

What is Parochialism? A Beast that May Block Chinese Firms' Globalization



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Parochialism causes Chinese managers to make poor strategic decisions for short-term gains that damage relationships with global partners.

Cross-cultural research often explains Chinese managerial decisions and behaviors according to cultural values, but established cultural dimensions fail to explain many Chinese contradictory managerial phenomena. For example, Chinese culture is often considered to be long-term orientated, while studies reported that some mainland Chinese managers make extremely short-term, opportunity-driven, present-oriented decisions, such as allowing quality to disintegrate and investing without due diligence. Supposedly Chinese society focuses on personal relationships, but some report that Chinese business partners are uncooperative, untrustworthy and uncommitted. Although Chinese culture is supposed to be highly collectivist, Chinese managers might show a very utilitarian attitude toward teamwork and only engage for individually beneficial outcomes.

As Chinese society becomes increasingly modernized, cultural traditions built on the philosophical and cultural heritage continue to influence current management mindset in China. The purpose of this article is to qualitatively explore a conceptual framework of parochialism (*xiao nong yi shi*) as a cultural mindset and to provide an alternative view that may explain challenges facing globalization of Chinese firms based on China's ecological and sociocultural context. Parochialism is a product of the cultural and economic history in China. The traits of parochialism are engrained deeply in every level

of Chinese society. With rapid urbanization in the last four decades, individuals who display certain thinking patterns, behaviors and relationships are commonly criticized as showing parochialism. Such a state of mind is pervasive, beyond income, education or demographic groups. We propose that parochialism is a cognitive hurdle that inhibits successful globalization for Chinese firms. Parochialism is a coping mechanism under uncertainty, but when used for problem-solving it may limit collaboration, trust and long-term vision. Although parochialism is an individual-level construct, it becomes a group-level concept especially among members of a collectivist society where individuals tend to follow opinion leaders or hierarchical superiors. Parochialism can cause Chinese managers to make poor strategic decisions for short-term gains that damage relationships with global partners.

Sample and Data Collection

Qualitative methods were utilized to examine parochialism. For the exploratory nature of this study, an interpretative approach combining grounded theory and content analysis was adopted. Seventeen face-to-face interviews with managers and executives from both the United States and China were conducted. In the eight US interviews, some interviewees were from organizations that directly worked with Chinese

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companies, such as business associations, law firms or news media; others worked in Chinese companies located in the United States. Nine of the interviewees in China were managers or executives from foreign or state-owned companies across several industries.

Data analysis and Findings

The theme of parochialism emerged when the first author was conducting semi-structured face-to-face interviews to study how Chinese firms were adapting cross-culturally in foreign environments. Interviewees raised questions about interactions between Chinese and American business leaders. At that point, the concept of parochialism surfaced to explain the divergent and paradoxical behaviors of Chinese managers, greatly inspired by the sociology literature from China such as *From the Soil*, the *Foundations of Chinese Society* by Fei Xiaotong. In this phase of study, the grounded theory approach was employed to allow original and rich findings to emerge and to generate new concepts and theories from qualitative data.

Armed with the initial conceptual ideas that emerged from the early phase of the study, nine structured face-to-face interviews with managers located in China were conducted. The data analysis evolved to content analysis when the coding categories defined in the

early phase of data analysis were used through the organizational cultural framework.

CONCEPTUAL FRAMEWORK OF PAROCHIALISM The Cognitive Dimensions of Closed-Mindedness

Several interviewees indicated that parochial managers refuse to consider new ideas. They distrusted outsiders or foreigners and relied instead on their own experience or advice from friends or relatives. Interviewees also reported that parochial managers were often contented with minimal standards and used temporary solutions to problems rather than seek root causes or challenge the status quo for long-term solutions. Those traits were categorized under the cognitive dimension of closed-mindedness, which is consistent with arguments that closed-minded people generally avoid exposure to belief-discrepant information, seek to reinforce their beliefs, and focus on the short-term interests of in-group circles. Traditional Chinese tend to solve problems according to practical experiences rather than scientific methods. The desire for predictability causes resistance to alternative opinions or inconsistent evidence and perpetuates closed-minded attitudes toward new information. As a result, communication can be excessively biased toward preexisting perspectives.

The Behavioral Dimension of Self-Protection

In discussing parochialism, interviewees mentioned the lack of initiative to communicate with culturally different others, the resistance to information disclosure, and the focus on face-saving, especially for coping with potential or actual threat and to avoid exposing deficiencies. This behavioral dimension is labelled as self-protection a way to maximize positive experiences for responding to uncertainties and threats to self-interests. Self-protection focuses on saving face to ensure positive self-views, but it may fail to bring optimal outcomes.

The Relational Dimension of In-Group Focused Social Relationship

China's unique social structure causes the Chinese to favor in-groups tied by family, friendship, common traits and common goals. Less favorable treatment is afforded to out-group members lacking connections or common interests.

In-group closed-mindedness reflects the parochial tendency to avoid unpleasant cognitive conflict and to ensure that in-group circles remain harmonious. Data show that when highly parochial individuals deal with in-group problems or challenges, their closed-mindedness allows them to be content with minimal standards, to resist change, and blindly trust in-group members.

Out-group closed-mindedness indicates that parochial individuals tend to avoid uncertainty by seeking quick solutions or rejecting different options when problems or challenges involve members outside their social circles. It could be found from the collected data that out-group closed-mindedness could motivate the pursuit of short-term gains, the search for shortcuts in solving problems,

and distrust of out-group members.

In-group self-protection can be used to preserve self-image or save face when parochial individuals deal with problems involving themselves or in-group members. Parochial people tend to maintain face through 'face work' in front of others within the same social network, so they may make reckless, illogical, or irresponsible decisions just to maintain self-image.

