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## **Executive summary**

The international expansion of the business has various challenges and many management considerations. Mainly when the entrepreneur is familiar with the local environment and if the entrepreneur expects to apply the same behaviour in the hosting market as well, it would not deliver positive outcome most of the time. The cultural, political and economic conditions are different in each market and therefore the business processes and strategies should be aligned with them accordingly.

The report is based on three main tasks which are focused on the given case study of Nihao Global. The company has the integration from two international business environments of China and Australia. During the assessment it was used several theoretical concerns of international business management and HR functions and deliver the necessary supportive suggestions for the development accordingly.

## **01. Introduction**

The knowledge creates power. In the given case study it can be seen that Nihao Global achieved a higher level of success in the Chinese market due to the extensive assessment of the hosting market by its leadership. The leadership of Nihao Global, Nigel Blair has identified the potential success of the Chinese market but the essential time was taken to conduct the thorough initial assessment of the hosting market before establishing the business in the market.

The business establishment of the foreign market should be done in prudent manner. Even some local business establishments are failed due to the environmental conditions. Therefore it is required to gather as much as information about the market through thorough assessment and research of the hosting environment. The regulations, cultural expectations and the environmental conditions differ from the local business environment, and the companies have to consider that when approaching the international markets and defining their strategies in the international markets.

## **02. Task One**

The political environment of a country plays a significant role, and similarly, it would create a higher level of impact on the business organisations of the country as well. The political environment is creating all the policies, practices and many other functional methods to the nation which would shape the nations according to the main political ideologies. A political ideology is a set of related beliefs about political theory and policy held by an individual, a group of individuals or a social class (Drábek and Mavroidis, 2013). The political ideology creates a vision for the political parties to conduct their actions in the country. Most of the nations have collective political ideologies (Wildman, Griffith and Armon, 2016). This happened because the various social groups of the country had a variety of political expectations and based on that they select their ideologies and at the end, several ideologies are combined under main ideology and deliver collective political ideology to the country (Liu, 2016). Functions in the country should be aligned with the political ideology, or otherwise various resistant situations can be experienced.

In the given case too, it was implied the importance of aligning the business operations based on the political ideologies. The comment of "Don't underestimate the restrictions and time involved in setting up a business in China" shows that the business organisations should align

the expectations of the political environment even though it is harder to address (Starin and Obid, 2004).

Below it was mentioned some of the main political ideologies in the world.

<b>Capitalism</b>	<ul style="list-style-type: none"> <li>• Right-wing political system where the principle means of production and distribution are in private hands.</li> </ul>
<b>Communism</b>	<ul style="list-style-type: none"> <li>• Extreme left-wing ideology based on the revolutionary socialist teachings of Marx. Collective ownership and a planned economy. Each should work to their capability and receive according to their needs.</li> </ul>
<b>Anarchism</b>	<ul style="list-style-type: none"> <li>• Society without government, laws, police or other authority. System of self-control.</li> </ul>
<b>conservatism</b>	<ul style="list-style-type: none"> <li>• Governmental system where the existing institution are maintained, emphasizing free-enterprise and minimal governmental intervention.</li> </ul>
<b>Democracy</b>	<ul style="list-style-type: none"> <li>• Government by the people usually through elected representatives.</li> </ul>
<b>Liberalism</b>	<ul style="list-style-type: none"> <li>• Representative government, free-speech, abolition of class privilege and state protection of the individual.</li> </ul>
<b>Monarchy</b>	<ul style="list-style-type: none"> <li>• A form of rule in which the head of state is a King or Queen.</li> </ul>

*Figure 1 Different types of political ideologies*

Source: <http://www.quick-facts.co.uk/politics/ideologies.html>

China is a highly populated country. The largest population of the world is presented in China, and because of that the power of the people is high, and in nature, they like to be united and face their challenges collaboratively, and the country is mainly pursuing the political ideology of the Communism (Čebtron et al., 2004). Chinese people believe that they should work together and achieve the goals collectively and also their political ideologies are designed accordingly. However, the country is not limited to the communism, and it can be seen the ideologies of the democracy and conservatism as well (Starin and Obid, 2004).

China is one of the largest manufacturers in the world. The country is focusing on the improvement of the enterprises of the nations to support the world market's demands and needs. The country had the powerful strength of people power and based on the people power, and the country can manufacture many products for the lesser cost. Due to this focus on the

economic development, the communism was supportive to the country and allow the human resource of the country to be collaborated and deliver the positive results (Nolan, 2008).

