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## Facilitators and Obstacles of Intercultural Business Communication for American Companies in China: Lessons Learned from the UPS Case

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FACILITATORS AND OBSTACLES OF  
INTERCULTURAL BUSINESS COMMUNICATION  
FOR AMERICAN COMPANIES IN CHINA:  
LESSONS LEARNED FROM THE UPS CASE

ABSTRACT

This article analyzes how the execution of business strategy for global enterprises is shaped by the dual challenges of communicating in a different national culture and working in a changing economic environment. The article develops a framework from the UPS case in China to illustrate the key components of strategy for US companies operating businesses in China. The article proposes that Chinese-American communication effectiveness can be achieved through overcoming five obstacles: cultural multiplicity, relationship/task orientation, time concept, business style difference, and language use, while utilizing five facilitators: pragmatism, gender equality, English, American pop culture, and a “big country mentality.”

INTRODUCTION

Companies of all sizes are becoming global players physically and virtually. However, the reality of successfully executing a global business strategy in a particular geographic, cultural, and linguistic location continues to be a challenge. Global business strategies on paper as compared with in practice can be quite different because of the challenges of intercultural communication and changing business environments. In this article, we propose a framework of cultural facilitators and obstacles for Chinese-American cross-cultural communication for American companies conducting business in China, which we then illustrate with the case of UPS’s China entry and expansion.<sup>1</sup>

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<sup>1</sup> UPS: United Parcel Service, a Fortune 500 company headquartered in Atlanta, USA. Founded in 1907 as a messenger company in the United States, UPS has grown into a multi-billion-dollar corporation by focusing on the goal of enabling commerce around the globe. UPS is the world’s largest package delivery company and a leading global provider of specialized transportation and logistics services. UPS manages the flow of goods, funds, and information in more than 200 countries and territories worldwide (UPS Website, “About UPS,” 2010; CNN Website, 2010).

There are many well-established motivations and strategies for companies to invest abroad (Deresky, 2008). Cultural and economic factors confronted in a particular market can either facilitate or obstruct the implementation of any specific strategy. We specifically focus on the interaction between economic and cultural facilitators and obstacles in the China market for US companies. From the economic perspective, key factors in the Chinese context include timing of entry, sectors and locations that are open to foreign firms for expansion, the stage of Chinese economic reforms, the legal-regulatory environment at both central and local governmental levels, the priorities of policies, and changing market conditions that include income levels, consumer tastes, and market participants. From the cultural perspective, key factors in the Chinese context include regional cultural differences, linguistic barriers, One Child Policy consequences, the Chinese mentality, business style differences, and relationship/task orientation. Despite the general framework that we introduce, it needs to be recognized that in some cases whether these factors are obstacles or facilitators to investment varies by industry and region.

How the Chinese economy and society evolve affects business culture. For example, when the horizontal nature of a market economy develops in China, the need for *guanxi*, or relationships, to get things done becomes subtle and less apparent. Foreign companies can increasingly use the market to obtain resources or to market their products or services, instead of relying heavily on go-betweens and favors as in the past. This is not to say that *guanxi* is no longer important as the Chinese market matures, but rather that *guanxi* may become more of a facilitator than a necessity for international business in China.

This research was approached with a theoretical foundation incorporating various communication theories applied to the Chinese-American business context, including Hofstede's five cultural dimensions, Hall's context analysis, Ting-Toomey's Face Negotiation argument, Schulster's task-relationship dichotomy, and Fons Trompenaars and Charles Hampden-Turner's cultural orientation. A framework for analyzing Chinese-American business communication was developed, and then applied to the case of United Parcel Service (UPS).

This study is a result of a multi-phase and multi-case longitudinal case study project with various American multinational corporations with Chinese operations. We have conducted in-depth or focus group interviews with upper-level managers of Inductotherm, The Sports Authority, Home Depot, and UPS. We conducted the most in-depth and extensive interviews

with managers of UPS in both Atlanta and Shanghai. Our research method was qualitative, and our inquiry was guided by “why” rather than “what” (Lindlof and Taylor, 2002) in regards to the effectiveness of intercultural business communication.

In spring 2007, a total of four in-depth interviews were conducted with UPS’s vice presidents and supply chain managers, each for about two hours, in the UPS Atlanta, Georgia, headquarters. The interview guide focused on their perception, experience, and insights on Chinese–American business communication. Then, in the summer of 2007, a three-hour focus group interview with sixteen executives at UPS Shanghai was conducted in Shanghai, China, by the authors. In addition, an interview was conducted in summer 2010 with Mr. James Xiong of UPS Hub in Shanghai Pudong International Airport about UPS’s progress in China. These UPS interviews generated over 500 pages of transcripts. The content of the transcripts was analyzed for patterns of strategies and obstacles in intercultural business communication between the Americans and the Chinese. With the participants’ consent, all names cited are real names with the positions held at the time of the interviews.<sup>2</sup>

The next section introduces the context of UPS’s business history and its entry into China as part of its international business strategy. The third section outlines a set of facilitators and challenges in the US–China business context that virtually all US firms deal with to one extent or another. The fourth section applies this set of general principles in order to understand UPS’s business expansion in China. The final section concludes with observations about US companies’ business communication strategies and obstacles in China, as well as how China’s economy has changed over this time period.

