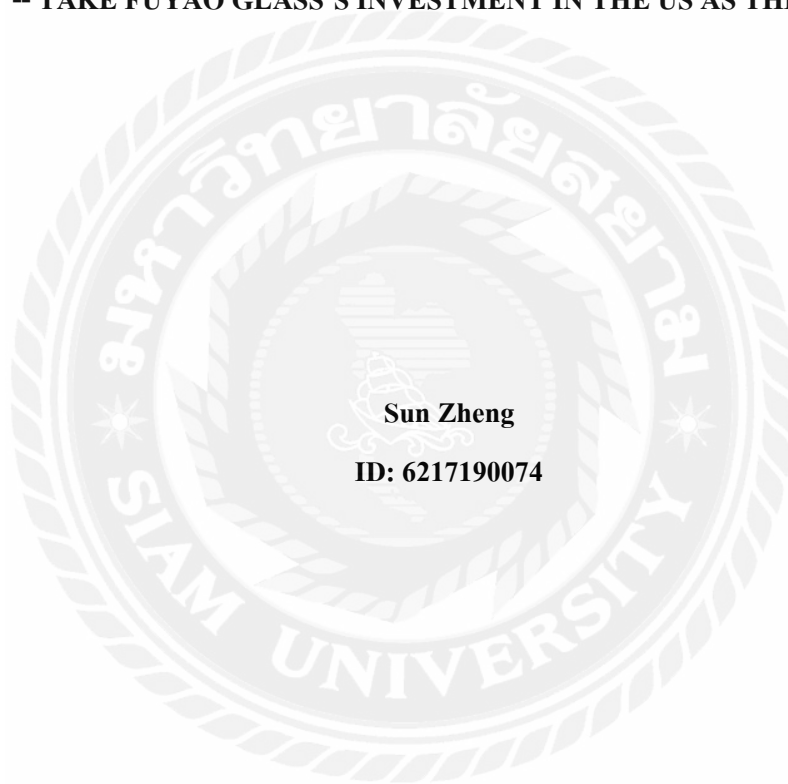




**THE IMPACTS OF CULTURAL AND INTERCULTURAL COMMUNICATION ON  
INTERNATIONAL BUSINESS IN THE TIDE OF GLOBALIZATION--  
-- TAKE FUYAO GLASS'S INVESTMENT IN THE US AS THE CASE**



**SUBMITTED AS A PARTIAL FULFILLMENT REQUIRED FOR  
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### ABSTRACT

International Business had become a hot topic for many years. The situation of International Business today has more challenges than before, due to the deeper integration globally. Among all those challenges, cultural impact is the one focused on more and more seriously due to how rapid cultural communication is led by globalization. It could be argued that globalization brings massive changes to the cultural communication, which require international business to adjust itself promptly. Facing those problems, this paper focused on several main factors of culture and globalization that weigh on international business, and how Fuyao Glass as a real case is related to the topic, giving a framework to work out the logical relations between problems and create a path to boost the Fuyao Glass business.

**Keywords:** International Business, Culture, Intercultural Communication, Globalization



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## **1. Introduction**

### 1.1 Research Background

Albeit the world economy now is full of uncertainties due to Populism and Trade Protectionism, the pace of globalizing in the area of business is still forging ahead (Chandy & Seidel, 2016). “America sneezes and the world catches a cold”, a well-known saying worldwide which also reflects how closed the world market is connected. Nevertheless, nowadays the whole world would have a cold not only because of the “American sneezing”, but also from other main economic entities such as Eurozone, China, and some other developing countries, which is another sign reflects the fact that globalization is still being enhanced and the process of cultural and economic multi-polarization is being accelerated (Arkhipov & Yeletsky, 2015). Hence, for the decision makers in the international companies today, nerves are tightening even more than before on account of the consecutive changing globally.

The world is diversifying, it is not as what most of the people contended 40 years ago that globalization is basically westernization. In addition, after benefiting from the world division of labor and transference of technology, developing countries are encouraging their companies to seek opportunities to go out of their borders. Thus, problems occur to those international companies when they implement their expansion to the foreign market leading by insufficient experience of doing business outside of their home countries. Fuyao Glass is precisely one of those. They have encountered many difficulties culturally operating the Fuyao Glass factory in the US. In order to deal with that, taking local cultural impact into account in business management is necessary and delving into the research of cultural factors in international business management is significantly crucial (Stahl & Tung, 2014).

