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Organizational culture in China and Japan - A comparative analysis based on the perspective of Austrian employees

Topic and Research Question

This master thesis' aim is to compare the People's Republic of China and Japan's organizational culture, with special regards to the extent of power distance and individualism/ collectivism. Two dimensions which are based on the Dutch researcher Geert Hofstede.

Due to globalisation, the internationalization of economic processes is rising rapidly and a profound knowledge of other countries' organizational culture is indispensable for employees, but as well for employers. Since every society and country has developed its own identity, cultural differences are big and influence the daily business. In this thesis, the author wants to show differences and similarities between Japan and China's corporate culture with a special focus on the following research questions, which based on Geert Hofstede's model of 5 dimensions:

1. To what extend is power distance in Chinese and Japanese companies developed?

2. What is more important in Chinese and Japanese companies, individualism or collectivism?

State of the Art

The current State of the Art in terms of organizational culture, offers a wide range of literature with various approaches. This thesis is mainly based on Geert Hofstede´s cultural studies (1990), which are known as *Model of Cultural Dimensions*. A second favoured approach goes back to Edgar Schein (1995) and his research of organizational cultures. It serves in this thesis, as definition of organizational culture. Extensive research has been made about the term culture, though, scientists did not agree yet for a universally valid definition. Alexander Thomas (1996) offers one of the most common definitions, which is used in this thesis.

Methodology and Approach

The theoretical part of the thesis is based on secondary literature from various countries, first identifying and defining management, international- and intercultural management. The second theoretical approach is about culture and values and in which way culture and values affect corporate culture. It is followed by the definition of corporate culture, the thesis' actual research topic and finally goes over to the methods of comparing cultures among each other:

Emic and Etic research is the first attempt in analysing corporate culture, whereas Emic describes the observation and research from inside a culture/organization and Epic on the other hand is research, based on an outsider's perspective.

The second approach is Alexander Thomas *Cultural Standard Method* (1996), which aim is to describe different cultures, based on specific Cultural Standards. These standards are only measurable, if intercultural context is given.

The third approach, which is the main approach of the thesis, is Geert Hofstede's *Model of Cultural Dimensions* (1980). Out of his intensive research at the company IBM, Geert Hofstede created five different categories to make culture comparable, namely: Power Distance Index (PDI), Individualism versus Collectivism, Uncertainty Avoidance Index (UAI), Masculinity versus Femininity and Long Term Orientation (LTI).

Edward Twitchett Hall offers another approach to identify cultures, by distinguishing between *High-context-cultures* and *Low-context-cultures (1976)*. According to Hall, High-context-cultures can communicate in a verbally indirect way, since the message of a conversation can be understood through the cultural context itself. Communication in Low-context-cultures on the other hand is more open, precise, direct and linear.

The empirical part of the thesis is on the one hand based on secondary literature about organizational culture in China and Japan. On the other hand the author is trying to prove the findings of literature via self-conducted, guided interviews, with people, that either worked in China or in Japan for at least 8 months.

Main Facts

Harmony in China is regarded as an instrument of stability for society. Before reaching a high position in e.g. an organization, it is necessary to control oneself and one's family. China's society is based on a system of strict hierarchy, which goes back to Confucius' main thoughts, of strong authorities. This belief is still present in companies, and shows itself, for example through the top-down-principle. Employers and employees try to avoid open critics, since this would evoke a loss of face and disturb the harmony. They try to resolve problems in a more harmonized way. The system of administrative units, called *Danwei*, is still showing its face and serves as instrument to stabilize and control society. Due to that system, people are part of units and mainly not regarded as individuals. Another point, the stresses the social cohesion in China, is *Guanxi*. *Guanxi* stands for networks, which are usually widespread and go back to the family-orientated, Chinese social structure.

Japanese people believe, that balance is necessary to maintain nature. Due to this reason, people contribute to a harmonized and balanced society and in the specific case of this thesis: to a harmonized being at the company. People stress modesty and retentiveness. Loyalty and identification to one's organization can be regarded, as kind of a religion. Even though hierarchy in Japan is important, people get involved in the decision making process. This system of evolving many employees is called *Ringi Seido*. It follows the bottom-up approach, which extends the time that a decision can be found but in the end it is still the CEO, who will decide. Verbal and non-verbal communication in Japanese firms is highly complex and for foreigners, difficult to understand. Clear communication is more rare, than e.g. in Austria and can provoke someone's loss of face or loss of honour. Group ideology in Japan, goes back to ancient times of rice cultivation and is still anchored in society and therefore organizations. Organizations are built on a strict system of hierarchy, based on top-down principle. The system of lifetime employment, *Shushin Koyo*, is still present in Japan and means, that graduates from university get hired and stay in the same company for a lifetime. This causes a strong loyalty towards the company and can built a strong network within the company. *Nenko Joretso*, the seniority principle additionally allows the recruits to be instructed by their elder colleagues, which creates stability and trust.

Results

1. To what extend is power distance in Chinese, and Japanese companies developed?

The research to answer the present question is based on the categories harmony & values, hierarchy & order, communication, and conflict behaviour. Since both, China and Japan, are built on strict hierarchy, conflicts generally don't take place in public. Due to this reason, both countries do have a high power distance index (PDI). According to Hofstede, another criteria to elaborate the PDI, is to measure the fear of the employees, regarding expressing their own opinion towards the employer. In regards to secondary literature, both as well to conducted interview for this research, the result points again towards a high PDI, whereas the PDI in Austria is lower. Judging, whether the employee does feel fear or rather respect, towards the employer, is questionable and could not be identified during the research.

2. What is more important in Chinese and Japanese firms, individualism or collectivism?

The evaluation of individualism and collectivism, was conducted, based on the criteria *Guanxi* - networks, *Danwei* - administrative unit and *Mianzi* – loss of face. As for Japan, criteria was group ideology, family concept, *Shusin Koyo* – lifetime employment and *Nenko Joretso* – the seniority principle. Both, Japan and China, are based on Confucianism, which furthermore stresses a strict hierarchy. Due to this basic principle of respect, it is not likely to criticise in public, whereas harmony and order are being pursued. In both countries, people avoid being the centre of attention but try to be part of the collective society. In Japan, the principle of lifetime employment additionally strengthens the loyalty towards the company. Administrative units in China, on the other hand, are promoting their members security and encourage the collective sense.

According to the mentioned facts, the conclusion is, that both, China's and Japan's organizational culture is rather collective, than individualistic.

References

All references can be found in the full version of the MA thesis available at http://othes.univie.ac.at

About the Author

Katharina Reichelt graduated from the University of Vienna with a Bachelor of Arts in *Social and Cultural Anthropology*.

This research was part of the Master Program *East Asian Economy and Society* at the University in Vienna.

During her Master studies, Katharina spend over a year in Beijing, China and is currently working for Crown Worldwide GmbH in the relocation / global mobility industry.

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