#### THE CASE OF UPS IN CHINA

By many measures, UPS has been successful in China. This success has occurred despite being in a service industry that has faced more restrictions in

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<sup>2</sup> We would like to thank all those from UPS who spent time with us sharing their knowledge and views on UPS’s global development. We especially thank David Abney for sharing his thoughts to the Executive MBA class at Mercer University during the summer, 2007, and for helping us contact his colleagues in Asia. As head of Asia Operations, Richard Loi was instrumental in arranging all of our interviews in China. Eric Chung and Edward Choi met with us on multiple occasions. We are grateful to the entire Shanghai and Guangzhou groups for their contributions in person and with follow-up information. In Atlanta, we especially thank Ken Lee and Jim Thompson for their time and insights.

China for longer than have other sectors, such as manufacturing. This case analysis was generated from in-depth individual and focus group interviews both in Atlanta and Shanghai helping to identify success factors at UPS by showing how the company has utilized facilitators and dealt with obstacles with respect to both the economic-business environment and intercultural communication.

UPS was established in 1907 in Seattle as a messenger service. For seventy years the company's focus was building the domestic US market, state by state. Once UPS offered service to every address in the continental United States, the company expanded to Canada in 1975 and to Germany in 1976. This process of expansion was challenging in part because the leadership thought they could do business in these countries as they had done in the United States. They quickly discovered otherwise. Through learning and training, UPS has grown into a global multinational company with operations in over 200 countries. Approximately 16% of the company's employees are overseas, and about 25% of revenues are generated outside of the United States. This transformation is a remarkable achievement, especially in light of the fact that much of the top management has been with the company for three decades or more.

Along with the growth in global markets, UPS redefined its mission to include information and money transport, along with goods. This coincides with their strategy of building UPS into an integrated global supply chain company. According to the former chairman, Jim Kelly, these are examples of the payoffs of the company's conscious move to emphasize innovation rather than replication, even though replicating successful core businesses had been a winning strategy for many years (Kirby, 2002).

The success of UPS mirrors the growth in international trade worldwide. The fact that the US economy has been one of the key drivers of that trade has helped UPS in their global expansion.<sup>3</sup> In many countries, the main operation for UPS involves exports-imports rather than domestic package delivery. This is also the case in China, although UPS is positioning itself to grow as the domestic Chinese market grows, pending resolution of regulation issues and other challenges. Nonetheless, UPS approaches domestic markets as a "local company," even as it prides itself on being a "global" company with procedures and policies that are consistent wherever UPS operates.<sup>4</sup>

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<sup>3</sup> Interview with Kenneth L. Lee, Vice President of Security, 31 Oct. 2007, Atlanta.

<sup>4</sup> In our discussions with UPS employees in China, the company was consistently presented as a global company rather than a US or a Chinese company.

These UPS characteristics expressed by representatives of the company fit with the definition of a transnational corporation (TNC) (Deresky, 2008). A TNC reorganizes its activities globally to lower costs while also creating strategies to be responsive to local markets. Recently the procurement side of UPS has also begun to function in a way consistent with the characteristics of a transnational firm.<sup>5</sup> For years the US and European operations purchased such things as automotive parts, mailing envelopes, office supplies, and invoices regionally or locally for local use. Now UPS has begun to look at what the company buys as a global organization, and manages these purchases, in some cases outsourcing their production of various categories of goods. They began with their customer package supplies, and with this initial phase of moving procurement globally, UPS saved \$30 to \$35 million annually.

UPS first entered China in 1988 (see Table 1). At that time their options were limited, as China was not yet a member of the World Trade Organization (WTO) and economic reforms were still in the early stages. Some companies that entered at this time eventually pulled out, or scaled back, until conditions improved.

Right after UPS entered the Chinese market in 1988, conditions worsened quickly. High inflation plagued the economy as a result of its rapid growth. Government finances were not in good shape, as revenue collection could not keep up with growth in incomes. Public perceptions of rampant corruption combined with eroding real income for most people led to growing discontent and demonstrations by office and factory workers, as well as students, throughout the month of May 1989. The violent ending to these demonstrations on June 4th raised many questions about how, and if, China would continue economic reform.

By 1992, when the Chinese top leadership decided to go forward with reforms, rapid and substantial increases in foreign direct investment (FDI) began. It was in this environment that UPS set up its three representative offices in 1994. At this time UPS targeted the growing export market as a supplier of package shipment services, but setting up distribution within the domestic market was still not possible. Then, two years later, UPS established a formal joint venture with the main Chinese distribution company—Sinotrans.

As the rules concerning joint ventures were relaxed, in December 2004 UPS acquired its Chinese joint venture partner for US\$100 million. Starting

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<sup>5</sup> Interview with Jim Thompson, Global Direct Sourcing Group manager, 7 Nov. 2007, Atlanta.

Table 1: UPS in China:  
A Summary of Major Events and the Business Context

<b>Date</b>	<b>Event</b>	<b>Business Environment</b>
1988	UPS enters China with partner Sinotrans via an agency agreement	Partner relationship is required
1994	UPS opens representative offices in Beijing, Shanghai, and Guangzhou	Reforms in progress after Deng Xiaoping made his famous journey to southern China in early 1992 and jump started growth after a period of uncertainty following the June 4th Tiananmen incident in 1989; substantial increases in foreign investment began
1996	UPS and Sinotrans establish formal joint venture	
1999	The JV extends service to 21 cities	
2001	The JV expands to 40 cities —UPS begins direct flights between China and the US; UPS gains 12 flights between China and the US	China joined the WTO in December 2001
2003	UPS begins working with Yangtze River Express —UPS establishes Shanghai as its Greater China District headquarters	WTO agreement included allowing foreign companies to arrange their own distribution networks rather than being required to use Chinese companies
2004	UPS employs nearly 400 people in China	
2005	UPS takes over international express operations from Sinotrans in 23 locations —UPS employment grows to over 4,000 people in China —UPS is selected as a 2008 Olympic sponsor	First in industry to operate a wholly owned company in China; this option was not possible earlier because of regulations within China; the WTO agreement laid a basis for negotiating more foreign company participation in services; the Hong Kong CEPA agreement allowed UPS to form the wholly owned company one year ahead of others