## 1.2 Research Problem

For decades until now, cultural barrier has caused a lot of problems to international companies such as inefficiency and financial loss during the process of implementing their oversea business plans. As a result, in order to achieve a higher-level management on international business, it is essential to comprehend the influence which is brought by cultural factors (Caprar, Devinney, Kirkman & Caligiuri, 2015). Even though the world had been being through decades of international business practices, there is still not enough experience for companies from China to invest and expand their business in advanced economies. For many Chinese companies that are looking forward to exploring foreign markets, cultural problems are something they know certainly but complicated to handle. When company like Fuyao made their decision to build factory in the US. They had barely no reference about how to run a factory owned by Chinese company in the US. Even the CEO of Fuyao Glass--- Cho Tak Wong told media himself, “When I went to the United States for investment, Americans did not believe that such a large project was carried out by private Chinese enterprises, including the contractors who contracted the project.” (Bush, 2020). That indicated that both sides extremely lack the experience and knowledge of how to operate Chinese business in the US. In the year of 2019, there was a documentary called “American Factory”, funded by the former US president Obama. The documentary criticized the way how Cho Tak Wong and other Chinese managers run the factory, as well as how repulsive are the local American workers (Kolhatkar, 2019). Comparing to how experienced and successful are the American factories in China, the Chinese factory Fuyao Glass in the US is nearly suffering to build a company culture and unite all employees together. Thus, with cultural problems on those MNCs, unnecessary energies and costs are wasted on that issue. As a matter of fact, having research to ease those problems is needed.

### 1.3 Objective of the Study

The purpose of this paper is to analysis the predicaments that Chinese company Fuyao Glass is encountering and to work out the way to overcome those cultural hardships of its investment in the US. As new player in the global market, it is not rare that Chinese companies are treated as alien in the advanced markets. From the cultural side, China is unique itself in many ways and Chinese companies adhere to the Chinese way of operating business. Also, as a major benefited country from the globalization, China is encouraging its company to engage more in globalization. Which means, China is not only a big target for FDI but is also one of the biggest sources of FDI. Therefore, riding the wave of global expanding, plenty of Chinese international companies emerged in the recent decades. Accordingly, numerous criticisms appeared in the West. Fuyao Glass, the world biggest automobile window supplier, is facing cultural difficulties on managing its own factory in the US. This study is precisely target-oriented, in the aim of provide more information and solutions from several different dimensions. Those factors, International Business, Culture, Intercultural Communication, and Globalization will be analysis in the following content.

### 1.4 Scope of the Study

The paper will analysis the impact of culture on Fuyao's business in the US. Concrete examples and cases will be enumerated, namely, being based on empirical research to help it being more effectively conveyed. All the factors that can affect Fuyao will be illustrated firstly and then combined with its business practice to find out the optimize operation in international business procedures.



## **1.5 Research Significance**

Cultural impacts are vital to MNC. Unlike the MNCs from advanced economies, who have engaged in Globalization as initiators for decades. MNCs from newly rising economies lack experience of dealing with local culture in the targeted market. For companies like Fuyao Glass, this paper will provide analyzations of factors which could affect their business abroad. Alongside with the analysis of Fuyao's case in the US. The paper will suggest how can those companies deal with a more sophisticated business culture and business system that they do not have in their home countries. Eventually, it is for those companies to cultivate their culture aboard and overcome obstacles when operating their business in foreign countries.

## **2. Literature Review**

### **2.1 Globalization**

Globalization refers to the integration around the globe economically, socially and culturally (What is globalization, 2018). During the past half century, globalization had been used to describe a variety of changes including cultural changes that shaped the world (Shalmali, 2007). One of the most important factors that promotes globalization is global market. It is no doubt that all businesses are market-oriented, therefore, seeking more market space could be tell as a kind of nature of business when the current markets get saturated. Consequently, most of companies which are successful in their domestic markets made the choice of internationalization (Dey & Ghosh, 2019). We can see a lot of examples of that nowadays, especially from many Chinese MNCs as the new global players like Fuyao.

