

**The research on confronting problems of  
Chinese companies' going global in the cross-cultural  
perspective--A case of Bauing Indonesia**

跨文化视角下的中国企业“走出去”问题研究  
——以印尼宝鹰公司为例

## **The research on confronting problems of Chinese companies' going global in the cross-cultural perspective--A case of Bauing Indonesia**

**Abstract:** In recent years, an increasing number of powerful Chinese enterprises have invested overseas by conducting the 'Go Global' strategy. The larger scale of foreign investment is, the more transparent problems and risks will appear on the investing process. Cultural difference is one of the reasons or causes for these problems. It is not rare to see conflicts, misunderstanding or biases during the going global process owing to the cultural differences between China and the foreign countries. Ignoring cultural differences and the problems generated by culture differences, it frequently leads to an investment failure in real business world. Therefore, in the future when influence of cultural factors becomes more and more prominent and the Belt and Road Initiative is push forward step by step, to make the Chinese enterprises going global a success, it's high time for us to answer the following questions via cross-cultural vision: During the process of overseas investment, will cultural differences and conflicts have an influence on Chinese enterprises? If so, what kind of cross-cultural problems will occur to these enterprises? By analysis through a cross-cultural vision, could we find out the root of these problems? How do Chinese enterprises react to the problems brought by cross-culture area? Is there any extracted experience or revelation for other Chinese enterprises as a reference? To answer the questions above, we choose the PT.Bauing Construction Indonesia as our case study object. PT.Bauing Construction Indonesia is a Chinese-Indonesian joint-venture enterprise set up jointly by Bauing Group which is a leading enterprise in architectural ornament industry in China and PT.SIOENGS GROUP in Indonesia. Firstly, based on the cross-cultural vision in the field of International Business, with comprehensive use of literature studying, in-depth interview and case studying methods, this report points out the coming differences the PT.Bauing Construction Indonesia faces among layers of religious culture, concept of value, culture of political institution etc. Moreover, all of these differences would make tougher management, lay negative influence and evaluation on the society, challenge the present

mode of decision-making, incentive mechanism and human resources managerial institution etc. Secondly, theories or models like Hofstede national culture model have been used to find out the root of the problems. According to the analysis, we put forward suggestion such as enhancing corporate internal cross-culture training, building cross-cultural managerial teams with high efficiency, construct corporate culture on a common value basis and set up dynamic payment system suited for the Indonesian staff. Thirdly, we evaluate the feasibility of the suggestion through four layers——strategies, product technique, target market and financial condition. In conclusion, it's of great necessity for Chinese companies to cultivate effective cross-cultural management, pay more attention on cultural difference and conflicts and adopt other effective measures to deal with culture differences or conflicts by studying the case of the PT.Bauing Construction Indonesia. We expect that this report of study on PT.Bauing Construction Indonesia can not only bring solution for Chinese enterprises to solve the questions above, but also offer them substantial reference when conducting the “Go Global” strategy and it's the priority of our study.

**Key words:** Going global strategy; Cross-cultural perspective; Bauing Group; Problems; Solution

## 跨文化视角下的中国企业“走出去”问题研究 ——以印尼宝鹰公司为例

**摘要：**近年来越来越多有实力的中国企业实施“走出去”战略，到海外进行投资。随着中国企业对外投资规模不断扩大，其在投资过程中所遇到的问题与风险也日益凸显，文化差异就是其中一个问题产生的原因。由于中外文化的差异，对外投资过程中所产生的冲突、误解和偏见时有发生，因忽视文化差异以及其产生的问题而导致投资失败的案例屡见不鲜。因此在文化因素影响越来越突出以及“一带一路”倡议不断推进的未来，为了能让中国企业更好地“走出去”，我们就需要基于跨文化的视角，回答以下几个问题：中国企业在对外投资的过程中是否会受到文化差异与冲突的影响？在文化差异与冲突不可避免的情况下，中国企业将会面临哪些跨文化领域内的问题？通过跨文化视角下的分析，产生这些问题的原因是什么？针对这些跨文化领域的问题，中国企业能有什么样的应对措施？一些企业的经验能带给其他中国企业什么启示？

