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Business Activities in Vietnam and China

Mastering Intercultural Challenges

Topic and Research Question

Globalization has brought about cross-nationally linked markets, creating huge business opportunities for entrepreneurs. However, international business can be a challenging endeavor due to cultural differences. This master thesis deals with the business cultures of Vietnam and China, two East Asian “Tiger countries” whose enormous economic potentials attract many foreign producers, traders and investors. Knowing the cultural particularities of these countries can be a decisive factor for the success of cross-cultural business activities. Thus, the subject of this thesis is to conduct a comparative analysis of the Vietnamese and the Chinese business culture. The research questions are as follows:

RQ 1: What are the main characteristics of the Vietnamese business culture?

RQ 2: What are the main characteristics of the Chinese business culture?

RQ 3: What are the similarities/differences between the Vietnamese and the Chinese business culture?

State of the Art

Starting in the 1960s, cross-cultural research brought forth several cultural concepts. Many of them use multi-dimensional scales to measure cultures at a national level (e.g. Hall 1966; 1981; 1983; Hall & Hall 1990; Hofstede 1984; 2001; Hofstede et al. 2010; House et al. 2004; Kluckhohn & Strodtbeck 1961; Schwartz 1992; 1999; Trompenaars & Hamden-Turner 1997) and predominantly focus on three issues: the *relation to self*, the *relation to others* and the *relation to risk* (Doney et al. 1998, p. 608). The most recent and most comprehensive study characterizing and comparing cultures is the GLOBE project which investigates 62 cultures in 58 countries (House et al. 2002; Javidan & House 2002) including China but not Vietnam.

The Vietnamese and Chinese culture both have a common ground in Confucianism (Truong et al. 2002, p. 3). Thus, it stands to reason that they are similar in certain regards; however, they may also be characterized by distinctive idiosyncrasies due to different socio-political, historical and ethnical backgrounds.

Methodology and Approach

For the investigation of the Vietnamese and the Chinese business culture, a systematic literature review and a

single case study in the form of a qualitative expert interview were conducted. The interview partner has long-time management experience in an Austrian biotech-firm in Vietnam and China. The nine cultural dimensions of the GLOBE study served as an analytical framework for the characterization and comparison of the Vietnamese and the Chinese business culture. These dimensions are:

1. *Uncertainty avoidance*
2. *Power distance*
3. *Collectivism I: institutional collectivism*
4. *Collectivism II: in-group collectivism*
5. *Gender egalitarianism*
6. *Assertiveness*
7. *Future orientation*
8. *Performance orientation*
9. *Humane orientation*

Main Facts

Uncertainty avoidance: The legal and regulatory frameworks in both countries are rather weak (Park & Luo 2001, p. 456), thus Vietnamese and Chinese reduce institutional uncertainties by forming long-term social bonds providing them with important resources. Within these relationships strict social norms exist the breaking of which is sanctioned with severe consequences. In China, the norms and consequences are even stricter than in Vietnam, probably because institutional uncertainty is higher (Zhu & Fahey 1999, p. 185) and thus the urge to create a “save realm” is stronger.

Power distance: In both countries, differences in social status and power tend to be high. In Vietnam, however, traditional power structures between superior and employees are increasingly called into question. Particularly younger people prefer participative management styles over the traditional hierarchical leadership. In contrast, Chinese seem to see more positive aspects in a hierarchical structure; first, because it has brought them social order and prosperity during imperial times and second, because the one time that Chinese violated the Confucian principle of ruler-subject relationships during the Cultural Revolution, the society suffered a tremendous trauma (Kleinman & Kleinman 1994, p. 707).

Collectivism I: In both Vietnam and China, the interests of the collective take a central role. Particularly in China, individuals subordinate their personal goals to collective goals and managers were found to exhibit a relatively low internal locus of control. Vietnamese on the other hand, often try to reconcile personal and group interests.

Collectivism II: Both Vietnamese and Chinese like to form long-lasting social networks. Outside of the “save realm” of their own social network, they tend to discriminate against others. Beside a strong community spirit, Vietnamese also have a traditional urge for autonomy most likely stemming from Vietnam’s long history of occupation, suppression and resistance (Nguyen et al. 2012, p. 28). Depending on the circumstances, the one or the other characteristic can be more prominent. Chinese on the other hand, show stronger group cohesion and commitment.

Gender egalitarianism: Traditionally, the Confucian doctrine determines different societal roles for men and women. While men are supposed to provide for the family, women’s role is to support their husbands. In Vietnam, gender issues have become an important theme in public discourses and political initiatives have been launched to reduce the gender gap, China still pursues a more conservative approach.

Assertiveness: Social interactions in Vietnam and China are characterized by politeness and indirectness to save the counterpart’s face and to maintain a harmonious and cooperative atmosphere. Altogether, Chinese are a little bit more assertive than Vietnamese in terms of directness in communication, the emotional quality of social relationships and competitiveness.

Future orientation: Vietnamese and Chinese usually do not make plans very long in advance and contracts are often only vaguely formulated with many specifics left open for future negotiations. However, Vietnamese and Chinese provide for their future by building long-term social networks. In China, network building seems to be even more future-oriented considering the more strategic approach to it.

Performance Orientation: Although both Vietnamese and Chinese are hard-working, Chinese were found to be even more motivated to achieve high performance. Often, the motivation for Chinese is to improve their societal standing. Vietnamese, however, seem to be more concerned about their independence and their quality of life.

Humane Orientation: Vietnamese and Chinese have a strong need for belonging and attribute utmost importance to social relationships. In order to maintain cohesion and harmony within a social group, respect, benevolence, kindness and fairness are central societal values. While it seems that Vietnamese show humane behavior to all persons alike, the behavior of Chinese tends to differ vis-à-vis out-groups.

Results

The analysis of the intercultural literature reveals that both the Vietnamese and the Chinese business culture are in a process of change which can be attributed to the economic transitions accompanied by a change of the social structures and by an increasing influence of Western values and practices. In comparing Vietnam and China, it can be concluded that Chinese are still more traditional, while Vietnamese feel more confident to adopt Western elements. The Vietnamese relative openness to Western approaches seems natural considering that its socialist history, particularly that of South Vietnam, is considerably shorter than that of China. When understanding culture as the metaphor of a multi-layered onion with easily changeable behaviors on the outside and persistent values on the inside (Hofstede 2010), we can expect even more profound changes to follow.

Furthermore, the coming together of tradition and modernity causes inconsistent values and behaviors within the society – e.g. younger people might have different views than older ones. Thus, the sampling strategy and the survey questions (e.g. are respondents asked for values or actual behaviors) can influence a study’s outcome. Being aware of that, the findings of this study are to be understood as probable basic assumptions of cultural traits. Moreover, longitudinal studies could help to further the understanding of the processes of cultural change and of why some findings in the literature provide contradictory results.

References

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

About the Author

Elena Fuetsch holds a BA in International Business and Chinese at the WU Vienna University of Economics and Business. While doing her master studies in East Asian Economy and Society she started to work as a researcher at the Research Institute for Family Business at the WU.



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