As a matter of fact, globalization accelerates the global flows of labor, goods, people and capital so that the workforce and society are changed profoundly. It also leads to multiple negative consequences such as economic inequality, numerous inflows of migrants and refugees to affluent societies. Furthermore, the rapid change causes resentments widely among the lower-class in western countries, on account of that, anti-globalization thoughts such as “Populism” begin to stand in the front row nowadays in many developed economies (Inglehart & Norris, 2016).

While, since the day that the concept of globalization was conceived, numerous voices have been questioning that if it can make a better world. The fact had told the truth that, globalization is an unstoppable trend even though with many side effects. Also, the economics and world leaders are constantly figuring a way to benefit all, developed and developing countries (Stiglitz, 2017). Even the horrifying pandemic--- Covid-19 only temporarily effected the global trade. From Harvard Business Review, we find proof of that. “As we move into 2021, the latest data paint a clearer — and more hopeful — picture. Global business is not going away, but the landscape is shifting, with important implications for strategy and management. Statistics from CPB world trade monitor have shown that the merchandise trade volume in Dec. 2020 had already exceeded the merchandise trade volume in Dec. 2019, the time before the pandemic (Altman & Bastian, 2021). Briefly, in the foreseeable future, there is no sign to show globalization is going to be gone. On the contrary, it is being enhanced due to more engagement from newly rising economies such as China (Deng, Yang, Wang & Doyle, 2017).

## 2.2 Culture

“Culture is that complex whole which includes knowledge, belief, art, morals, laws, custom and any other capabilities and habits acquired by man

as a member of society.” (Tylor, Anthropologist). Culture is a code and a glue of social cohesion and culture functions as a national project by being a tool socially and politically that forms the national institutions gradually without any contestation (Pieterse, 2019). Namely, culture forms our society significantly which indicates that it is impossible to steer clear of the influences of the culture when doing business both domestically and internationally. Thus, factors that navigate the cultural impact are crucial to international entities. In a larger sense, culture exerts its influences not only on individuals but also organizations because different organizations have its unique system and cultural value since all managers and workers are deeply cultural influenced individuals. In another word, culture is an extensive conception that contains a variety of factors that have strong impact on international business.

The first important cultural factor that matters in this paper is social structure. “The social structures of markets typically reinforce existing power and resource distributions.” (McKague & Zietsma, 2015). Thus, different business strategies should be implemented in different social structures due to the texture of society, which means social structure decides the way of a company organizing its business activities directly.

Another factor which is also very important is customer behavior driving by culture. “An individual's behavior is a result of that individual's cultural value system for a particular context.” Individual behavior as a customer is a single unit of one particular social group (Luna & Gupta, 2001). Putting it in another way, cultural value system socializes customer behavior profoundly and then customer behavior shapes the international business strategies. This factor of customer behavior decides by culture explains that why the fast-food chain like Mcdonald’s serves local featured food in some regions. For instance, in India, Mcdonald only serves vegetarian burgers – “burger look-a-likes of potatoes, peas, and carrots, with a little Indian spice thrown in” because of the religious situation there.

## 2.3 Intercultural Communication

“Globalization continues to change the way people work, learn, travel, build and maintain relationships, and live. To navigate these changes, individuals must learn to successfully communicate with people from different cultural backgrounds.” (Webb & Vaughn, 2019). It is easy to understand that intercultural communication is just the communication between cultures, but the key is how it works, how to effectively convey our thoughts or meaning from one cultural background to another.

Obviously, the most important factor to intercultural communication is culture itself. According to Raymond Williams, culture is “one of the two or three most complicated words in the English language”. He suggested three broad definitions, which are “a general process of intellectual, spiritual and aesthetic development”, “a particular way of life, whether of a people, a period or a group”, and “the works and practices of intellectual and especially artistic activity” (Williams, Keywords). As a result, for the companies that have the objective of implementing cross-culture activities, understanding the three broad definitions of culture above by Raymond Williams is an essential requirement.

