Cross-Cultural Conflict Management in Taiwan-Funded Enterprises in Mainland China

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Abstract. As the quantity of Taiwan-funded enterprises investing in mainland China keeps increasing, management problems caused by cultural differences between the mainland and Taiwan have drawn attention from both academic and business circles. Though they are of the same origin, Taiwan culture and mainland culture have formed their individual characteristics due to different social evolution for more than a century. In this study based on Hofstede's Culture Measurement Model, cultural conflicts in Taiwan-funded enterprises in mainland China are systematically analyzed from the three levels of values, institution and management behavior through the interview analysis of three Taiwan-funded enterprises. Starting with the strategy of collaborating in conflict management, specific and constructive solutions to the problems mentioned above are proposed accordingly.

With the deepening of cross-Strait relations, numerous Taiwan companies invest in mainland China. They face cultural conflicts brought by cultural differences between the mainland and Taiwan when Taiwan-funded enterprises copy Taiwan management mode to mainland China. This problem has a significant impact on company development. Difference in values between people in the mainland and Taiwan caused by different histories, social patterns and economic systems will necessarily provoke cultural conflicts. Cultural conflicts damage the harmonious relationships between the management and staff, weaken team cohesiveness, and are not in the interest of global strategy implementation by Taiwan-funded enterprises. It is an important topic of conflict management how to understand cross-Strait cultural differences, to solve cultural conflicts in Taiwan-funded enterprises, and to help enterprises gain sustainable competitiveness.

Keywords: Cross-cultural conflict · Collaborating · Taiwan-funded enterprises

1 Cross-Cultural Conflicts

Conflicts are everywhere. Conflicts will be provoked when individuals in an organization have disputes in such aspects as objectives, emotion and interest (Bendersky and Hays 2012). Cross-cultural conflicts refer to disputes caused by cultural differences (Jassawalla et al. 2004).

The cultural model built by Hofstede (1984) has been widely applied in research on cross-cultural management. Hofstede divided culture measurement into three levels.

(1) The Values Level: It consists of three dimensions, namely personal ideology, work attitude and demand for power; (2) The Institution Level: It refers to the human resources management mechanism; (3) The Management Behavior Level: It refers to the behavior guidance of the management. Based on Hofstede's Culture Measurement Model, cultural conflicts in the operation of Taiwan-funded enterprises in mainland China are discussed in this paper respectively from the three levels of values, institution and management behavior.

The five strategies of conflict management are respectively: (1) Competing, in which one side wins and the other loses; (2) Avoiding, in which both conflicting parties put off conflict indefinitely; (3) Compromising, in which the conflicting parties give up elements of their position in order to establish an acceptable solution; (4) Accommodating, in which one side meets the demand of the opposing side at the expense of their own interests; (5) Collaborating, in which both parties work together to find a win-win solution (Rahim 1983; Thomas 1992). Existing studies show that the strategy of collaborating in conflict management not only effectively buffers conflicts but also maximizes advantages of both parties to achieve satisfactory results (Rahim 2002).

2 Research Methods

In this paper, with three Taiwan-funded enterprises in Beijing as research objects, an in-depth discussion is made on cultural conflicts in the operation of Taiwan-funded enterprises in mainland China. We interviewed 56 people in total, among whom there were 6 senior managers, 15 middle managers, 16 junior managers and 19 employees. Interviews were conducted separately to dispel the concerns of interviewees. The average interview time was 20 min per person. All interviews were conducted with the semi-structured interviewing technique. The interview outline was prepared according to the three levels in Hofstede's Culture Measurement Model. Additional questions could be asked on a case-by-case basis to gain insight into the status of corporate cultural conflicts. Some interviews were recorded with the permission of the interviewees.

Four Ph.D. students processed the interview transcription and encoded the transcription in two groups according to the following criteria: (1) Sentences were classified in accordance with the three levels in Hofstede's Culture Measurement Model; (2) Sentence description must be clear and definite; (3) Original sentences were used as far as possible; (4) Each code was meaningful. After coding, two groups of Ph.D. students discussed and modified their coding results until they reached agreement under the guidance of a lecturer.

