

**Cross Cultural Interactions Research**

**Doing Business in India and China**

The international emergence of India and China has caught everyone's attention. Their economies are growing very rapidly and are irreversibly altering the global economic landscape. India is emerging as a major IT outsourcing destination whereas China is fast becoming a major manufacturing location and target for foreign direct investment.

As Asian nations, both countries are politically and cultural very different from the West. Foreign business partners need an awareness of these differences to ensure successful business dealings in these countries. However, both societies have distinct cultures with different value and belief systems that require different approaches to business in each.

Dr Rajesh Kumar, Associate Professor in International Business Strategy, and a collaborator investigated these differences in terms of

- the two countries' societal beliefs and values systems
- particular attitudes towards business generally and business interactions with foreign partners in particular.

Culturally, China has deep roots in collectivism, which can be attributed to the Confucian worldview that stresses the importance of a hierarchical order in the family and society, with duties and obligations corresponding to individuals' roles. Relationships are important and clear distinctions are drawn between group members and others. When such relationships involve long-term reciprocity and trust anchored in emotions, they may develop into guanxi networks, which are more durable and personal than Western networking tends to be. Maintaining the Chinese concept of face, based on an individual's accomplishments and moral character, is central to successful relationships. The Chinese self is an interdependent self, motivated and judged by their obligation to fulfil the needs of others.

Indians also exhibit a collectivistic self when they interact with their family members, but can be individualistic when interacting outside the family. As a result, although personal relationships are an important ingredient to doing business in both countries, they are less critical than in Chinese society. Indian personal relationships and trust may not be as resilient as in other collectivistic societies, more based on cognition than emotion. Indians tend to be oriented towards the past rather than the present or the future, often associated with

passivity in coping with the external environment and making decisions without the necessary information and failing to adapt to changing conditions.

These cultural differences are associated with differences between Indian and Chinese thinking modes. The Indian way of thinking is analytical, striving to solve problems through logic in identifying the best possible solution and not the 'common ground' solution that may be more easily attainable. This mode of thinking can foster never-ending debate and argument as individuals find it all too easy to find flaws in others' argument in the search for a mythical ideal. The result may be a strong moralistic orientation with emotional commitment to the ideal, logical solution, deviations from which are not acceptable. As a by-product, thinkers in this mould are less likely to engage in experiments even as a prelude to learning.

In contrast, Chinese managers tend to adhere more to a holistic way of thinking, which assumes multidirectional causality, accepts ambiguity and is pragmatic in nature in reconciling multiple perspectives. Opposing notions are instead seen as constituting an overall sense of wholeness. Decisions thus reached are never ultimately final as they produce mixed outcomes that will need to be corrected. Chinese are therefore unlikely to be as psychologically committed to a decision, which explains the flexibility of the Chinese in both changing policies as well as any laxity in decision implementation.

Negotiation styles can be markedly different between the two countries. Indians are often likely to pursue a contentious strategy in negotiations whereas Chinese are likely to follow compromise. Both these strategies are less than fully integrative and they may leave gains on the table. Negotiating with Indians is an exercise in reasoning, whereas negotiating with the Chinese is an exercise in harmony management.