Table 1, continued

Date	Event	Business Environment
2006	<ul style="list-style-type: none"> <li>—UPS begins daily flights between China and Japan</li> <li>—Begins retail operations with 2 Express Stores in Shanghai</li> <li>—Begins direct flight service between China and Europe</li> <li>—UPS Direct Sourcing group begins exploring procurement options in China</li> </ul>	China's economy continued to grow fast—over 10%, despite attempts to create more balance across sectors and geography, and to slow growth some
2007	Shanghai Airport Authority and UPS sign agreement for construction of a UPS International Air Hub based at Pudong Airport	By the end of the year inflation had jumped to over 4%, and exports were starting to slow. Product liability issues earned global attention
2008	<p>UPS PVG Hub at Shanghai Pudong International Airport opens.</p> <p>A total of US\$125 million has been invested in this hub, which makes UPS the largest forwarder in Shanghai in 2010</p>	The global financial crisis swept over the world, but China and India seemed to be immune to this crisis overall. Some export-oriented factories in China closed
2009	<p>Total UPS global revenue is at US\$37.9 billion.</p> <p>Shanghai PVG Hub sorts through 17,000 pieces per hour with one-step operations</p>	The global economy in financial crisis, but the Chinese government's \$846-million stimulus plan still gave China a 9% growth rate for GDP
2010	UPS becomes the largest forwarder in Shanghai in 2010. UPS exports twice as many goods as it imports at PVG	Chinese economy expected to have an annual GDP growth of 8.7%

from January 2005, UPS assumed complete control of operations in 23 locations, starting with Shanghai, Guangzhou, Shenzhen, Tianjin, and Qingdao. Together, the 23 operational regions covered 200 cities and accounted for over 80% of its delivery service in China. Thus, UPS became one of the three major international delivery services in China along with DHL and FedEx (Denlinger, 2004). By 2010, with its newly constructed Shanghai PVG Hub



at the Pudong International Airport, UPS became the largest forwarder in Shanghai, according to Mr. James Xiong, the Gateway Manager of UPS Hub at the Pudong International Airport on July 20, 2010.

Effective intercultural communication during and after UPS's merger with Sinotrans was one of the most challenging aspects of the UPS expansion in China, especially as the company grew from about 400 employees to over 4,000 in a couple of months. We argue that UPS has been trying to maximize the facilitators and minimize the obstacles for effective intercultural business communication in the midst of these rapidly changing business and economic conditions.

### CULTURAL FACILITATORS AND OBSTACLES

Embedded in challenges with training, sales, and overall profitability in a foreign market is the ability to articulate home company goals in a culturally different environment. American companies need to develop mutual understanding and sufficient skills to communicate effectively within varying linguistic and cultural contexts. Terpstra (1991) argues that the multiplicity of language use and the diversity of cultures in the world economy have a constraining influence on the operation of international business. Globalization of multinational corporations (MNCs) has created a need for better understanding of business processes that are embedded in a network of subsidiaries and headquarters located in environments with differences in national, regional, racial, and ethnic cultures.

Scholars have written about the difference between cultures from various perspectives (Hofstede, 1980; Trompenaars and Hampden-Turner, 2004; Ting-Toomey, 1999). However, there is a lack of literature that synthesizes a systematic framework for effective Chinese-American communication. US-China trade dominates the Asia Pacific region. Approximately 19% of US imports originated in China in 2009, with total US imports from China equal to \$296,373 million, making China the United States's largest trading partner for imports and its second largest trading partner overall (US Census Bureau, 2010). China was also the second largest recipient of foreign investment in 2009, second only to the United States, with US firms falling into the top ten investing countries (US-China Business Council, 2010).

In the culturally divergent business environment of MNCs, many factors impact their internal and external communication, including the employees' language, culture, mindset, personal experience, philosophies of life, and ways of doing business. We applied the five obstacles and five facilitators of Chinese and American intercultural business communication to help us

interpret interviews from the UPS case. The five obstacles are cultural multiplicity, relationship/task orientation, time concept, business [communication] style difference, and language use (see Figure 1). The five facilitators are pragmatism, gender equality, English, American pop culture, and a big country mentality (see Figure 2). These will be discussed in turn.