When assessing the case, it can be identified that Nigel Blair had spent considerable time to understand the Chinese culture and business factors due to the political ideology of China. When comparing the situation of Australia, the political ideology is very different. Australia was a monarchy which ruled under the queen, and the government is very systematic and stable. Over the time the democracy was established, and people have the chance of representing them in the government establishment. The country delivered positive business development support with the well-established stable framework.

Considering that Nigel Blair took the right decision to understand the Chinese market and business environment and he followed the philosophy of "Don't underestimate the restrictions and time involved in setting up a business in China." It actually delivered the success to the business and allowed the business to grow within a limited time frame.

It seems that the Chinese government is adaptive to the change. When the world market is changing, China is ready to adjust their legislation relates to the business activities and corporate world (Nolan, 2008). Because of that, the planning should be done by being ready to address the contingent needs which may occur with the legislature changes of the government. It was stated in the case that many countries failed in conducting the business in the Chinese market and it can assume that many countries have a stable legislature and therefore their planning would not address the contingent needs of the flexible and changing legislature (Wildman, Griffith and Armon, 2016). However, Nigel Blair was able, and after gaining the correct level of knowledge and information, only he started his work in China. It was mentioned that he is aware of Asian markets, but he knew that flexible and changing corporate legislature of China is different from all of those Asian markets. He has identified that by giving a unique consideration to the market, he can win the business effectively.

When it comes to the changing and flexible legislature concern of China, it can be seen that the country is pursuing those change to achieve below mentioned main factors based on their political ideology.

- Address world demands through Chinese companies
- Improve the economic conditions of the country
- Support the development of the local companies by opening various international doors

- Improve the business organisation and make many jobs to the population.
- Beat the competition of other nations in the world market

Based on the above considerations, the country is improving the policies and practices in the below mentioned main HR areas the management should be ready to address them when planning to function better in the Chinese market.

Recruiting people – China always delivers the priority to their people. Therefore the job opportunities of the new companies should mainly focus on Chinese people. The government regulations are supportive to that as well (Kroes, 2007).

Chinese culture – The culture of the people is traditional, and the companies should not challenge their traditions. The understanding of the Chinese behaviour is essential, and the company should adjust the organisational behaviour accordingly (Yan and Pitt, 2002).

Employee grouping – The employee collaboration is natural to the country, and the company should not challenge the collaboration. The groups should be given the opportunity to perform well, and necessary group rewards should be given as well.

Remuneration – Chinese people are focusing on the base pay for the job. The base pay levels are changing due to the economic changes, and the companies have to consider that when defining the pay levels to the employees (Yan and Pitt, 2002).

Chinese currency – The value of the currency is essential to the government. Various regulations are provided to manage the value of the currency, and the business should focus on that further as well (Yan and Pitt, 2002).

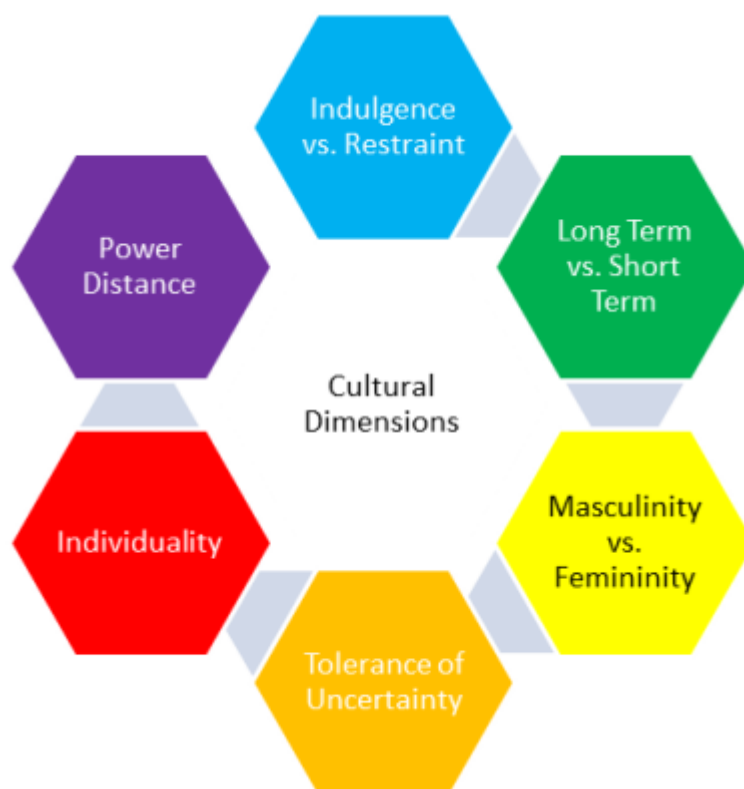
Foreign reserves of the country – The government of China does not like to waste foreign reserves of China. Because of that when importing products to China, the companies have to pursue strict rules and regulations to manage the currencies accordingly (Yan and Pitt, 2002).

