

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

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### 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-implimentation 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.

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### National Culture Aspects of BPR

- Two Questions:
  - To what extent is radical readjustment possible?
  - When does national culture act as a brake for BPR?
- First need a definition of National Culture:
  - Hofstede (2003), defines it as "the collective programming of the mind which distinguishes the members of one group or category of people from another".
  - Suggests that people share a collective national character that represents their cultural mental programming.
- Information is "culture specific":
  - 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."
  - Result is: info is "incommunicable unless it has been acculturated"
- Consider here 2 cases China & India:
  - China: Fastest growing global major economy (avg 10% growth over past 30yrs)
  - India: Large off-shoring impact in past 20 years
- How to examine Cultural/ National Aspects of a Country?
  - Set out most influential theories of national culture

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## National Culture Aspects of BPR cont'd

- How to quantify dimensionally the Cultural/ National Aspects of a Country?
  - 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."
- 3. Uncertainty Avoidance (see Hofstede 2003, House et al 2004)
 

"the extent to which the members of a culture perceive ambiguous or unknown situations as threats as opposed to opportunities."
- 4. Performance Orientation (House et al 2004)
 

"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 Halsem 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."

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## 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)
  - National differences substantially contribute to variations in managers' beliefs & attitudes (2/3 national, 1/3 individual) (Haire et al 1966).
  - 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.

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## Culture & Use of IT/IS cont'd

- Often main problem is concerning the acceptance of IT.
  - 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.
  - More true when talking about a company with a lot of experienced (and therefore old) workers.
  - 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.
  - "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 US tools, on principle
  - 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.

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## 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)
- Difference exists between cultural traits of Chinese Nationals and those of Chinese born overseas (mainly US-, UK-, Indonesian-, Malaysian-born Chinese).
- 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.

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## 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, subtlety 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

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## 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 (Zhang 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 21<sup>st</sup> 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"

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## Comparative Study of BPR in China

- He (2005) surveyed 195 Senior Managers at Tsinghua U'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)
  - o Compare & Contrast w CSC/Index (Ranganathan, Dhaliwal, 2001) study of BPRs
    - Top 3 benefits of BPR to US firms: Improves BP speed; cost cutting; service & quality improvement.
    - Improving efficiency and cutting costs are important to US firms but facilitating communications & improving info sharing has special importance to Chinese Bosses
  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 (62% 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)

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## 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.

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## 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
    - 1. Agrawal found that these high values helps in success of BPR applications (+ive corr)
    - 2. 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
    - 1. Agrawal found low values of UA helps success of BPR applications (-ive corr).
    - 2. 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.
    - 1. Agrawal found this to be -ively correlated with success of BPR applications due, he says, to more individual control of processes having possible adverse effects.
    - 2. Values for US firms for Individualism corroborate these correlations.
  - o Masculinity:
    - In India, values for this are high wrt to their US
    - 1. Agrawal found Masculinity to be -ively correlated with success of BPR applications
    - 2. Values for US firms for Masculinity corroborate these correlations.

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## 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 2<sup>nd</sup> position in terms of Indian market share
- Early 2000's, lack of integration btw systems id'd as causing lack of insight into initiatives across org & various other tactical/operational bottlenecks.
- Solution Implementation
  - 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
  - Process KPIs aligned with organisational objectives
  - 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.

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

- Est'd 1955: Ind-Co a market leader in manuf 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.
  - At the same time prior leadership position\* perceived insufficient for future strategic plans.
  - Hence an emphasis on *operational excellence* introduced to complement brand & design capabilities.
- ERP-enabled BPM Strategy at Ind-Co
  - Senior mgmt
    - Committed to ERP but did not explicitly define BP Strategy
    - Implied in IT strategy => ERP sys: tech proj under IT dept's mgmt/ctrl
  - Process objectives not explicitly defined or aligned with corporate goals.
  - 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.

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## Indian Case Study Analysis

- *Power Distance:*
  - 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.
  - At Ind-Co
    - Respect for authority & expertise reflected by need for their favour.
    - This in turn motivates employees to be compliant to org'l 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.

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## Indian Case Study Analysis cont'd

- **Individualism:**
  - 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.
    - At lower levels of mgmt employees identify strongly with org, relating its fate to their own => motivator for performance.
  - At Ind-Co
    - Employees at all levels of mgmt identify strongly with org, relating its fate to their own.
  - 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.

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## Indian Case Study Analysis cont'd

- **Uncertainty Avoidance:**
  - At both MNC-Co & Ind-Co ambiguity prevails over every aspect of BPM.
  - Mgmt of BPM-related activities is thro individual expertise on *ad hoc* basis.
  - Only exception to this is at MNC-Co are those processes requiring interaction with global partners which are standardised & documented with care.
- **Performance Orientation:**
  - 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 thro high task skill levels and adaptability/ capability to improvise without much regard for rules.
  - Reward systems in both orgs emphasize results over processes being followed.
- Results in broad accordance with Agarwal & Haleem (2003):
  - Collectivism & high Power Distance -ively affect BPR impl in an Indian context.
  - However, contradicting these, Jayaganesh & Shanks (2009) found that low UA results in less emphasis on setting up of process roles, definition & standards

CA441: BPR National Cultural Aspects of BPR \* with high value placed on relationships/loyalty & less on training & devpt, results & rewards<sup>17</sup>

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