

## Multinationals in China: How 'local' should management go?

*Zhongxia Chen, an Executive Global Master's in Management graduate, finds that differences between Western and local management may not be as pronounced as many companies believe.*



Any multinational seeking to build a strong base in China will inevitably confront the question of how 'local' an approach to adopt, particularly when it comes to management. Foreign firms active in Asia's biggest market have pursued a wide variety of strategies, from flying in supervisors from head office for a transition period to train up local staff, to instituting a permanent expatriate management layer.

Along with the need for expertise and training, one of the key arguments for maintaining expats in senior roles has been cultural; that is, that the more participatory Western management style has a positive impact on employee motivation and retention versus the traditionally more hierarchical, top-down local approach. New research I've conducted in this area has found this is broadly true – but that the differences between Western and local management may not be as pronounced as many companies believe. Given the costs typically associated with expatriate postings, multinationals in China may want to take note.



### Testing the benefits of an international approach

My research focused on one main question – what is the impact of having a Western versus a local manager on local employees' satisfaction and turnover at multinational firms in China?

I sought to verify several key assumptions commonly associated with the Western management style, including:

- Supervisors with a more **participative leadership style** foster high levels of job satisfaction, and lower turnover intentions, in their employees
- Supervisors that demonstrate a high level of **procedural justice** – that is, consistency and openness – in promotion decisions foster high levels of job satisfaction, and lower turnover intentions, in their employees
- These positive impacts are weaker when local employees are conscious of a strong '**power distance**' – that is, a greater degree of inequality or a lack of consultation, typical of China's more hierarchical culture – from management



## Polling employees

My research was based on a survey that netted responses from 123 local Chinese employees of wholly owned foreign companies or joint ventures in China. The survey questions covered:

- participative leadership (e.g. to what extent supervisors listened to ideas and suggestions)
- participative decision-making (e.g. to what extent employees are allowed to participate in work-related decisions)
- procedural justice in promotion (e.g. to what extent employees have the opportunity to propose or discuss a promotion)
- power distance (e.g. to what extent employees can express disagreement with managers)
- job satisfaction
- turnover intention (e.g. whether the employee intends to leave the company in the near future).

Previous research shows Chinese respondents tend to select the mid-point of odd-numbered tests, so I used a six-point response scale to overcome this.

## Not so different after all

The survey results clearly supported the assumptions about the impact of Western management styles – though employees reporting a low 'power distance' from managers had only slightly higher levels of job satisfaction.

More surprising to me was that whilst 'power distance' is more evident with Chinese supervisors, the survey showed no significant difference between Western and Chinese managers in terms of adopting participative management styles and applying procedural justice in promotion decisions. The Chinese managers were just as likely to utilise these management styles as Western managers.

This could be the result of the Chinese managers being exposed to the multinational environment and adopting the parent company's practices, or a reflection of China's increasing internationalisation, but is a clear indication managers at multinationals will adapt and adhere to these norms regardless of nationality.

## What does this mean for multinationals?

Of course, the survey I conducted was limited and the issue warrants further research, not least into whether the same practices are taking hold at Chinese firms. Nonetheless, the study points to the so-called 'Western' management style becoming increasingly global, and enjoying high levels of understanding and acceptance by Chinese managers as well as employees.

This should give more multinationals the confidence to make the shift from expatriate to local management at a relatively early stage – which given the expense and cultural risks associated with employing expats long-term, should come as something of a relief.



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