All those factors should be adequately considered when entering the Chinese market. The business should not try to conduct the operations without considering those main factors. The political ideologies of the country are changing its internal structure of the country. Based on that the changes and differences can be seen, and the management of the company should address them adequately as well.

### 03. Task Two

The cultures have various dimensions which would create differences in the international cultures. Therefore it is essential to identify those factors and assess the cultures to get a clear idea about the particular culture and identify the differences between the local and the particular international culture to define the business strategies accordingly (Madura, 2018).

Geert Hofstede, a prominent researcher, has proposed a model for the cultural assessment which has several key dimensions (Hill and Hult, 2009). The model is known as Geert Hofstede's Six Dimension Culture Assessment Model. Hofstede defines culture as "the collective programming of the mind distinguishing the members of one group or category of people from others". He initially proposed five dimensions to the model and later it was further extended up to six dimensions for the assessment. Below diagram defines the dimensions (Kroes, 2007).



*Figure 2 Hofstede's Cultural Dimension model*

Source: <https://4squareviews.com/2012/12/19/six-sigma-green-belt-define-team-dynamics-and-hofstedes-cultural-dimensions/>

The above dimensions can be used for analysing any international country. Based on the findings of Hofstede, during his extensive research on the cultures of the world, almost all the

countries are modelled according to the six dimension model, and it delivers a clue for the assessment of the international culture.

The case considered Australia and China. Below it was mentioned the Hofstede model for both countries.

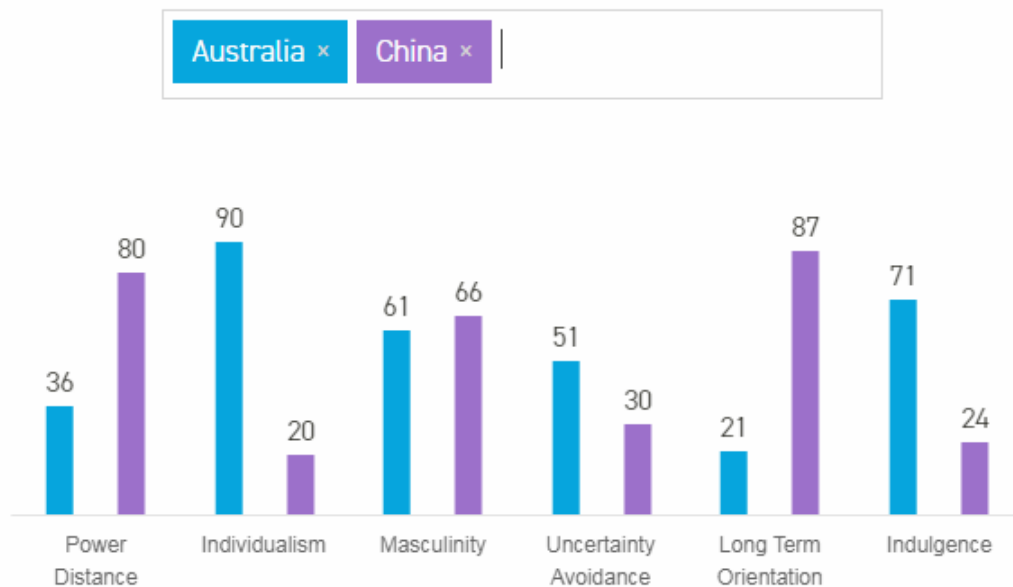


Figure 3 Hofstede Model for China and Australia

Source: <https://www.hofstede-insights.com/product/compare-countries/>

Factor	China	Australia
Power distance	High – Favour authority and tall hierarchies in the business. Expects well describe power and responsibilities (Zhang, 2004).	Low – Favour decentralisation of power. Taller management hierarchies are not favoured and authority powers are decentralised.
Individualism	Low – Likes to perform as a group. Favour group achievements and performances	High – Likes individual performances and most tasks are faced individually by the employees
Masculinity	High – People strive to be the best and best performances, achievements and stronger behaviour are appreciated	High – The higher performances, achievements, expertise, success in challenges and powerful stronger behaviour are appreciated.
Uncertainty avoidance	Low – People are alright with the ambiguity. They face the factors	Medium – Consider about the ambiguity. The people favour if they