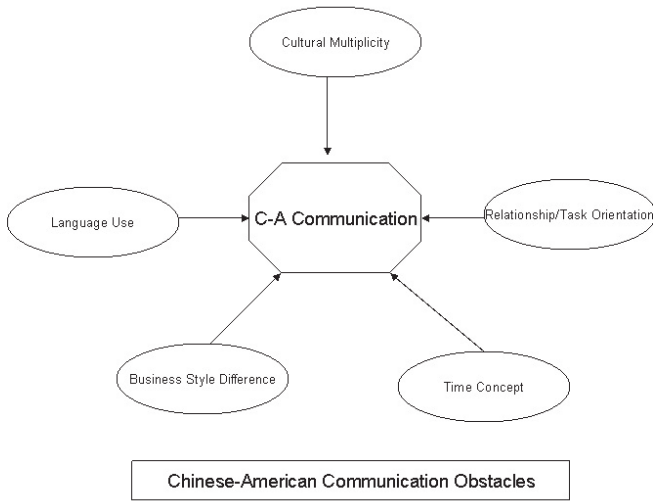


Figure 1: Chinese-American Communication Obstacles

*01: Cultural Multiplicity*

Synthesizing the theories of Hofstede (*Culture’s Consequences*, 1980; “Hofstede’s Five,” 2010), Hall (1976), Ting-Toomey (1999), and Copeland and Schuster (2006), we know that China has a *collectivist, hierarchical, high-context, and relationship-oriented culture*. In contrast, the United States has an *individualistic, horizontal, low-context, and task-oriented culture*. Concerning business, the collectivist culture emphasizes group interest, conformity, and harmony; the hierarchical structure of a collectivist society demands respect for elders, managers, and professors that discourages challenges to authorities. China’s high-context culture creates an indirect and subtle communication style in which only a third of the message is spoken while two-thirds is embedded in the context, including codes in nonverbal behavior, social status, and solidarity of relationship between the speaker and listener. The ability to decode the contextual message is critical to success in correctly understanding a Chinese business partner. Americans who use the direct communication style will very possibly miss much of the contextual

message sent from the Chinese partner, while a subtle-minded Chinese person will second guess his/her American partner and misunderstand the American (Gao, "Invisible," 2005). In addition, Hofstede's individualism index shows that the United States has an individualist culture that encourages individual differences, success, and happiness, while China has a collective culture, which prefers group solidarity and group outcomes (Bond, 1991).

Beside the macro difference between American and Chinese cultures, both countries have a multiplicity of regional cultures and subcultures separated by geographical regions, demographics, and levels of economic development. For example, Jim, a 57-year-old US expatriate working in UPS stated the importance of coming to China with no assumptions:

Do not form opinions too quickly. When you come to China, when you first see things, you really have to say that it happens at this place this time. China is not one country; it's many countries, both in time, space and in social class. The Chinese culture is not three-dimensional; it's probably seven-dimensional, with geographical region multiplied by historical eras.

American or Chinese business people should never assume that the macro Chinese or American cultural models that they learned prior to their overseas trip can completely apply to a group of Chinese or Americans from a particular region or of a particular race/ethnicity. This particular group could be very different from the "standard" Chinese/American culture that is presented in textbooks, training manuals, and tour books. It is critical to keep an open mind while interacting with cultural others on an interpersonal level for cultural learning in the real sense (Gudykunst and Kim, 2003).

### *O2: Relationship or Task Orientation*

Copeland and Schuster (2006) categorize cultures by whether they are relationship-oriented or task-oriented. American culture is task-oriented, while Chinese culture is relationship-oriented. In a culture where *harmony* is the center of focus advocated by Confucius since the sixth century BC, *relationship* is of particular importance to the Chinese communication mentality and style, or *guanxi*. In Chinese etymology, *guanxi* is a combination of two Chinese characters: *guan* ("door, gate, or passage") and *xi* ("connection, group or organization"). The combination of these two Chinese characters refers to relationships, connections and "access to a group, community or organization" (Hackley and Dong, 2001, Wong and Leung, 2001). *Guanxi* requires intentionality and reciprocity for social capital exchange within a "whom-you-know" rather than "what-you-know" framework (Gao, "Compar-

ing," 2008). An important implication of *guanxi* for business is that Chinese partners care about establishing a mutual relationship with Americans on an interpersonal level before contracts are signed.

In an MNC, if an American employer takes an interest in the Chinese employees' personal lives in addition to caring for their career development, the employees are very likely to develop loyalty to the employers. Chinese people also respect hierarchy more than Westerners do. For instance, it is hard for Chinese employees to imagine that their Western counterparts interact with their bosses on a first-name basis. The Chinese tradition is that you must demonstrate obedience with no argument to the orders from those who are superior in rank. Even if one does not agree with a Chinese partner, disagreement should be expressed in an indirect way to protect his/her face (Gao and Ting-Toomey, 1998) and to protect the relationship that is expected to be reciprocal (Gao, "Comparing," 2008). American businesses need to understand the "face" concept and try to "give face" to their Chinese partners whenever possible by providing gifts, being punctual, showing respect, and learning the Chinese language and culture. Chinese people are usually hospitable, and such hospitality has certain resemblances to Southern hospitality in the United States.

### *O3: Time Concept*

Time concept difference is one of the major obstacles for Chinese-American communication. Such differences are three fold: expectation for the future, time perspectives, and awareness of time zones. First, Hofstede and Bond (1984) show that the main discrepancy between Chinese and American culture is in their Long Term Orientation (LTO) index, which is also known as the Confucianism dynamism. People in China prefer to plan their lives (not schedules) well ahead. For example, they set long-term goals to save money for purchasing a house and their children's education. This is part of the reason why China has one of the world's highest savings rates. On the contrary, Americans prefer short-term planning and immediate rewards. Americans like to enjoy things now, and are willing to borrow for these short-run goals.

Yet it may seem paradoxical that the Chinese plan their lives with a long-term view, but seem to be "unstructured" in their daily schedules. This is because the Chinese are on a polychromic time (P-time), while the Americans are on a monochromic time (M-time). As a result Americans seem to have lots of unknowns in schedule building when in China. Multiple appointments could be arranged at the same hour in case some do not show up, and some visitors will simply pop in without appointments. Day planners, while made

in China for Americans, are rarely used in China. Chinese visitors often are viewed by their American counterparts as not planning ahead enough in scheduling for appointments prior to a trip to the United States, not to mention schedule complications brought about by the US visa application process. Americans tend to be more punctual than the Chinese; however, in big cities such as Shanghai and Beijing, business people are becoming very punctual as well, given their own new, fast-paced lives. Paul, a US diplomat in Shanghai, mentioned that since he found there was much uncertainty about the daily schedule in China, he formally arranged 30% of his daily time, and left 70% free to cope with uncertainties. One needs to learn that things do not occur on schedule as often as in the United States (Gao, "Overcoming," 2006).

