Aspects of BPR Success due to National Culture: China & India

Introduction

• BPR originating mainly in US/Europe important for (all) large organisations.
• “Large”, nowadays usually means multinational/multicultural but in context of certain countries means current or former State Owned Enterprises (SOEs)
• BPR came from US but really a re-implementation of TQM from Japan (showing some cultural adjustments possible)
• Now and in future, China & India’s economic preeminence in the world makes understanding cultural and national aspects influencing BPR more important
• BPR has been defined earlier as a radical redesign of business processes using IT to achieve drastic improvements (Davenport).
• Focuses mainly on the process, a set of logically related tasks performed to achieve a defined business outcome.

National Culture Aspects of BPR

• Two Questions:
  o To what extent is radical readjustment possible?
  o When does national culture act as a brake for BPR?
• First need a definition of National Culture:
  o Hofstede (2003), defines it as “the collective programming of the mind which distinguishes the members of one group or category of people from another”. It suggests that people share a collective national character that represents their cultural mental programming.
  o Information is “culture specific”:
    o According to Cochrane & Atherton (1980) "for considering information services, should consider ‘cultural community’ which is composed of potential users who may have distinct values, beliefs, and attitudes towards external information services.”
    o Result is: info is “incommunicable unless it has been ‘acculturated’”
• Consider here 2 cases China & India:
  o China: Fastest growing global major economy (avg 10% growth over past 30yrs)
  o India: Large off-shoring impact in past 20 years
• How to examine Cultural/National Aspects of a Country?
  o Set out most influential theories of national culture
National Culture Aspects of BPR cont’d

• How to quantify dimensionally the Cultural/ National Aspects of a Country?
  o Outline most influential theories of NC (Defs below from Jayaganesh & Shanks 2009)

1. Power Distance (see Hofstede 2003, House et al 2004)
   "the extent to which members of institutions & organizations within a country expect & accept that power is distributed unequally."

2. Individualism/Collectivism (see Hofstede 2003, House et al 2004)
   "the strength of ties within a social network."

   "the extent to which the members of a culture perceive ambiguous or unknown situations as threats as opposed to opportunities."

   "extent to which a society rewards innovation, quality & performance improvement."

5. High/Low Context (Hall 1976)
   "degree of explicit background information required for effective communication."

6. Masculine/Feminine (Agrawal and Haleem 2003)
   "extent to which society differentiates between the sexes and places emphasis on masculine values of assertion, competition, performance & visible achievements versus feminine values of intuition, team building and cooperation."

Culture & Use of IT/IS

• Know already that IT is a key enabler in BPR (Hammer).

• Given that IT is of itself neutral, is there a universal regard/use of IT in different cultures?

• Or, put another way are there factors (irrespective of technological development level) that are culture specific?

• Theories in sociology, psychology and organisational behaviour suggest that just because a theory applies in one culture, that theory does not carry over to others (Hofstede & Bond, 1988)
  o National differences substantially contribute to variations in managers’ beliefs & attitudes (2/3 national, 1/3 individual) (Haire et al 1966).
  o Results by Herbig & Day (1990) indicate that certain socio-cultural conditions have to be in place for innovation to occur.
  ⇒ implications for BPR?

• People, after all, interact with IS thro a human interface and so culture impacts on attitudes towards the use of computers.

Culture & Use of IT/IS cont’d

• Often main problem is concerning the acceptance of IT:
  o Even if the technology exists, or a company can purchase it, the technology could be challenged by workers, reluctant to modern technology, computer-oriented jobs and services.
  o More true when talking about a company with a lot of experienced (and therefore old) workers.
  o These workers might not accept the changes imposed and the obligation to use IT on an everyday basis as easily as the new/young workers.

• This is more of a social problem than a cultural one. But can say for some cultures, IT would be accepted more readily than others.
  o “the technical knowledge, creativity and energy of a younger generation that holds low-level positions would have to be accommodated by a culture that has a deeply embedded tradition of deference to superiors and respect for experience” (Martinsons and Hempel, 1998)

• Also IT-enabled changes suffer from the fact that most new technologies come from the West/USA. So it can be hard for Middle Eastern workers, to even accept using tools, on principle
  o Doesn’t apply to all in these countries, but can be a risk that this causes a problem in workers’ minds, at least at the beginning of the BPR attempt.
Chinese-Specific Cultural Aspects

- China PRC made up of mainly ethnic Han Chinese, though other significant ethnic groupings exist.
- China also can be said to vary according to dialect group identity (probably arising out of geographical location).
- Chinese ethical & philosophical system developed from teachings of Confucius.
- Although difficult to generalise over 1.5Bn+ people, can say that Confucianism remains predominant social reference in China (Martinsons and Hempel, 1998).
- Also cultural differences exist between Asian societies e.g. regarding Teamwork (Martinsons and Hempel, 1998).
  - Japanese tend to consider the society as a unit.
  - Chinese tend to give more importance to family.