	according to the situation and assess the situation and define their behaviour accordingly to get the best outcomes	can know the future and avoid the ambiguity. However they would face the situations accordingly to make the best outcomes (Judd, 2002).
Long term orientation	High – Believe in the future benefits and also consider the impact of current actions on the future. Higher planning and considerations can be seen.	Low – Focus on achieving the quick results. The benefits of the previous work are enjoying and lower focus on the long term considerations (Mitchell, 2009).
Indulgence	Low – Social norms are protected and the people would be bit traditional. They believe in working hard and consider for their future (Zhang, 2004).	High – Focus on enjoying the life and higher level of optimism can be seen. They believe in life and having fun during their lifetime without taking many serious concerns.

The above discussed cultural dimension differences are presented in the most of the areas of the countries. Mainly the Hofstede's model assessment for the two countries is showing a significant level of changes as well. These changes are primarily indicating that the Australian should consider concern of the consideration of the Chinese market highly when selecting it as the hosting market for the international expansion.

When comparing the management and HRM functions of both Australia and China, it can be many differences which are related to the concerns of the Hofstede Culture Model. The performance management is crucial for any business organisation, and when it comes to China, it can be seen the country has higher favour for the group performances (Alcock, 2003). The performance expectations and targets are achieved collaboratively focusing group performance rewards. In Australia, individual performances are appreciated and rewarded mainly (Zhang, 2004). As such both countries have different management and HRM practices and policies as described below.

Factor	China	Australia
Recruitment and selection (indulgence of	Consider the knowledge and competencies. However mainly concern the ability to adjust to the	Solely focus on the knowledge, competencies and attitude of the employees. If the employee is suited

Hofstede's model)	cultural concerns by the employee when hiring. Mostly give the priority to the local people when hiring (Nolan, 2008).	for the job he will be given with the chance to pursue job opportunity.
Reward and remuneration (individualism of Hofstede's model)	The salaries are low and therefore the employees are focusing more on earning rewards through the performances. They work as a unity and achieve the group targets collectively to get the performances (Yan and Pitt, 2002).	Individual pay is high and individual performance objectives are setup and deliver rewards when achieving the individual performance expectations (Phillips, Chapman and Stevens, 2014). Lower rewards can be seen and the employees are expected be self-managed and deliver their best to the company.
Training and development (uncertainty avoidance of Hofstede's model)	Lesser investment for the T&D and mainly the employees are encouraged to improve their knowledge and skills while doing the job. On the job training is highly concerned and conceptual learning is not much considered (Čebon et al., 2004).	Conceptual learning is given with importance and the candidate encourages to have better education and skills before entering to the job. Also a higher level of investment is delivered for the T&D functions of the employees (Yan and Pitt, 2002).
Business regulations	Flexible regulations can be seen. Intellectual property concern, business laws in production, and export laws have higher level of flexibility. Because of that various unethical business practices can be seen.	High and stable regulations can be seen. The businesses have to pursue the legal codes to ensure the sustainability and most of the unethical business practices are limited by the regulations.
Focus on the corporate development. (long-term orientation of	Higher focus on the profitability. The companies should support the economic development of the country while making jobs (Liu,	Focus on the sustainability. The environment and society should be benefited by the companies positively and the companies should not focus solely on profitability.

Hofstede's model)	2016). The customer satisfaction is mainly focused when making profits	
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Based on all the above considerations, it can identify the system has a considerable impact from the concerns of the Hofstede's cultural dimension (Deresky, 2017). Most of the HRM models, policies and practices have an impact from, and therefore in overall conclusion, it can be said the Hofstede model is one of the best methods to implement as the international environmental and cultural assessment (Judd, 2002).

## 04. Task Three

During the assessment it was identified that Australia and China have various differences in the political and cultural considerations. Both factors are making huge changes in the nation and therefore it is essential to provide better solutions when conducting the business in the Chinese market.

Nihao Global focused on direct approach to the Chinese market. Mainly the leadership of the company has the proper knowledge and practice in the Chinese market and that was supportive to the business establishment (Phillips, Chapman and Stevens, 2014). However the company has to join hands with the Chinese market further under the joint venture ship model. Below it was mentioned the main approaches to the international markets under variety of strategies.