Another factor that has a strong influence on intercultural communication is communication skills. Everyone needs to grasp communication skills in daily life because humans are highly socialized creatures. Just as communication skills is a key to break through barriers existing between individuals, it is even more crucial as a key to break through barriers between cultures. Among those communication skills, corporate communication is at the first place. As the growing importance of corporate communication is surging in the area of management globally, the related works and research mushroomed as well. According to Joep Cornelissen, it is necessary for communications practitioners and senior managers to comprehend the importance of assessment on corporate communications. Namely it means they have to be able to “recognize and

diagnose communication-related management problems and understand appropriate strategies and courses of action for dealing with these. Such an understanding (and the learning and application in practice that it triggers) is not only essential to an effective functioning of the corporate communications function, but also is in itself empowering – it allows communications practitioners and managers to understand and take charge of events that fall within the remit of corporate communications; to determine which events are outside their control; how communications practitioners can contribute to other functional areas within the company; and discover new strategies that the company could have used successfully and will be able to use in the future.” (Jenster, 2006).

## 2.4 International Business

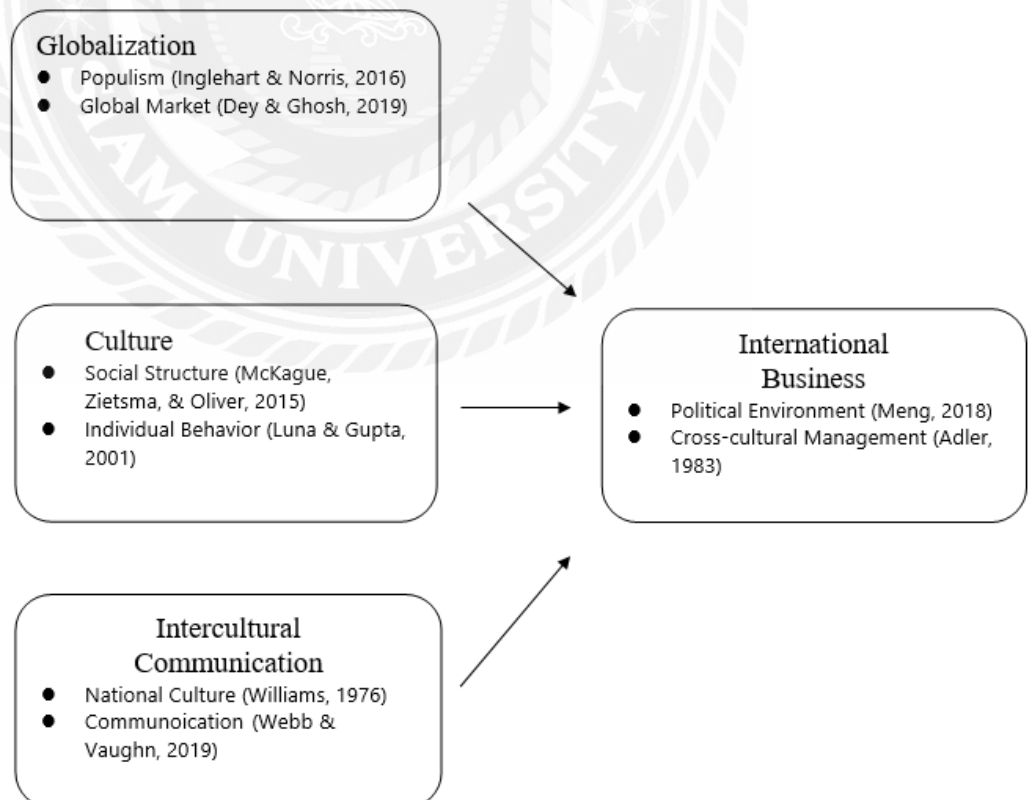
International business refers to companies engaging in the multinational economic activities which can also be defined as doing business abroad (Meyer & Peng, 2016). According to data from WTO, the trade volume of both export and import around the globe increased about 25% from the year 2012 Q1 to the year 2018 Q3, which also indicates that international business is constantly thriving. Factors that drive influences to international business are illustrating below.

Political environment is a macroscopical factor which effects international business, and it can be sorted to cultural impact because political system can be taken as a part of the culture of a country. For example, the political tension between China and the US is a big obstacle for Sino-US trade relationship. Apart from tariffs on Chinese goods and many Chinese tech companies being banned doing business in the US, the populism among the American people also brings many Chinese companies in the US in predicament. Above all, it indicates that political tensions

have a significantly negative impact on Chinese business abroad (Q. Meng, 2018).

Another factor is cross-cultural management. Cross-cultural management aims at optimizing working efficiency based on the study of behaviors of different people who work within the multicultural environment. It focuses on the organizational behavior of people from different cultural background, mainly about the way they interact to each other in their working places (Adler, 1983). Therefore, as a concrete factor that effects international business, cross-cultural management decides a company's performance when the company is doing multinational business.