3 Analysis of Cultural Conflicts in Taiwan-Funded Enterprises

3.1 The Values Level

Personal Ideology. It is found in the interviews that managers and employees in Taiwan-funded enterprises, who have a strong sense of organization, generally consider the overall interests of the organization. Most of them are ready to sacrifice private

interests for public affairs. Employees from Taiwan have a stronger sense of belonging to their companies and are willing to grow with their companies. Interviewees said employees from Taiwan generally had a stronger sense of belonging than their mainland counterparts though young employees of the new age showed a much weaker sense of belonging than before in recent years.

Compared with their Taiwan counterparts, mainland employees tended to change their jobs and places of residence more frequently. Besides, they generally did not maintain stable and long-term relationships with their colleagues. Most mainland employees chose to leave for a better job if there was a company offering a better salary and benefits. Interviewees also said that after accumulating certain working experience and interpersonal connections, some employees resigned immediately and started homogeneous companies to compete with their former companies.

Attitude at Work. In Taiwan-funded enterprises, compared with their Taiwan colleagues, mainland employees are more willing to accept risky and challenging tasks. Mainland employees generally regard the challenges as good opportunities to fully show their work ability and talent. Only by firmly seizing these opportunities can their strengths and talents be recognized by colleagues and managers. However, Taiwan managers are comparatively conservative and are not willing to accept high-risk tasks or jobs. They are generally worried that uncertain risks will influence their positions. This is closely related to the influence of long-term colonization on Taiwan, which results in that people generally lack the sense of security. They are often reluctant to undertake tasks beyond their normal scope of work and would like to reduce the risks in finishing the tasks.

Power Distance. Mainland subordinates have a relatively weaker perception of power distance to their superiors, especially the young generation born after 1980, who have higher education backgrounds and rich knowledge, and are profoundly influenced by foreign cultures (especially western cultures), thus advocating freedom and equality. They have insightful views and opinions regarding problem solving and do not accept the absolute authority of their superiors. They often actively raise their doubts and opinions if they think the solutions of their superiors are to be improved. Employees from Taiwan, however, have a stronger perception of power distance. According to the stereotyped ideology in their minds, differences in social wealth and power have been institutionalized and legalized. There is a strict hierarchy between superiors and subordinates in an enterprise. In communication, ranks are emphasized and people with different ranks stay away from each other. A superior would like his subordinates to accept his ideas and act according to his way of thinking. He seldom takes the doubts and suggestions of his subordinates but regards them as disrespect to him.

3.2   The Institution Level

Human Resources Planning. HRP (*Human Resources Planning*) focuses on the analysis of future human resources supply and demand, according to which recruitment and training plans are prepared. HRP is drafted in all of the interviewed Taiwan-funded enterprises. According to the interviews, Taiwan-funded enterprises paid more attention

to short-term HRP due to the lack of knowledge about mainland labor laws and regulations. As the market environment changes, long-term HRP is generally not executed though prepared.

Recruitment and Selection. The HR managers from the interviewed companies all complained that it was difficult to recruit talents in mainland China. It is mainly because of comparatively less attractive salaries and benefits as well as limited career development prospects. Taiwan-funded enterprises attach great importance to work attitude. Employees from Taiwan are also highly loyal and dedicated. This phenomenon is popular in Taiwan-funded enterprises. The relationship between a mainland employee and his company is, however, more like a contractual relationship, i.e. "I work as much as I am paid". A mainland employee usually resigns if the salary given by his company fails to meet his expectations. That's also why mainland employees recruited by Taiwan-funded enterprises often resign after they are mature, though these enterprises invest a lot to train them in the preliminary stage. Taiwan-funded enterprises widely complain that they cannot retain talents as employees are not loyal enough. Mainland employees, however, complain that Taiwan-funded enterprises offer low salaries but tiring jobs. This phenomenon is mainly caused by cultural differences between the two sides.

Salary and Incentive Systems. Taiwan-funded enterprises generally offer much lower salaries than US and European enterprises. As the interviews shows, it is because Taiwan-funded enterprises pay much attention to the training of employees who can share a common fate with them. Therefore, they tend to recruit new college graduates and spend much money on staff training. This type of corporate culture, though it is the values of Taiwan-funded enterprises, can hardly integrate with mainland employees nor attract or retain outstanding employees. On the other hand, the interviewed companies pay salaries to mainland employees according to the local wage level, but to employees from Taiwan according to the Taiwan wage level which is generally much higher than the former. Mainland employees, thus, find the salary system unfair. In addition, the large wage gap between Taiwan managers and ordinary employees also dissatisfies mainland employees. Mainlanders generally canonize economic egalitarianism but disapprove a large wage gap between managers and ordinary employees. This is closely related to the years of "Communal Pot" system. Therefore, the large wage gap between superiors and subordinates, to some extent, hits the morale of subordinates and is not in the interest of smooth and effective work.