Out-group self-protection is when parochial individuals defend self-interest and maximize self-benefits in reaction to perceived potential threats from out-group members, even with remote possibilities of receiving unwanted news or information. Out-group self-protection can lead to various selfish behaviors such as unwillingness to share with out-group members, lack of social participation, and disregard for common laws.

The three dimensions of closed-mindedness, self-protection, and in-group-focused relationships are interconnected. The relational dimension is particularly relevant to Chinese traditional thought that shapes interpersonal relationships, communication, and temporal considerations and interacts with the cognitive and behavioral dimensions.

PAROCHIALISM AND CHINESE FIRMS' GLOBALIZATION

Employee Development

Chinese companies tend to feature patriarchal relationships in which bosses, usually men, play fatherly roles in developing subordinates. However, Chinese society is categorized as a low-trust society in which citizens tend to distrust out-group members. Managers tend to trust and collaborate with in-group members only to ensure safety and security for themselves. Due to out-group distrust, relational networks and family

ties rather than applicant capability usually determine whether workers are hired or promoted. Parochial managers innately distrust and are thus unwilling to empower employees. When mistakes happen, they tend to blame subordinates rather than take leadership responsibility. As a result, Chinese companies lack long-term investments in employee training, development and mentoring.

Parochialism leads to low trust, low employee empowerment and low employee engagement. Those consequences could be exacerbated when a company goes global. Chinese companies operating overseas tend to send Chinese managers and create a glass ceiling against non-home-based staff. If the organizational culture is infiltrated with parochialism, it will be difficult to attract and retain global talents, making the company less cross-culturally adaptable or competitive in the global market.

Communication

Parochial managers and employees impede intra- and inter-organizational knowledge sharing and learning because their closed minds prevent active communication and collaboration. Managers and employees who are focused on meeting their own needs first may withhold critical information from decision-making processes, believing that withholding information gives an advantage they can use to maintain their authoritative status. Foreign companies can encounter extreme difficulty in getting clear answers from their parochial Chinese partners. Chinese companies may avoid active communications with partners, especially when operations go wrong, such as late deliveries or quality issues. Even when questioned, such companies may deny or make excuses while resisting further improvement.

Without active communications and transparency, Chinese companies and partners cannot build trust and commitment for long-term strategic relationships. Thus, passive communication styles would prevent Chinese companies from communicating effectively with global stakeholders and building reputable brand images. Unwillingness to share, resistance to learning, limited transparency, and highly ambiguous communication styles could be a major concern for Chinese companies going abroad.

Customer Orientation

Parochialists tend to be content with minimal standards, in alignment with the mindset of achieving short-term gains and maximizing personal benefits. Chinese companies are known to substitute cheaper materials for qualified materials and to bypass required quality procedures to cut costs and increase profits quickly, thus sacrificing long-term relationships built on consistent service and quality. They are often content with minimum standards and find difficulty in implementing total quality management (TQM) practices for precise and consistent quality. Some Chinese companies also make reckless decisions without logical reasons or due diligence during acquisition bidding processes for overseas investments. They often offer the highest price just to outbid others, flaunt their wealth or save face. Such mentality leads to overpriced or completely unnecessary acquisitions. Face-driven decisions, falsified information, and unethical marketing approaches can destroy foreign investments of Chinese companies.

Social Responsibility

Highly parochial Chinese companies operating overseas are less interested in

building relationship with local communities and may disregard social norms, common law, and local legal and environmental requirements. Parochial Chinese companies take few CSR (Corporate social responsibility) initiatives. Our interview data reveal that they are less interested in building long-term relationships with local communities through community engagement, adherence to local legal requirements, and investment in CSR initiatives.

Strategic Planning and Innovation

The parochial elements of pursuing short-term gains, resisting changes, and searching for shortcuts also impede the strategic growth of Chinese companies. Instead of investing in

R&D(research & development), many companies simply replicate successful business models and products as shortcuts for success. The ‘copycat’ strategy helps establish initial financial foundations. However, without original innovation, companies must constantly try to catch up with industry leaders and cannot sustain themselves as market players. The ‘copycat’ or fake culture greatly impairs their reputation. Many foreign alliances are reluctant to share key technologies because of the lack of intellectual property protection. ‘Made-in-China’ products are perceived as cheap and shoddy. Those perceptions will essentially prevent Chinese companies from advancing in the global value chain. 📧

Managerial Implications

Under the influences of parochialism, some Chinese companies often make short-term decisions for quick returns but impair their long-term sustainability. They focus less on global talent development and are less likely to engage with their local employees and communities. Their foreign business partners may keep their relationships distant because Chinese companies lack transparency and open communication. Without focusing on the development of core competencies, parochial companies undermine innovative investments and quality standards and are often distracted by short-term business opportunities. As they show little interest in CSR, they earn negative impressions overseas. Such behaviors are counter to the global mindset and universal values, and thus, hinder global adaptation.

By discussing parochialism as a particular side

of Chinese cultural tradition, positive elements of Chinese culture and traditions are often discounted. The three intellectual traditions of Buddhism, Taoism, and Confucianism contain ideas of balance, adaptation and moral compass that connect self-cultivation to fundamental ethical principles. At the same time, in the context of a temporary slowdown of globalization, it is speculated that the mindset of parochialism may not be limited to Chinese culture and firms. Revealing parochialism as a cognitive barrier preventing organizational learning, sharing and innovation in globalization processes, we hope to provide practical guidance for managers in their search for antidotes against the engrained and habitual parochialistic thinking and behaviors.

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