Logistically speaking, transnational business people are aware that the United States and China are located in different time zones and they need to calculate in order to make phone calls at convenient times, if possible, for the receiver. Further, both countries are located across several time zones. However, the collectivist culture in China dictates that all of China uses one time—Beijing time; while in the continental United States, there are four time zones. In addition, there is a summer daylight saving time in the United States. When people from China try to do business with the United States, they need to take time zones and summer daylight saving time into consideration.

#### *O4: Business Style Difference*

The American task-oriented culture and the Chinese relationship-oriented culture generate different business styles. Trompenaars and Hampden-Turner (2004) state that the United States has a specific-orientated culture, and American people opt to separate their work from their private life. Business people usually will not call their partners' home phones. In contrast, for the Chinese, work and private-life are linked, a perspective from a diffuse-orientated society. Closely related to the *guanxi* concept, the Chinese extend friendship beyond the workplace, which blurs the work-life boundaries. The Chinese often invite business partners for dinner together and during such wine'n'dine and karaoke occasions, business deals are reached and closed.

Technology use is another major difference in how the Chinese and Americans communicate. In China, almost every business person has a cell phone and text messaging is very commonly used for business, while in the United States, BlackBerrys and iPhones are common and people like to leave voice messages for business. Emails are used in both countries, but in the United States they are far more common in the business sphere than in China. Given these differences, we see that a Chinese person might hesitate

and not leave an email message while an American might wonder why he/she is not receiving a response in a timely manner.

Hofstede's value dimensions show America is a horizontal society, while China is a hierarchical society. People in the United States regard individuals as more or less equal, while people in China accept the fact that power is distributed unevenly. Thus the Chinese show more respect for others based on their social status, age, and social position. Trompenaars and Hampden-Turner (2004) state that China is known as an ascription society where people are rewarded on their status in the hierarchical social ladder, compared with America where emphasis is placed on individual achievement.

Having an individualistic society, Americans face many obstacles in dealing with the group-oriented Chinese. For example, Americans, often "go Dutch" when paying bills and might find it difficult to have to pay for the group after a dinner in China. The in-group versus out-group distinction is another structural phenomenon for the Chinese communication style. An in-group member is one with whom one needs to maintain a reciprocal relationship, and an out-group member is simply an acquaintance. To get things done in China, a business person usually needs to become an in-group member with the decision-maker for the desired transactions (Gao, "Overcoming," 2006). As a cultural stranger, it is only natural that an American business person is seen and treated as an out-group member by the local Chinese. There are strategies, however, that out-group members can adopt to transform themselves into in-group members, such as third-party referral, *guanxi* cultivation (Gao, "Comparing," 2008), and benefit sharing. However such a transformation process takes a long time, and there is no guarantee that a local Chinese person will award in-group membership to an American, or a Chinese-American.

#### *O5: Language Use*

Despite the fact that there are more people in China learning English than the total US population, not all Chinese speak English. Though many Chinese business partners have learned English and try to speak it, not all Chinese partners can communicate in English. Their levels of English proficiency vary based on their age, region, and educational background. After graduating from high school, oral English skills often recede from lack of practice. Thus, not all educated Chinese speak English, and only a limited number of them speak it fluently. Further, among the older generation and in less economically developed areas, English proficiency is rare for a Chinese business person. Also, many people in China learned British English, or more realistically,

Chinglish.<sup>6</sup> Their grasp of English is in many cases not sophisticated enough for communication on a subtle level for relationship building.

Other than the insufficient proficiency of many Chinese business people, the “meaning”—the essence of communication—can be lost in translation, when we consider *la langue*, including the language, dialect, and accents involved. If Americans learn Mandarin Chinese, they might find themselves having difficulty understanding the local dialects (for example, Cantonese, Shanghai dialect, or Sichuan dialect), which often sound like a totally different language. Besides, there are over 10 written languages used in China, such as Mongolian, Tibetan, Korean, and Dai, which become important if business is conducted in ethnic regions in China.

Lack of linguistic proficiency on the part of both the Chinese and American communicators can create serious misunderstanding when they interact. Common sense supported by the communication literature (for example, Hamzah-Sendut, Madsen, and E’Thong, 1989) indicates that limited language proficiency changes the dynamics of the communication process. Chinese and American business people need to learn each other’s languages and cultures to realize that in real life, words and phrases can be used differently from their textbook meaning.

The five facilitators are pragmatism, gender equality, English, American pop culture, and a big country mentality (see Figure 2).

### *F1: Pragmatism*

Geert Hofstede’s (“Hofstede’s Five,” 2010) set of five cultural dimensions (see Table 2) rests on the indexes of each culture’s power difference (PDI), individualism vs. collectivism (IDV), masculinity vs. femininity (MAS), uncertainty avoidance (UAI), and long-term vs. short-term orientation (LTO).

The United States and China score almost equally on the Uncertainty Avoidance Index. This means that both Americans and Chinese like to take risks, are less reliant on rules and regulations, and are happy to make their own decisions. This quality is in line with the idea of Americans being pragmatic (Dewey, 1927) and the Chinese being realistic. After all, Deng Xiaoping,

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<sup>6</sup> *Chinglish* refers to spoken or written English language that is influenced by the Chinese language and thinking. The term *Chinglish* usually reflects ungrammatical and nonsensical English expressions in Chinese syntax. Other terms used to describe such English expressions with Chinese connotations include *Chinese English*, *Sinicized English*, or *China English*. It is disputed whether a Chinese variety of English shall be considered legitimate (Jing and Zuo, 2006; He and Li, 2009; Hu, 2004).