Training. Besides skills training, Taiwan-funded enterprises also provide mainland employees with training on working habits, behavior and attitude and so on. As the interviews show, though mainland and Taiwan are from the same root, mainland employees may misunderstand their Taiwan managers due to cultural and conceptual differences because languages, customs and habits around mainland China, which has a vast territory, are significantly different.

Career Development. In the interviewed companies, 100 % of the senior managers are from Taiwan and only about 30 % of the middle managers are mainlanders. The CEOs of the three companies all said that they would rather appoint Taiwan managers. On one

hand, it is related to the quality of mainland employees. On the other hand, they cannot promote too many mainland employees considering the mentality of employees from Taiwan. This not only hits the morale of mainland employees, but also makes Taiwan-funded enterprises less attractive to outstanding mainland talents.

3.3   The Management Behavior Level

Centralization.   From the interviews, it can be seen that Taiwan-funded enterprises attach great importance to qualifications and social status. In the interviewed companies, managers and ordinary employees have meals in separate areas. It reflects the corporate culture that values qualifications and social status. Many employees from Taiwan regard this treatment as a symbol of status. In Taiwan-funded enterprises, significant authority is granted to managers. Compared with mainland employees, Taiwan managers have a stronger concept of centralization. Subordinates must absolutely follow the decisions of their superiors even when they know these decisions are wrong.

The ferocious and stern attitude of quite a few Taiwan managers has been formed in their long period of rigid labor management in Taiwan. Most incumbents (male) in Taiwan enterprises and public institutions have served in the army and experienced military life. Current Taiwan-funded enterprises still retain a distinct hierarchical patri-archal culture as military life features result-orientation, hierarchy and the obedience of superior orders. Mainland employees, however, may regard it as an insult to their char-acters or an infringement of their rights since they have been taught that "All men are created equal" for a long time.

Institutionalization.   All the interviewed companies emphasized that it was important to impose severe company rules and regulations. Employees are regulated by discipline and will be severely punished if they make mistakes. Nobody can escape his responsi-bility for any excuse. According to the interviewed companies, various rules and regu-lations made by a company are not for the convenience of managers but used to regulate employee behavior and to facilitate the healthy development of the company. They disapproved the governance of a company in the "Tender Management" method. If an employee did not receive due punishment after making a mistake, managers would fall into an extremely passive state when similar events happened again. Mainland employees, however, generally focus on feelings and interpersonal relationships and find Taiwan-funded enterprises impersonal. On the contrary, employees from Taiwan think that mainland employees are too flexible and unprincipled facing the regulations.

4   Collaborating in Conflict Management

It is especially important to handle them with the strategy of collaborating in conflict management after the cultural conflicts in Taiwan-funded enterprises in mainland China are identified. A brand-new organizational culture that integrates both cultures can be formed only when two different cultures admit and value their differences and respect, supplement and coordinate with each other. This unified culture is not only highly stable

but also has the advantage of "hybridization". It is, therefore, the optimal choice for Taiwan-funded enterprises in mainland China to reduce cultural barrier cost and to improve economic efficiency by absorbing the essence of different cultures through collaborating and forming a unique corporate culture and management style.

4.1 Enhancing Communication at the Values Level

According to the analysis above, there are large gaps between mainland and Taiwan employees in terms of ideology, attitude and power cognition at the values level. Conflicts happen if they fail to understand and communicate with each other properly. Taiwan-funded enterprises, therefore, should usually organize various activities and guide employees of different cultural backgrounds to positively and actively integrate themselves into the local living and cultural environment through formal and informal parties. They should also create conditions for the two employee groups' to understand each other's cultural backgrounds, values and expressions, so as to improve interpersonal relationships, strengthen communication and remove prejudice, and to create an atmosphere of mutual trust, sincere cooperation and open communication. Especially, senior managers should enhance their interaction with mainland employees to improve their affinity; encourage employees to make suggestions so as to absorb all useful ideas; build consensus and good working relationships among employees with the idea of solving problems, to correct the imperfections of paternalistic leadership. Many scholars have pointed out that trust accumulates when regular communication and timely feedback increase. Taiwan businessmen, therefore, must build a mutual-trust relationship between Taiwan and mainland employees through such open communication.