为了解答上述问题，我们选取了印尼宝鹰公司作为我们的案例分析对象，她是我国建筑装饰行业的领先企业——深圳宝鹰集团与印尼熊氏集团在印尼合资设立的中印合资公司。本报告基于国际商务领域中的跨文化视角，综合运用文献研究法、深度访谈法以及案例分析法，发现印尼宝鹰公司将会面临来自中印在宗教文化、价值观念、思维方式、政治制度文化等层面存在的差异，并且这些差异将会给印尼宝鹰公司带来更高的管理难度、负面的社会影响与评价、挑战性更高的公司决策模式、激励制度以及人力资源管理制度等问题；其次，我们运用了霍夫斯泰德国家文化模型等理论找出问题的原因所在，根据分析提出加强公司内部的跨文化培训、组建高效能的跨文化管理团队、构建有共同价值观的企业文化以及建立符合印尼员工特点的多样化薪酬制度等相关对策建议；然后，我们从战略、产品技术、目标市场以及财务情况四个层面对对策建议进行可行性分析。

最后，通过印尼宝鹰公司这一案例，我们总结出科学有效的跨文化管理必不可少、文化差异和冲突不可忽视等相关的启示和经验，希望能通过印尼宝鹰公司的案例分析以及总结出的经验为中国企业解决上述问题及其未来实施“走出去”战略提供有益的借鉴。

**关键词：**走出去战略；跨文化视角；宝鹰集团；问题；对策

## Content

1	Introduction .....	1
1.1	Research background .....	1
1.2	Research purpose.....	1
1.3	Research methods.....	2
1.4	Questions .....	2
2	Literature Review.....	3
2.1	Causes of Corporate Foreign Direct Investment.....	3
2.1.1	To avoid tariffs and non-tariff barriers to achieve market expansion.....	3
2.1.2	To use local resources to alleviate the inadequate domestic resources.....	3
2.1.3	To learn the foreign advanced technology and enhance the technological innovation ability.....	3
2.2	The importance of cross-cultural management of joint ventures to business operations.....	4
2.3	What is cross-cultural conflict?.....	5
2.4	Hofstede model and Hall model.....	6
2.4.1	Hofstede national culture model .....	6
2.4.2	Hall model .....	8
3	Case description .....	8
3.1	Company profile.....	8
3.1.1	Parent company profile .....	8
3.1.2	Subsidiary company profile .....	9
3.2	The process of Bauing Group's Going global.....	9
3.2.1	The Inspection.....	9
3.2.2	Establishment of PT.Bauing Construction Indonesia.....	10
3.3	Interviews .....	10
3.3.1	The Introduction of Interviewees .....	11
3.3.2	Interview Results .....	11
4	Problems and Analysis .....	17
4.1	Problems in the Religious Culture .....	17
4.1.1	Tougher management generated by religious cultural differences and conflicts .....	17
4.1.2	Ignorance of Islamic Customs Brings Negative Effects .....	20
4.1.3	External Threat Brought by Extreme Islamic Forces.....	21

4.2 Problems Caused by Values and Ways of Thinking.....	21
4.2.1 Values of Indonesians Lead to Relatively Low Work Enthusiasm .....	21
4.2.2 New challenges Brought about by Short-term thinking .....	22
4.3 Problems Caused by Political System.....	23
4.3.1 “Guanxi” and Bigwigs Influence Indonesia's Investment Environment.....	23
4.3.2 The Imperfections of Indonesian Systems Increase Risks .....	23
4.4 Prejudice and Misunderstanding Generated in History .....	24
4.4.1 The Prejudice and Misunderstanding Would Undermine Company’s Image .	24
4.4.2 Values and Nationalist Sentiment increase Social Risks .....	25
5 Suggestions and Feasibility Analysis .....	26
5.1 Suggestions .....	26
5.1.1 Suggestions on Cross-cultural Management .....	26
5.1.2 Suggestions on the Organizational System from the Perspective of Cross- culture .....	27
5.1.3 Suggestions on Dealing with Political Environment .....	27
5.1.4 Suggestions on Dealing with Social Risks .....	28
5.2 Feasibility Analysis .....	29
5.2.1 Feasibility analysis of strategy layer.....	29
5.2.2 Feasibility Analysis on the Layer of Product Service.....	30
5.2.3 Feasibility Analysis on the Layer of Target Market.....	32
5.2.4 Feasibility Analysis on the Layer of Corporate Finance .....	33
6 Revelation and Experience .....	35
6.1 Cultural difference and conflict can’t be ignored .....	36
6.2 Scientific and Effective Cross-Cultural Management are Essential	36
6.3 Enhancement and promotion of internal risk management .....	36
7 Conclusion .....	37
Reference .....	38