### 3. Findings and Conclusion



The framework above is the conception of the paper. “Culture is the ‘blueprint’ of human activity.” (Luna & Gupta, 2001). Human is the subject of communication as a common sense, so it could be seen that culture decides how intercultural communication is implemented by being the media of intercultural communication. Culture is a political and social tool that slowly forms the national institution (Pieterse, 2019). As a result, cultural factors have a strong impact on political issues and social structures. In Fuyao Glass’s factories, the company organizational structure was mostly Chinese and the Chinese managers there insisted their Chinese ways of doing things. Besides, an individual’s behavior derives from that individual’s cultural value system. Through the process of intercultural communication, communication skills in marketing are able to “affect consumer behavior independent of culture” (Luna & Gupta, 2001). It can also introduce the cultural factors which are social structure and customer behavior to international business entities to help them dealing with local political problems and improving their cross-cultural management quality. In China, collectivism prevail over individualism. It leads to a fact that many Chinese companies often neglect employee's personal needs and their particularities. When it comes to Fuyao Glass’s factories in the US, every employee matters as individual, and those American workers are struggling to fit in a Chinese company structure. While there could be ways to help. The employees are Fuyao’s resource. As the unity of inter-cultural communication, they can help each side to understand each other from the most basic level. Fuyao can create opportunities to send local American managers to China, working in factories located in China. Eventually, Fuyao can handle the management roles to those American managers who has working experience of managing teams in China.

In summary, nevertheless, the negative side brought by globalization is populism, economic inequality, numerous inflows of migrants and refugees arouses widely resent in some societies (Inglehart & Norris, 2016). While the positive side overwhelms the negative side as the fact that “Economic globalization would continue apace as advances technologies along with

trade agreements kept lowering the costs of doing business across national borders.” (Rodrik, 2017). Therefore, cultural factors and inter-cultural communication will enhance their influence as the globalization being deepened. For international business, the dynamic changing of globalization acquires more focus and reconsideration on cultural factors and inter-cultural communication from those new global players.

## **4. Recommendations**

### 4.1 Academic Recommendations

Globalization in the area of business is being enhancing (Chandy & Seidel, 2016), international business, as the economic activities abroad keeps thriving (Meyer & Peng, in press). Meanwhile, it is always dynamic and variable. International Business from developing economies is weighing more in the Globalization. However, the research about cultural impact on those companies in another direction of globalization is not efficient comparing to the “old globalization” we knew. Since those companies are taking more parts of the international business nowadays, research of cultural impact on international business should focus more on the characters of companies like Fuyao. The organizational behaviors of companies from newly rising economies, cultural background that drives their behaviors, their understanding of globalization, those factors mentioned above were not observed enough. For researchers, digging in more cases like Fuyao will help those companies to adapt foreign market and boost the global business to a higher level.



## 4.2 Recommendations for Companies

Back on Fuyao's case. On Wednesday, March 21, 2018, there was an accident that happened in Fuyao's Dayton factory which caused one death. It intensified American workers dissatisfaction against the safety in workplace. While this dissatisfaction existed at the exact beginning. "I knew a guy working on safety management there and he said it was bad. They won't follow the rules and think problems will solve itself by throwing money at it. But nothing changed, so he quit working with them." Said a guy in the local downtown gym about Fuyao (Helgesen, 2019). "At Fuyao, a major culture clash is playing out on the factory floor, with some workers questioning the company's commitment to operating under American supervision and American norms" (Scheiber & Bradsher, 2017), written the following in The New York Times.

"Cultural clash", that is the key to the problem that Fuyao encountered in America. As a Chinese company, Fuyao brought the Chinese working mentality and factory running rules into Dayton. While plenty of hardships undermined their business practice there. So, what could they do to avoid this "cultural clash" and integrate their business into the local region? For the company like Fuyao, this paper offers recommendation about how to implement the cultural strategic naturalization in the targeted market. As what is mentioned in the conceptual framework, companies like Fuyao could establish their strategy based on their own identities by integrating their ways of business management and operation from home into the targeting market, then using the way which could be comprehended and accepted by local culture to convey their strategies.

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