Cultural adaptation and socialisation between Western buyers and Chinese suppliers: The formation of a hybrid culture

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A B S T R A C T

We aim to examine culturally-influenced behavioural adaptation embedded in socialisation processes at interfaces between Western buyers and Chinese suppliers in China. We conducted multiple case studies, including four cross-cultural partnerships, exploring how interface teams hosting *trans*-cultural boundary spanners at buyer-supplier interfaces socialise formally and informally and adapt behaviourally to three key cultural differences between Chinese *Guanxi* and the Anglo-Saxon form of Western culture. Data collected from 36 interviewees are used to explore the process of cultural behavioural adaptation and the emergence of a hybrid culture. We find that cultural adaptation is confined to those interface teams who interact routinely at the buyer-supplier interface and leads to the formation of a hybrid culture, which is a combination of *Guanxi* and western rules and procedures. The hybrid culture and cultural adaptation are two intermediary constructs between socialisation and relational capital, which enriches and explains this relationship in a cross-cultural context.

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1. Introduction

The role of national culture in the international buyer-supplier relationship has attracted attention from researchers in the International Business (IB) and Supply Chain Management (SCM) and practicing managers these days (Cannon, Doney, Mullen, & Petersen, 2010; Ketkar, Kock, Parente & Verville, 2012; Liu, 2012). This is because cultural differences pose risks or challenges to buyer-supplier relationship in an international context (Trent & Monczka, 2003; Pagell, Katz & Sheu, 2005). In SCM literature for example, Ribbink and Grimm (2014) found cultural differences negatively influence joint profits and negotiation outcomes. In the IB literature, authors argue that cultural distance between business partners negatively influence the building of mutual trust, subsequently impeding long-term coordination (Sirmon & Lane, 2004; Smagalla, 2004). While some advocate the need for cross-cultural supply chain research (Pagell et al., 2005; Zhao, Flynn, & Roth, 2006), few studies examine buyer–supplier relationships in the context of different cultures. Giannakis, Doran, and Chen (2012) echo that the majority of

current supplier relationship management models (B–B marketing) are either developed in the context of western or Japanese business cultures without sufficiently addressing cross-cultural issues.

However, there are a few exceptions. Fang (2001) sees culture as a driving force for inter-firm adaptation, using Chinese culture as an example. Giannakis et al., 2012 go further and state that there is a need for a global supplier relationship management paradigm, including cultural elements from Western, Japanese and Chinese cultures implying the formation of a hybrid culture. Jia and Rutherford (2010) is among the first to propose conceptually that international inter-firm learning or cultural adaptation as a way of mitigating cultural differences between Western buyers and Chinese suppliers may lead to the formation of a hybrid culture.

SCM authors (Cousins, Handfield, Lawson, & Petersen, 2006; Cousins, Lawson, & Squire, 2008; Squire, Cousins, & Brown, 2009) propose proactive socialisation between individuals in the buyer-supplier relationship as a means to buyer-supplier relationship success and find that socialisation leads to relational capital. However, based on a comprehensive literature review, it is still not clear *first* what the relationship is between adaptation and socialisation at the cross border B–B context; *second*, what is the outcome of socialisation and cultural adaptation in addition to relational capital; *third*, what Giannakis's (2012) global paradigm or a hybrid culture entails.

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Building upon the IB and SCM, this paper engages with the discussion around buyer-supplier relationship in a cross-cultural context and focuses on behavioural adaptation (instead of changing value or fundamental beliefs) following Schein (1992) to address three research questions:

(1) How is a Hybrid Culture formed between a Western buyer and Chinese supplier?
(2) What is the nature of a Hybrid Culture in this context?
(3) What is the role of hybrid culture in the relationship between socialisation and relational capital?

This paper extends the cross border buyer-supplier relationship of IB literature in the following ways: (1) we empirically support the existence of a hybrid culture between a Western buyer and a Chinese supplier and identify its nature extending the hybrid concept (Borys & Jemison,1989) to a cross-cultural context; (2) building on IB and SCM literature, we build a chain of causal links between socialisation, cultural adaptation, hybrid culture and relational capital and identify the two intermediary constructs of cultural adaptation and hybrid culture between socialisation and relational capital/rents; (3) we explain the mechanism of how buyer-supplier interface individuals socialise formally and informally, then adapt culturally to each other and eventually form a hybrid culture at the Western buyer-Chinese supplier interface.

This paper is structured as follows. First we review the literature on socialisation and cultural adaptation as solutions to address the challenges posed by cultural differences and the hybrid culture concepts to inform our research questions. Our multiple case study method is described, followed by research findings before we develop an integrated conceptual model of hybrid culture addressing the research questions. We conclude with research contributions, implications for practice, research limitations and suggestions for future research.

