Abstract

This Harvard University case study explores the many issues that may arise while doing business across boarders. The case speaks of a joint venture between a German based company and China. The German company is trying to expand its reach into China. In order for the company to do so, they must first attempt to get China to agree with what the company is offering. The culture block comes into play because the two ventures conduct business in extremely different ways. The case is a prime example of issues that arise when conducting international business.
Case Study: Culture Clash in the Boardroom

The case study “Culture Clash in the Boardroom” is a very interesting case study. This Harvard University case study explores the many issues that may arise while doing business across boarders. The case speaks of a joint venture between a German based company and China. The German company is trying to expand its reach into China. In order for the company to do so, they must first attempt to get China to agree with what the company is offering. The culture block comes into play because the two ventures conduct business in extremely different ways.

In the Chinese culture, Chinese people adhere to a concept called guanxi. Guanxi is a way of making business decisions go over more smoothly. Guanxi is the network of connections people in China use to make all of their business decisions. If one company has a better guanxi with a vendor than another company does, the company with the better guanxi will win business deals over the other one. Guanxi makes the flow of business in China move at a faster pace. In my opinion guanxi is a small form of corruption that is necessary for the flow of business.

During a business meeting in the boardroom, the members of the executive board for the German company discuss many issues that are arising concerning the progress of negotiations with China. In the Chinese culture, it is common business protocol to be involved in bribery. It is normal for the people trying to conduct business to go play golf together, buy the client some sort of gift, or giving the client some percentage of the profit gained by the business deal. The German company feels that this goes against their entire moral culture. The German company does business in a “straight lace” fashion. All business decisions in the German company are made though ideals and thoughts that are reasonable. Conceding with the Chinese way of doing
business goes against the entire business culture of the German company. Chen makes a really good point when he states “We need to be flexible in order to compete”.

The main conflict during the business meeting in the boardroom is whether to concede to the Chinese ways of doing business or to stay true to the culture of the German business. Conceding to the Chinese ways of doing business could cause legal issues in the local area where the company is based at. It could also cause a noticeable inconsistency within the German company’s network which could lead to them losing clients from within their home country. On the plus side, if the German company concedes to the Chinese way of doing business, they could make a huge profit within the Chinese market.

In conclusion, there are both negatives and positives to this business decision. If I were in Liu’s position, I would probably stay true to the culture of the German business. I would not bend the company’s policies in order to please a possible business partner. I feel like the worst thing a company can do is go against its own business culture. Once a company loses respect for its own business culture, it loses its primary goals and visions that were set before it decided to open up its business to the international business market. The prime example of this is the Google and China situation. China wanted to censor the Google and control what its people could search. This went against the culture of Google. As a result, there is no Google in China. As stated in the case, the joint venture seems to be causing the company more money as every day goes by. Maybe the company should be focusing on whether the joint venture was the right move for both companies before they try to tackle any other issues.