4.2 Strengthening Cultural Training at the Institution Level

According to the interview results, cultural conflicts at the institution level in Taiwan-funded enterprises in mainland China mainly lie in the following four aspects: environmental policy, employee competency, salaries and staff promotion. Training is the most effective way to solve these cultural conflicts. First of all, strengthen timely training of senior managers on mainland environmental policy to help managers seize opportunities and make correct decisions. Second, especially strengthen the training of employees' sense of belonging and cohesiveness to help mainland employees realize the long-term investment of their companies in their personal development and to improve staff loyalty. Third, continue strengthening staff cultivation and personal ability trainings to help mainland employees grow. Fourth, organize training of team awareness for all the staff. It is because they regard each other as out-group members that so many inharmonious and unpleasant cases occur between Taiwan employee teams and mainland employee teams. It is, thus, necessary to increase the contact between the two groups and to actively create opportunities for all to interact with each other with ease after work. As they understand each other better, previous prejudices will fade away gradually. Last, train a large pool of outstanding talents with cross-cultural management ability by seizing the opportunity of cross-cultural training. They are aware of mainland China's actual conditions and skilled at communication with subordinates, trust and support their

subordinates, and have rich professional knowledge, personality charm and strong managerial ability. The rapid and stable development of a company depends on these highly qualified managers.

4.3   Improving Localization at the Management Behavior Level

Cultural conflicts at the management behavior level are particularly reflected in the totalitarian thoughts of Taiwan managers and institutional control. The localization of managers is an effective solution to these conflicts. Taiwan-funded enterprises must enhance the training and appointment of mainland managers, especially senior and middle managers. Mainland managers who know mainland cultural traditions and way of thinking can communicate and work collaboratively with their subordinates, regulate employees' behavior and improve employees' capability and quality. Besides, mainland managers, most of whom have a higher education background, can realize efficient management of a company as they have a profound understanding of western management methods and can understand and implement management ideas of their Taiwan bosses well. Overall expenses on expatriate managers, therefore, will be reduced and the working enthusiasm of mainland employees will also be raised.

Staff localization is an optimal solution to cross-cultural management conflicts. The following two measures must be taken to realize staff localization. On one hand, "No Ceiling" policy should be implemented for the promotion of local talents. A company with human-based management shall never allow the existence of regional, racial, gender or age discrimination in human resources management. Only when there is enough development space can Taiwan-funded enterprises attract high-caliber and outstanding local talents. On the other hand, the policy of "equal pay for equal work" should be applied to local talents. Only when local talents are treated equally without discrimination can the sense of belonging of local staff be strengthened and can excellent employees be retained.

5   Conclusion and Discussion

Taiwan-funded enterprises, as an important component of the pluralistic economy of mainland China, have made outstanding contributions to the economic development of mainland China. It is of important practical significance to analyze the cross-cultural conflicts in the actual management process in Taiwan-funded enterprises, to find out the reasons and seek solutions, and to help Taiwan-funded enterprises establish their management modes in the mainland cultural environment.

In this paper, cultural conflicts in Taiwan-funded enterprises in mainland China are discussed respectively at the three levels of values, institution and management behavior through field research, interviews and literature analysis. In conclusion, there are four types of cultural conflicts: staff loyalty, salary system, centralized management style and localization of managers. Due to problems such as strict hierarchy, paternalistic management mechanism, unreasonable salary system and "Glass Roof" for mainland employees, Taiwan-funded enterprises become less attractive in staff recruitment with

an increasing churn rate of mainland employees and the complaints of Taiwan managers about the low loyalty and dedication of mainland employees.

Based on the strategy of collaborating in conflict management, this research identifies the correct solution to cross-cultural conflicts in Taiwan-funded enterprises. First of all, managers of Taiwan-funded enterprises should build a mutual-trust relationship between mainland and Taiwan employees by usually creating various opportunities for open communication between them. Second, Taiwan-funded enterprises should pay attention to cross-cultural training to improve the cross-cultural communication ability, team awareness and competence. Besides, they should also train a pool of outstanding talents with cross-cultural management ability. Third, Taiwan-funded enterprises should accelerate the localization of managers to strengthen the sense of belonging of local staff and to raise their working enthusiasm. Taiwan-funded enterprises should try to build a unified vision, strengthen the construction of cohesion, and help themselves gain competitive advantages through open and inclusive organizational cultures.

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