Figure 4 Methods for international market entry

Source: <http://www.learnmarketing.net/international%20marketing%20entry.htm>

Considering all the above market entry methods, it can be said that the joint venture method is beneficial because the party of the hosting market has a higher level of knowledge about the business environment and related policies of the nation. Therefore the business adaptation is easier and low risky (Nolan, 2008).

Based on that the company has selected the correct pathway and also the expectations of gaining the consultations for the development of the business is much better. However the company should consider on the pressure of the Australian environment as well (Kroes, 2007). The company has the option of pursuing the convergence practices in HRM and management functions, but it would be challenging to address changing demands of the nation under one policy. Therefore the divergence approach is better and the company should establish common goals to each market and achieve them collaborative while addressing the national considerations individual manner under the concerns of divergence (Logan, 2011).

The intermediary of Singapore is better to the situation but would not be a long-lasting solution to the situation due to the longer flight times. Based on below assessment of three countries under the Hofstede's model it can be seen that Singapore is delivering better practice to the company when handling business in China, since the cultures are similar. In most of the cases Singapore delivers middle ground.

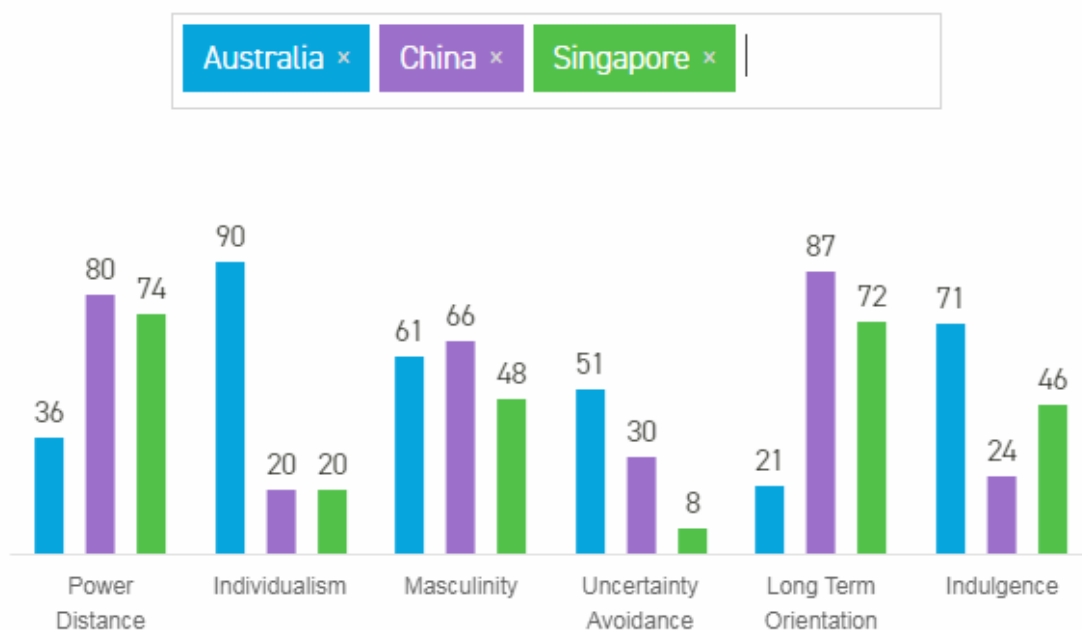


Figure 5 Culture comparison

Source: <https://www.hofstede-insights.com/country-comparison/australia,china,singapore/>

Proper adaptation is the key in such situation, and the company has pursued better strategies during the time (Madura, 2018). However the company should further focus on further method to ensure the sustainable business conduct in the Chinese environment. Since the Chinese market is positive the company should focus on the delivery of adaptable concerns to the Chinese market. The employees of the company should be trained to handle the cross-cultural situations better. The employees are the key to handle the cultural resistances and therefore the company should strategically address the development of the employees while gaining the better benefits to the company (Phillips, Chapman and Stevens, 2014).

The employee knowledge and competency development should be used as the strategic tool and the company can use the Cross Cultural Training model to address the differences of the cultures by effectively improving the employees of the company. Below it was mentioned the Cross Cultural Training model.