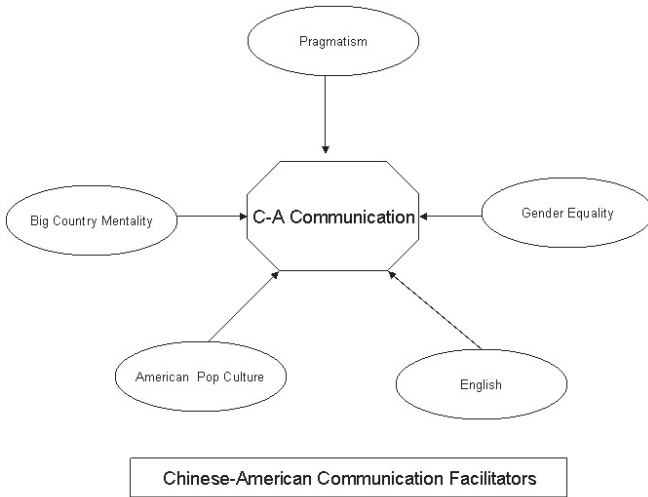


Figure 2: Chinese-American Business Communication Facilitators

the paramount leader and grand designer for China’s economic reform in the 1980s, reminded the Chinese to pay less attention to the name of the economy (whether capitalist, communist, or socialist), and more attention to its productivity. Deng’s analogy concerning the economy was: “Black cat or white cat, as long as it catches mice, it is a good cat.” The Post-Mao Chinese government has striven to be pragmatic by avoiding dogmatism while adopting a free market economy for China—“a socialism with Chinese characteristics.”

Table 2: Comparison of US-China Cultural Dimensions

All figures in %	Acronyms	United States	China	World Average
Power Distance Index	PDI	40	80	56.5
Individualism Index	IDV	91	20	50
Masculinity Index	MAS	62	66	65
Uncertainty Avoidance Index	UAI	46	30	51
Long-term Orientation	LTO	29	118	48

(Source: Geert Hofstede Website, 2010)



While negotiating business, US companies should expect Chinese partners to be pragmatic, wanting to strike deals, no matter how long it takes. American business people are pragmatic in the same way, as analyzed by John Dewey's (1927) American pragmatism argument (Hickman, 1992).

### *F2: Gender Equality*

Decades of non-interaction between China and the United States generated many misconceptions in the United States about the role of women in China's business world. US companies often wonder whether it is appropriate to send their female executives to the negotiating table and whether hiring qualified Chinese women for management positions hurts their chances of success in China. According to the teachings of Confucius, a girl should defer to her father, a wife to her husband, and a widow to her son. On the other hand, Confucianism also teaches filial piety toward one's parents, including the mother. Women's roles in society obviously have evolved significantly since Confucius's days. Women stopped taking their husbands' name when Dr. Sun Yatsen overturned the Qing Dynasty in 1911, long before the Communist takeover. Women started working outside their homes in large numbers in the 1920s. Today, women work in most, if not all, professions and occupations in China. Many successful entrepreneurs are women.

Hofstede's ("Hofstede's Five," 2010) index shows that the two countries score evenly on the masculinity-femininity index. This means that, relatively speaking, both countries enjoy reasonable gender equality, and flexible gender role expectations for men and women at work and at home. People in both countries appreciate masculine goals such as success and achievement, and feminine goals such as a balanced life style, nurturing, and gender equality. The gender equality of both countries is partly due to the feminist movements in the United States and to the Communist movement for women's rights in China. The feminist movement in the United States encompassed a number of social, cultural, and political issues concerned with gender inequalities and equal rights for women in voting and employment (Tong, 1998). The Communist feminism movement in China, which started in the 1920s, led by Chairman Mao, liberated Chinese women who were confined by the Confucian teaching of abiding by the husband-wife structure and limited by the social preference of feet-binding. One of Chairman Mao's famous sayings was: "Women can hold up half of the sky." Indeed, in both countries, it is commonplace to find women in every profession and being successful both at home and at work. In both societies, it is commonplace to see husband and wife each earning an income and sharing housework.

However, Chinese women encounter a glass ceiling similar to the one that US women do. The number of women in top leadership positions is extremely low given the size of the population. Habits from thousands of years ago die hard. There is still an unspoken, and sometimes unintentional, belief that at a certain level, women are inferior and less intelligent, and that being naïve is a virtue for women. Nonetheless, we propose that similarities in gender equality and gender role expectation in both countries serve more as a facilitator than an obstacle for people from China and America doing business together.

### *F3: English, the Global Lingua Franca*

English has become a global *lingua franca* (Gao and Womack, 2007). English education has been a core focus in China's new economy. Today there are roughly 200 million K–12 students learning English in China. As a result, there are more people speaking English than the total population of the United States, although their fluency level is varied (Krieger, 2006). Interpreters are easily available in China for business purposes. Because many Chinese entrepreneurs have returned from having been overseas students in the West, including US English as the de facto *lingua franca* is especially helpful for American companies' FDI in China. First, it eases the process of localization for corporate cultures because certain English sentences, phrases, and terms can simply be used verbatim. Second, it provides easy access to China's bilingual workforce. Third, it gives American companies an edge in being the "trendy corporations" that operate in the global language of English. It needs to be noted that the transfer of "meaning"—the essence of communication—is often obstructed by different cultural and thinking patterns, as discussed in the previous section.