2. Theoretical background

2.1. Socialisation and cultural adaptation

2.1.1. Socialisation

Contrary to the Industrial Marketing and Purchasing (IMP) group's perspective that buyers and suppliers can only adapt passively to each other in order to form a hybrid and building on the network governance perspective, Cousins et al. (2008) propose that socialisation (informal and formal) in a B–B context plays a significant role in enabling knowledge transfer and improving the performance of buyer-supplier relationships. Socialisation enables each party to learn about the other's organisational culture and therefore create social norms and shared understandings (Cousins et al., 2006, 2008; Squire et al., 2009). **Socialisation** is the level of interaction between, and communication of, various actors within and between the firms, which leads to the building of personal familiarity, improved communication and problem solving (Gupta & Govindarajan, 2000). A *formal socialisation* process implies that there are designated structures created to communicate expectations and share useful information and knowledge between buyers and suppliers (Cousins et al., 2006). Hence, we suggest that the learning of Western rules and procedures by a Chinese supplier (e.g., a Western step-by step approach to building business relationships; lean production; six sigma; 5s), as defined by Jia and Rutherford (2010), can only be attained through a formal socialisation process e.g., formal meetings and workshops.

Mechanisms of *informal socialisation* include workers engaging in social activities outside of the workplace, mostly focused on entertainment e.g., dining (Cousins et al., 2006). The difference between Chinese and Western informal socialisation is that personal relationships, resulted from informal social interactions, can normally be sustained after one employee leaves a company and be used to benefit other B–B relationships in China but is not necessarily the case in the West (Jia & Rutherford, 2010). In a sense, personal relationship and informal socialisation network are prioritised over business relationships in China (Luo, 1997; Parnell, 2005).

In practice, both formal and informal socialisation mechanisms are used. For example, Fu, Diez, and Schiller (2013) find that Chinese firms interact via a combination of formal institution and informal *Guanxi* networks among long term business partners to exploit tacit knowledge in modularized industries like electronics. Richardson, Yamin, and Sinkovics (2012) conclude that a lack of informal social network between firms impedes the internationalization of a firm, which is considered a critical success factor for suppliers in emerging economies such as Malaysia.

Linking socialisation to relationship performance, Cousins et al. (2006) find that some mixture of formal and informal socialisation mechanisms is important for the creation of *relational capital*, which in turn creates a basis for learning (Kale, Singh, & Perlmutter, 2000). **Relational capital** refers to the degree of mutual respect, trust and close interaction that exists between the partner firms (Cousins et al., 2006; Kale et al., 2000; Sarmento, Simões, and Farhangmehr (2015) also point out social interaction (informal socialisation) at trade fairs generate bonds and commitment and eventually enhance relationship quality. What is missing from their findings is whether the conclusion holds true in a cross-cultural context.

2.1.2. Cultural adaptation

A number of authors conclude that mutual adaptation between partners mitigates the impact of cultural differences (Das & Teng, 2000; Kim & Parkhe, 2009; Parkhe, 1991). For example, Saka-Helmhout (2007) claims that when firms extend their operations into new institutional contexts they are highly likely to adapt their existing structures and cultures. Cultural adaptation has been studied from an individual level (Haslberger, 2005; Jassawalla, Truglia, & Garvey, 2004; Jun, Gentry, & Hyun, 2001) but little has been written at the organisational level (Boisot & Child, 1999; Granner, 1980; Lin, 2004; Salmi, 2006). In this study, we adopt Francis' (1991, p. 406) definition of **cultural adaptation** as "*An attempt to elicit approval from members of a foreign culture by attempting to become behaviourally more similar to members of that culture.*" The focus on behaviour rather than values or assumptions, and the aim of eliciting acceptance, suggests that cultural adaptation takes place at the 'behavioural' (or visible) level of the three (behaviour, values/beliefs, underlying assumptions) identified by Schein (1992).

Lin (2004) provides a useful process model of cultural adaptation and claim that cultural adaptation process includes three separate elements: *understand, adjust* and *learn*. First, members of each culture need to understand the other culture on its own terms. Second, cross-cultural adaptation requires a level of adjustment necessary for smooth interactions. Third, the highest level of adaptation occurs when a party makes a conscious effort to learn from the other party; that is, to integrate elements of the other culture into its own.

However it is not clear from these studies on *first* how both parties of a China-West buyer-supplier relationship adapt to each other; *second* what the outcomes of cultural adaptation are; *third*, what the relationship between socialisation and cultural adaptation is. Next, we review the literature on the hybrid concepts to inform a likely outcome of cultural adaptation and cross-cultural socialisation.