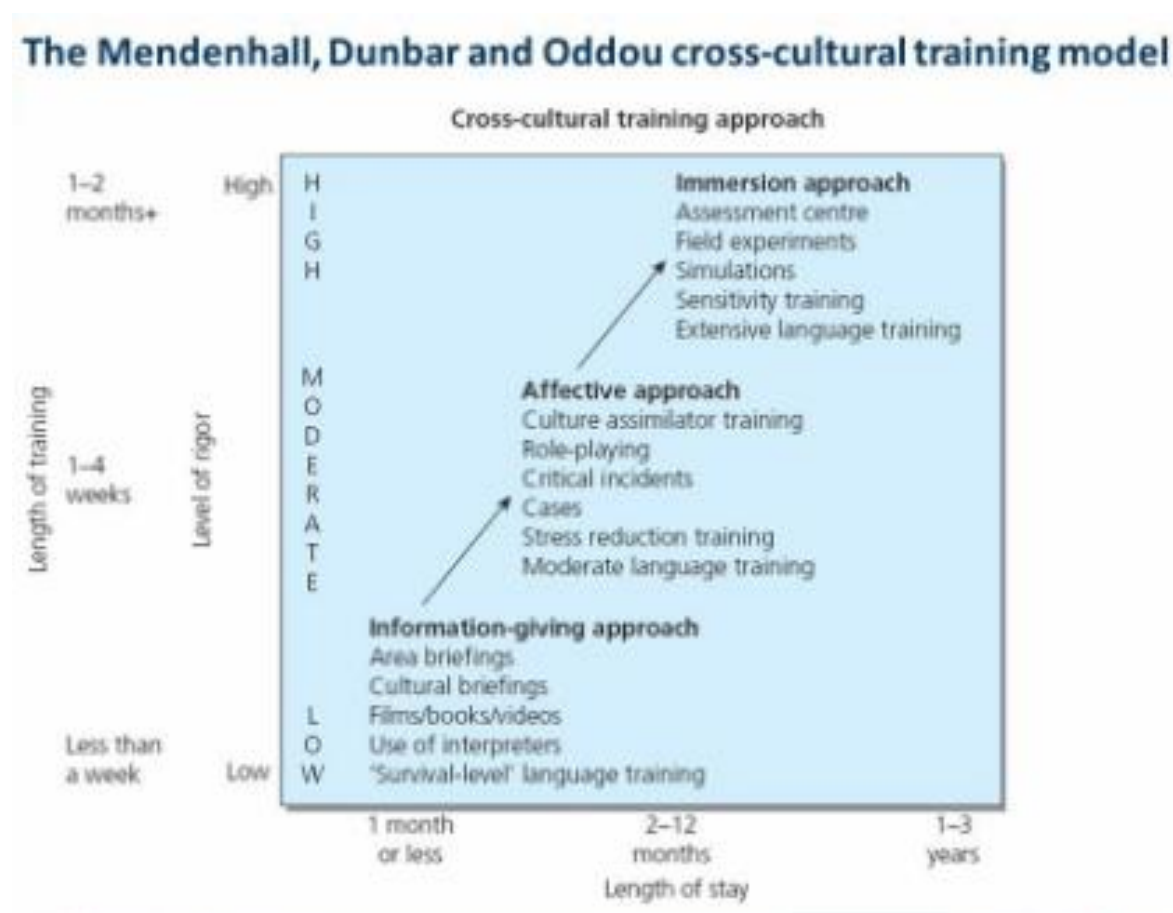


Figure 6 Cross Cultural Training model

Source: <https://slideplayer.com/slide/5066349/>

The model suggests main three approaches and the company can decide training time based on the employee stay and length of training. This would mainly address the issues of the cultural

barriers and also improve the employee readiness for the change in such cross-cultural situations. The resistance of the employees would be reduced, and the company would be able to develop a stable culture during the time through the model.

However, further, the company should pursue the policies which are flexible with the potential changes to the environment and the hosting country's legislature. The company can pursue the intermediary strategies, but that would not be the best solutions. The first approach in gathering information about the environment is much better. Therefore the company should further investigate the market and its related conditions towards the HRM functions and improve the cross-cultural training methods and organisational decision making accordingly. The company should pursue a higher level of contingent approach to ensure the success in the business environment effectively.

## **05. Conclusion**

International business is very challenging and should be approached to the international business with proper level of understanding. During the report it was assessed the case of Nihao Global and identify their current cross cultural challenges accordingly. Mainly the political, socio cultural considerations are taken into the account and use various theories for the assessment as well.

The employee and management of the company should be adaptive to the change and they should have proper awareness of the business environment as well. However the company is following a good management and international business practices up to now and it is essential to further improve them to get better results.

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