### *F4: American Pop Culture*

Gao and Womack (2007) found that the globalized American popular culture, including Hollywood movies, MTV music, and American fashion and sports, is familiar to people in both countries and therefore provides common conversation topics. Young people in China are becoming increasingly globalized, or some say "Americanized" or "modernized." One view of globalization focuses on Americanization and predicts that the whole world eventually will be homogenized into the American cultural model (Friedman, 1999). In this perspective, global culture is formed through the economic and political domination of the United States, which exports its popular culture to the rest of the world (Wasserstrom, 2010). As a consequence of the globalization of

American popular culture, American popular cultural forms are familiar to people in both America and China, making American cultural icons an easy entry platform for casual conversations. The “not so foreign” Americanized culture gives American businessmen an opportunity to engage their Chinese counterparts in casual conversation, relationship building, and trust cultivation. The Chinese people like to use gifts to communicate, and often gifts with American symbols and icons, American music and scenes are desired. Without appearing to be imperialistic, American business people can easily engage their Chinese partners by conversing about familiar aspects of American culture while trying to learn Chinese culture and tradition.

#### *F5: Big Country Mentality*

China and the United States are the 3rd and 4th largest countries in terms of land mass, behind Russia and Canada. Located in the Northern hemisphere, both countries also have similarities in terms of latitude, climate, and terrain. Such huge landmasses generate a “big country” mentality for the people of both countries. For example, Hooke reported in the *Asia Times* (2007) that in the next 20 years China needed to buy 3,000 airplanes for its air travel market at a cost of over \$280 billion, which is a scale comparable only to that of the United States. By the end of 2025, China is expected to have a fleet of 3,370 aircraft, with 2,470 large planes. The country is expected to become the world’s second-largest civil aircraft market by 2025, according to Boeing. Politically, culturally, and militarily, both countries have had superpower status. For China, the status rests on its cultural dominance of Asia in the past, its current engine of economic growth, and its influence of political, economic, and military powers in the future. For the United States, the status rests on its hard power of military, science, and technology, and its soft power of globalized American culture. Such similarities result in a type of “big country mentality” that rests on confidence, diversity inclusion, and perhaps a little bit of ethnocentrism. However, it needs to be recognized that the Chinese people may be viewed as more sensitive in their mentality than the Americans, perhaps as a result of their concern for “face saving” and “face giving” (Ting-Toomey, 1999) and their protective consciousness of China’s semi-colonial past in which imperial powers from the West exploited Chinese people during the Qing Dynasty, and colonized areas of China, such as Shanghai, Hongkong, and Shangdong Province.

These obstacles and facilitators provide a context for US businesses in particular, and foreign firms more generally, to think through their approaches to the China market. The next section details how UPS approached this

complex business environment in the framework of the concepts developed in this section.

## UPS GOES GLOBAL

### *The UPS Globalization Strategies—A Global UPS Culture*

UPS has undergone a substantial globalization program in China. For instance, it advocates a global UPS culture to overcome the differences in national and regional cultures. They use a “Culture Day” strategy to educate employees about its organizational culture. This strategy seems to be working to overcome the “cultural multiplicity” obstacle, while utilizing the “pragmatism,” “gender equality,” “English,” “the globalized American pop culture,” and “big country mentality” facilitators.

In 2005, after taking over Sinotrans, UPS absorbed over 2,000 new Chinese employees from Sinotrans and the open employment market, which posed a challenge to combine two national cultures and two corporate cultures into one entity. Alice Cheony, the UPS China District HR Director and a Singaporean Chinese national, said, “The first thing that we worked on was the people . . . We gave them proper on-the-job training in a very short period of time through the Culture Day. We had new hire orientations, on job trainings, mentoring and coaching.” Sebastian Chan, the VP of UPS Supply Chain Operations (China) added that UPS China organized an “Execution Team” to apply for drivers’ licenses for all of the new UPS employees. Sebastian said:

We don’t put a nationality on UPS culture. This UPS culture is an all-embracing operation. The global UPS culture easily embraces various the national cultures. UPS is a global company that happens to have its headquarters in Atlanta, Georgia, U.S. However, we do obey local laws in different countries. We do respect local cultures and overseas customers. Our global employees will help us. For example, our Japanese agents will help us to understand the Japanese, and the German agents will help us to understand the German culture. We work together as a team. (UPS Focus Group Interview, 2007)

Another example is the “UPS Culture Day.” This is a group meeting facilitated by management in order to interpret and share UPS culture with all employees, which aims to enhance employees’ understanding of UPS in order to shape consistent behavior patterns and values among the employees. In China from October 2006 to October 2007, Culture Day was usually set on the third Wednesday of each month, each time for about 30 minutes

during working hours, and all employees had to participate. UPS values such as integrity, honesty, commitment, fairness, and self-accountability were introduced to all employees, as well as corporate history, stories, and traditions. UPS believes that a global UPS culture can surpass differences of national cultures between China and the United States and of corporate cultures between UPS and Sinotrans. One example of the UPS culture is that UPS employees must answer the telephone within three rings, must mention their name and department when picking up phones, and when transferring a phone call, wait for the other party to pick up the phone before hanging up (UPS Focus Group Interview, 2007).

### *UPS's Localization Strategies*

As Sebastian Chan at UPS Shanghai mentioned, UPS respects local laws and cultures. In fact, our research shows that UPS has gone through a thorough localization process to be successful in China. The various localization processes help UPS to minimize the American “task-orientation obstacle” and the “business style difference obstacle.”