## **1 Introduction**

### **1.1 Research background**

During the state visit to the Central Asia and Southeast Asia by China President Xi Jinping in 2013, President Xi put forward the great initiative – To co-build the Silk Road Economic Belt and the 21st Century Maritime Silk Road (hereinafter referred to as the Belt and Road Initiative). With the establishment of Asian Infrastructure Investment Bank (AIIB), the signing of the China- Hungary agreement, the signing of construction agreement on Mombasa Nairobi Railway and several reference to the promotion of ‘the Belt and Road’ construction in Government Work Reports in recent years, the Belt and Road Initiative has been being implemented step by step.

The implementation of the Belt and Road Initiative is beneficial to the economic prosperity in countries along the line, regional economic co-operation among countries and it can also promote the growth of infrastructure investment, new town construction, tourism facilities and other construction projects. New Towns construction and tourism facilities investment can't be separated from the construction and decoration of buildings and other supporting facilities. Broad market prospects can be expected.

Therefore, facing broad market prospects in counties along the line, many corporations or enterprises with strength and determination of internationalization in China implement the 'Go Global' strategies under the guidance of the Belt and Road Initiatives. They make their overseas investment in counties along the line and Shenzhen Bauing Construction Group Corporation is one of them (hereinafter referred to as Bauing Group). PT. Bauing Construction Indonesia is one of the most important and landmark event in 'Go Global' Strategies or overseas investment by Bauing Group. It is the joint-stock subsidiary company of Bauing Group and the joint venture was established jointly by Bauing Group and PT.SIONEGS Group, which is the strategy partner of Bauing Group. This event shows the great determination of overseas market expansion by Bauing Group and it highly corresponds with the Belt and Road Initiative. Bauing Group has become the first leading public company with clear and specific overseas strategy in China construction and decoration industry.

### **1.2 Research purpose**

In recent years, under the guidance and support of the Belt and Road Initiative, implementation of 'Go Global' Strategies has been being accelerated. The volume of overseas investment by Chinese companies is increasing year by year. And the amount of joint ventures or joint-stock subsidiary company owned by Chinese companies increases

rapidly.

However, during the process of going global, Chinese companies are facing more and more challenges or problems for various reasons such as lack of overseas investment experience. Among cultural challenges or problems, the conflict between Sino-Foreign has become a hot and key issue that senior executives deserve consideration. The problems and challenges of cross-cultural conflict are expected to be prominent and obvious, which will give prominence to the importance of cross-culture management.

Therefore, on the basis of cross-cultural theory, we take one of the leading company in China construction and decoration industry - Bauing Group as an example, do research with an vision of cross-culture to the process of overseas investment in Indonesia by Bauing Group , and analyze the case of PT. Bauing Construction Indonesia to find the problems and challenges of China-Indonesia cultural difference that Bauing Group are facing in the process of overseas investment by means of interviews and literature research.

The theory of cross-cultural management will be employed to find out the reasons for cultural conflict and highly feasible suggestions for implementation and operation of future business investment activities by PT. Bauing Construction Indonesia will be put forward. In addition, valuable use for reference to 'Go Global' Strategies by Chinese companies in the future will be provided.

### **1.3 Research methods**

Case study and interview will be combined with literature research for a deeper analysis to the problem that PT. Bauing Construction Indonesia is facing and better exploration of 'Go Global' approach and path.