Relationship & Face in Chinese Business Relationships

- Other aspects of Chinese Society Relevant to Doing Business:
  - **GUANXI** 关系 ("relationship"): - Refers to value of an ongoing relationship between people including its future network possibilities which are cultivated with energy, subtly in China. - Amounts to currency of getting things done/ getting ahead in China. - It is a relationship between two people containing implicit mutual obligation & assurances. - In business, serves as the informal channel for movement of information & money. - Based on personal interest & mutual trust, constraining use of formal co-ordination & control mechanisms.
  - **MIANXI**面子 ("face"): - Face refers to one’s moral character & is a person’s most precious possession in the Chinese context as without it, cannot function in society. - Also refers to a person’s reputation / prestige & is based on personal accomplishments, political status, or bureaucratic power. - Can be enhanced by acts of generosity in terms of time, gifts or praise of others. - In business context, can act as a major barrier to change in an organisation.

Aspects of Chinese Cultural Relevant to BPR

- **Power Distance:** According to Confucianism “All humans are born unequal”, making the idea of uneven power distributions more acceptable in China & other countries influenced by Confucianism (e.g. Japan, Korea, Vietnam, Taiwan).
- **Individualism/Collectivism:** - Chinese tend to achieve social order thanks to a “harmony-within-hierarchy” arrangement (Chung et al 2005), in contrast to (western) emphasis on individual rights and freedoms. - Chinese workers tend to score high in collectivism (Hofstede 2003, House et al 2004) & poorly outside group setting, (Early, 1989).
- **Performance Orientation:** - Chinese companies (into the 21st C) tend towards subjective, activity-based rather than process-based performance measures. - Individuals not rewarded only on their results but rather according to relationships.
- **Uncertainty Avoidance:** Tendency among Chinese companies to accept difficult situations as they are rather than problems to solve, (Lu & Xiang 2008) - Compounded by Confucian ideas of respect for superiors/authority figures and concept of "face"
Comparative Study of BPR in China

- He (2005) surveyed 195 Senior Managers at Tsinghua’s Mgmt Training Class to ascertain their attitudes to BPR success.
- 63% of the (110) respondents were at Pres, VP, CFO or CIO level
- Results:
  1. Potential benefits of BPR
     a) BPR facilitates comms & improves info sharing (92% agreed)
     b) BPR enforces competitiveness (87% agreed)
     c) BPR helps improve productivity & reduce costs (86% agreed)
     d) BPR enhances corporate strategy (86% agreed)
  2. Major obstacles to BPR in China
     a) A culture that resists change and new ideas (73% agreed)
     b) Lack of innovation incentives to SOEs (72% agreed)
     c) Seniority, not performance-based promotion (67% agreed)
     d) Unemployment pressure of process restructuring (57% agreed)
     e) Lack of senior management commitment (55% agreed)
     f) Lack of a coherent BPR strategy (50% agreed)

Martinsons & Hempel (1998) on BPR in China

- In an influential and much-cited paper Martinsons & Hempel (1998) make the following conclusions on BPR in China
  o Preparing for radical, IT-enabled change, Chinese Businesses tend to have difficulty:
    - ignoring status quo & use clean-slate thinking in their IT-enabled change effort
    - justifying formal planning & design
    - constructing (Western-style) formal business models than their US counterparts
  o Designing IT-enabled change, Chinese Businesses tend to:
    - be less able to unilaterally design IT-enabled change
    - be less likely to choose radical forms of IT-enabled change
    - find it more difficult to design performance appraisal & reward systems
    - find it less difficult to make use of process-based work teams than their US counterparts
  o In implementing change, Chinese Businesses tend to have:
    - less difficulty initiating a radical, IT-enabled change effort
    - more difficulty completing a radical, IT-enabled process change effort
    - more difficulty rapidly implementing (radical forms of) IT-enabled change
    - more difficulty implementing proc-based performance appraisal & reward systems
    - more internal discomfort from radical IT-enabled proc change effort than their US counterparts
  o As a result, authors conclude, Chinese BPR will evolve to be characterized by less formal planning & documentation (Context/Face/Collectivism), more gradual implementation (UA) & more authoritarian management (PD) than US BPR efforts.

Survey on Indian National Culture & BPR Success

- Agrawal & Haleem (2003) surveyed 800 organisations in US & India to determine if/how 4/6 factors above determined BPR Success.
- Can summarise findings as:
  o Power Distance (PD):
    - In India, values for PD are high relative to their US counterparts
    - Agrawal found that these high values help in success of BPR applications (+ive corr)
    - However, also found that employees don’t want bosses to monitor them while learning BPR technology, wanting to operate in a free environment.
    - Values for US firms for PD corroborate these correlations.
  o Uncertainty Avoidance (UA):
    - In India, values for UA are low relative to their US counterparts
    - Agrawal found low values of UA helps success of BPR applications (-ive corr).
    - Values for US firms for UA corroborate these correlations.
  o Individualism:
    - In India, values for this are low wrt to their US, due to family ties.
    - Agrawal found this to be -ively correlated with success of BPR applications, due to more individual control of processes having possible adverse effects.
    - Values for US firms for Individualism corroborate these correlations.
  o Masculinity:
    - In India, values for this are high wrt to their US
    - Agrawal found Masculinity to be -ively correlated with success of BPR applications.
    - Values for US firms for Masculinity corroborate these correlations.
Indian Case Study #1: MNC-Co
[from Jayaganesh & Shanks (2009)]

- Established in Japan in 1940’s, MNC-Co manufactures & retails consumer durables.
- A subsidiary (est’d post Indian Economic Liberalization in 90’s) is a leader with 2nd position in terms of Indian market share.
- Early 2000’s, lack of integration btwn systems id’d as causing lack of insight into initiatives across org & various other tactical/operational bottlenecks.