First, concerning human resources, UPS has hired experienced employees from UPS who are ethnically Chinese from the United States, Singapore, Taiwan, and Hong Kong to expedite employee training in China. In addition, UPS is speeding up its training and promotion of employees from Mainland China to reflect the culture and dialects of its customers.

Second, UPS gained the privilege of being the official carrier for the Beijing Olympics, giving UPS a special reputation in China. UPS has adapted its slogans for the Chinese market. For example, “What can brown do for you?” has never appeared on Chinese TV; instead, its status as the Beijing 2008 Olympics sponsor appears repeatedly. As the color “brown” is not of particular importance in Chinese culture, UPS did not emphasize it.

Third, UPS understands the importance of intercultural learning and adaptation. UPS requires a comprehensive personality assessment for its expatriates, wherever they originate, and encourages them to learn Chinese culture. Christopher Perkins, a US native who was the Business Development Director for North and East China, stated that he went through much self-learning to understand Chinese culture and that UPS encouraged him in this undertaking.

Fourth, UPS China adopts the Chinese relationship-oriented business style and emphasizes relationship cultivation. UPS also cares for its employees by providing daily bilingual health and safety tips in its communication. David

Weisser, a Business Development Manager for Eastern China, said that UPS China tries to demonstrate the care the company has for the employees' families. Jessie Liu, HR Director for UPS China Supply Chain Solutions, said that if employees at UPS are transferred to a different location, UPS encourages them to move with the family. She added, "There were some that moved without family and we allowed them trips back more often. This was a compromise" (UPS Focus Group Interview, 2007).

#### *The UPS Communication Standardization Strategy*

UPS China adopted a very unique and effective strategy of communication to make sure that every employee is on the same page. This strategy is called the Pre-work Communications Meeting (PCM). PCM is used to convey information, provide new perspectives on a routine job, update new products and services, and provide safety tips. It can also be used to motivate, inform, or educate the staff (UPS Focus Group Interview, 2007).

Normally, the PCM reading materials are kept to no more than three pages, and the ideal duration of a PCM reading is less than 3 minutes. A special PCM on a significant topic may require more time for reading and interaction with the audience. In general, however, PCM must be conducted at the start of work in the morning on every Friday no later than 9:30 am. The PCM has a written agenda in both Chinese and English, as with all communication sent via emails at UPS China (UPS China District HR—Employee Communications, Cheong, 2007).

#### *China as Part of the UPS Global Strategy*

UPS also must deal with the constantly changing Chinese business environment. Because of the nature of distribution and logistics, in the Chinese context, agreements must be negotiated with each local government even if a national agreement has been reached. This is surprisingly similar to UPS's expansion across the US, when negotiations were needed for each state. Nonetheless, China's membership in the WTO, and the expansion of China's domestic market itself, are creating an environment where distribution services are allowed, and more importantly, are increasing in demand.

While the right market conditions are crucial for a successful investment by a foreign firm, getting the communication and other cultural aspects right are also essential. UPS in the China context is well on its way to becoming a local company serving local needs, while utilizing its global standards and resources.

## CONCLUSION

The case of UPS as a completely US-owned company operating in China provides a successful example of a US company's global expansion strategy. China's economic transition to a market economy has made the business environment more compatible for US companies operating in China. UPS has taken advantage of each stage of increased freedom in decision-making and the opening of China to new types of foreign business.

Through this research, we noticed that China's economy has become more market-oriented, leaving behind many of its previous characteristics, which were established during the planned period, and causing the Chinese business culture to be more Westernized, especially in metropolitan cities such as Shanghai and Beijing. There are many signs of maturing markets, growing competition, pressures within China to use standardized pricing arrangements and contracts, and Chinese companies that would like to see intellectual property protection for their own innovations. However, all is not resolved. UPS, for example, is now at a crossroads where it would like to build a comprehensive domestic distribution and logistics business within China, but where the fragmented nature of the market resulting from infrastructure and bureaucratic hurdles is standing in the way. More generally, Huang (2008) argues that by some measures China's reforms in the 1980s were more progressive than those in the 1990s. The experimental character of the reforms has in some cases given way to industrial policy that favors certain state sectors and urban areas over the private sector and rural economic activity.

Chinese-American cultural differences underscore the fact that China is a country where American expatriate managers must make a conscious effort to adjust their communication and business styles to compensate for the linguistic and cultural barriers. However, some US companies have been able to navigate the Chinese cultural and economic challenges, and even find some affinity with the use of English, the big country mentality stemming from their large domestic economies, and a mutual respect for taking risks. A new "transactional culture" as suggested by Varner (2000) may be in the making, which is tied directly to the building of transnational corporations (TNC) (Bartlett and Ghoshal, 1989). The strength of a TNC rests on its ability to simultaneously achieve global efficiency, local responsiveness, and worldwide innovations. A TNC produces goods and services that are tailored to local needs while maintaining high quality and competitive prices. This is achievable with innovative integration of culture, communication, and adaptation to the business environment on the ground. UPS is one example of a company that is aggressively using this strategy with its self-conscious

identity as a global company serving a local community in China. UPS tries to think globally and act locally by avoiding the five cultural obstacles and utilizing the five cultural facilitators identified in the Chinese and American communication framework.

The growing and dynamic China market may be the place where the 21st century business TNC models are incubated (Hexter and Woetzel, 2007). The China market is indeed important, and lessons learned about strategies for dealing with the differences in business environment, culture, and communication are essential to US companies' global success.

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