employees have the universalism mindset that the same rules must apply in all situations. They considered treating people differently as discrimination.

Overall, in a particularistic society people are flexible and willing to adjust their standards and behavior according to the specific situation. In contrast, "machine - like", "rigid", "not good at adaptation" are the characteristics of a universalistic society [85]. These two different society types

made the conflicts between locals and Chinese appear severe.

Guanxi is an important resource for Chinese society [106]. No matter where the Chinese are, they always try to make strangers become acquaintances. Chinese always find commonalities through commonalities, job or even trace a connection back to a friend's friend. They call this kind of meeting "fate". Local employees perceived this cultural phenomenon through "drinking coffee" and "going to karaoke". Through these activities, people can develop personal relationship and build trust gradually. According to one employer: "As far as you have a good Guanxi, you get everything you want."

The other characteristic of Guanxi is that competence can be achieved by face (Mianzi). In Chinese society, people believe Guanxi is transitive, reciprocal and intangible [107]. Access to the resources is more important that personal ability. The wider social connections one has, the more sense of power and bigger face one has [108]. This is why Chinese tend to socialize with governmental officers. Even by taking a photo with a celebrity can demonstrate one's personal competence. Chinese companies like to have a good relationship with the government because with the help of the current leader (such as Angela Merkel), enterprises can achieve more social resources.

From the Scandinavian perspective, success depends on rules and systems. People prefer to conduct business activities based in a fair and open environment. In our opinion, Guanxi is a common phenomenon shared by all human being but the understanding and application of Guanxi is different. Individuals in low power distance countries build Guanxi through by working together, whereas individuals in high power distance countries use exchange of materials [109]. Guanxi makes sense in the initial stage when a Chinese enterprise goes abroad. In fact, there are many successful cases. Therefore, instead of simply viewing Guanxi as networking or even corruption, we need to have a broad understanding of it. As one employer concluded, there are "pluses and minuses."

In summary, power distance showed up in the local employees' perceptions of many hierarchical levels, lack of independence to make decisions, closed communication, difficulty to get promoted and organizational privilege. Existing theory confirm the majority of our empirical results.

5. Practical implications

We next discuss how the culture difference could be taken into account both in multinational organizations in business and education.

For Western members, it is important to realize which part of organizational culture can be changed and which part cannot. Values rooted in the national culture are stable and difficult to change. In contrast, values originating from the organization culture can be influenced more easily by the management. Power distance is such national characteristic, which is very stable and unchangeable in short period of time [2]. It is better to adapt to it instead of expecting it to change.

For Chinese host, flat organization and democratic decision-making are rooted deep in the Western culture. Chinese should adopt from the western management style. If Chinese organizations want to learn, this will likely require long-term effort because these kinds of management practices do not fit for a high power distance culture [85].

In an unequal relationship, the superior should actively learn the needs of subordinates, and show respect to them [85]. Let employees feel that the superior is ready to communicate and encourage them to speak freely without fear. Members should try to overcome the mental barriers and express their needs instead of only obeying orders. If they do not show their feelings, the superior will assume that everyone is doing well and happy. To achieve success, both parties need to change.

The cultural roots are formed already in the early childhood and remain the rest of the life. However, school is the place where intercultural skills can be learned. Leadership skills in multinational organization would require understanding of both technical and human related problems.

The main messages to Chinese host organizations are (1) give more authority to the locals; (2) let them enter higher levels of the organization; (3) Give them a chance to speak.

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