- Solution Implementation
  o Senior mgmt saw limits in existing way of working & impl’d an ERP-enabled BPM citing their:
    - Commitment to engagement in BPM
    - Understanding of adv of adhering to global process standards
    - Belief that local needs considered wrt global standards thro representative project team with global, regional and local members
  o Process KPIs aligned with organisational objectives
  o Establishment of:
    - Process-based Organisational structure
    - Process-related roles & responsibilities
    - Process definition & documentation: in place but only used for new recruits
    - Process standards & QA: Global standards for core processes as none available in context of Indian subsidiary.

Indian Case Study #2: Ind-Co
[from Jayaganesh & Shanks (2009)]

- Est’d 1955: Ind-Co a market leader in manuf & distribution of consumer durables.
- Leadership position* in domestic market due to ability to supply high quality products at affordable prices.
- Mgmt believes survival of company based on progressive philosophy embracing ability to change while emphasizing essentially Indian id.
- Company wants to explore possible export opportunities so set up a subsidiary in US.
  o At the same time prior leadership position* perceived insufficient for future strategic plans.
  o Hence an emphasis on operational excellence introduced to complement brand & design capabilities.

- ERP-enabled BPM Strategy at Ind-Co
  o Senior mgmt:
    - Committed to ERP but did not explicitly define BP Strategy
    - Impl’d in IT strategy => ERP sys: tech proj under IT dept’s mgmt/ctrl
  o Process objectives not explicitly defined or aligned with corporate goals.
  o Process-oriented org structure:
    - Established during ERP system implementation & maintained since
    - Process-related roles & responsibilities: as no exp BPM strategy est’d, process-related decisions focussed on IT rather than on business.

Indian Case Study Analysis

- Power Distance:
  o At MNC-Co, two trends apparent:
    1. Senior/Middle mgmt levels:
      - More impersonal mgmt style observed.
      - Relationships are short-term, formal & egalitarian as employees are either expats or Indians who have worked globally as expats.
      - Asynchronous communications (email etc) used extensively.
    2. Operational level of mgmt:
      - Employees establish emotional bonds thro long-term relationships.
      - Subordinates look to their superiors for direction & appreciation.
      - Informal communication thro face-to-face conversation.
  o At Ind-Co:
    - Respect for authority & expertise reflected by need for their favour.
    - This in turn motivates employees to be compliant to org’s processes.
    - In the event of non-compliance, employees are reprimanded/coaxed into line in a quasi-parent-child-like manner.
    - Communication dependent on established relationships & constrained by power distance.
Indian Case Study Analysis cont’d

• Individualism:
  
  o At MNC-Co
    - Employees often moved across projects, geo borders => short term r’ships.
    - Employee’s relationship with org is mainly impersonal => high attrition rates in middle mgmt.
  
  o At Ind-Co
    - Employees at all levels of mgmt identify strongly with org, relating its fate to their own => motivator for performance.
  
  o Common: at lower levels (MNC-Co), all levels at Ind-Co:
    - Stronger bonds formed with members of same functional unit, providing a basis for all work-related activity.
    - Most employees tend to stay in the org, with the length of relationship with org further increasing ties between employee and org.

Indian Case Study Analysis cont’d

• Uncertainty Avoidance:
  
  o At both MNC-Co & Ind-Co ambiguity prevails over every aspect of BPM.
  
  o Mgmt of BPM-related activities is thru individual expertise on ad hoc basis.
  
  o Only exception to this is at MNC-Co are those processes requiring interaction with global partners which are standardised & documented with care.

• Performance Orientation:
  
  o Both orgs conform to the tendency in India towards low P.O.* to varying degrees, with one exception:
    - Theory suggests that orgs in India place less emphasis on results.
    - Authors found that employees in both orgs (esp at operational level)
      focussed on delivering outcomes over adherence to defined processes.
      - Achieved this thru high task skill levels and adaptability/ capability to improvise without much regard for rules.
  
  o Reward systems in both orgs emphasize results over processes being followed.

• Results in broad accordance with Agarwal & Haleem (2003):
  
  o Collectivism & high Power Distance -> easily affect BPR impl in an Indian context.
  
  o However, contradicting these, Jayaganesh & Shanks (2009) found that low UA results in less emphasis on setting up of process roles, definition & standards

References

• Hofstede (2001), Culture’s Consequences, Comparing Values, Behaviors, Institutions, and Organizations Across Nations, Sage Publications