We take PT. Bauing Construction Indonesia, the joint venture subsidiary company of Bauing Group which is the school-enterprises cooperation partner of Guangdong University of Foreign Studies (abbr. GDUFS), as the study object.

We will find problems and challenges of China-Indonesia cultural difference that Bauing Group are facing in the process of overseas investment by means of interviews and literature research. And on the basis of theory of cross-cultural management in the field of international business, we will find out the reasons for cultural conflict and put forward the suggestion for PT. Bauing Construction Indonesia with a feasibility analysis including strategy, product, market, finance and so on. Finally, we will summarize the experience of the experience of 'Go Global'.

### **1.4 Questions**



During the process of overseas investment, will cultural differences and conflicts have an influence on Chinese enterprises?

If so, what kind of cross-cultural problems will occur to these enterprises?

By analysis through a cross-cultural vision, could we find out the root of these problems?

How do Chinese enterprises react to the problems brought by cross-culture area?

Is there any extracted experience or revelation for other Chinese enterprises as a reference?

## **2 Literature Review**

### **2.1 Causes of Corporate Foreign Direct Investment**

Lewis Wells, a well-known foreign investment expert from Harvard University, has pointed out that there are two basic reasons for the foreign investment of developing countries, one of which is to look for the economic production base and the other avoid trade barriers to expand the export market. Except for these, access to resources and the pursuit of technological progress also can be considered as other causes. Because of the relatively low costs of production in China, the reason that is to find the economic production base fails to match with our national conditions so that we analyze the causes lead to FDI in China from the last three angles.(Yu XiaoYuan,2006)

#### **2.1.1 To avoid tariffs and non-tariff barriers to achieve market expansion**

The so-called tariff barriers refer to measures that restrict trade through tariffs (where trade mainly refers to imports). Non-tariff barriers, of course, refer to measures that do not restrict trade through tariffs, including technical barriers, quotas, etc. Although the purpose and legal framework of the World Trade Organization is to promote free trade, and most countries have signed bilateral or multilateral agreement about trade, tariffs and non-tariff barriers are widely found in international trade, especially non-tariff barriers have an increasing trend year by year, so with the variable catalogues and the stronger concealment.

#### **2.1.2 To use local resources to alleviate the inadequate domestic resources**

China has a lot of economic resources ranked the forefront of the world, but there are some important resources can't be self-sufficient, let along the low per capita resource possession and the huge gap of resource. Therefore, China's enterprises resort to foreign investment activities getting into the abundant-resource countries to use local resources for production activities.

#### **2.1.3 To learn the foreign advanced technology and enhance the technological**

### **innovation ability**

Comparing with looking for the economic production base and reducing the corresponding cost of products, the investment brought by our enterprises in developed countries shows up the purpose to learn foreign advanced technology and enhance technological innovation. When the enterprises obtain the normal investment income in the way of M&A as well as the direct operation or buying the share in the countries and areas with an advanced technology development, the advanced technology and business skills learned from host country can help the enterprises improve country's overall technical level and the efficiency of business operations.(Huang Zhi,2009)

### **2.2 The importance of cross-cultural management of joint ventures to business operations**

No matter that foreign capital come into China or domestic capital go abroad, most of them choose to co-operate with local enterprises to set up a joint venture company to enter the local market. The success of such cross-cultural enterprises not only depends on financial cooperation and technical cooperation, but also cultural cooperation. In the main reasons for the failure of the joint venture, due to the Sino-foreign cross-cultural conflict, misunderstanding and low degree of coordination caused by cultural differences, the enterprises will confront to the unstable business and even the final failure investment. Therefore, the cultural differences and conflicts are the biggest difficulties and challenges encountered by the joint venture in the management. The successful management of the Sino-foreign cross-cultural conflict is the biggest challenge and urgent problem in the management of the joint venture.

The cross-cultural conflict in Sino-foreign joint ventures means that the conflicts are sparked by both Sino-foreign joint ventures because of the respective national cultural concepts and backgrounds as well as Chinese and foreign joint venture partners' respective corporate cultures.

Therefore, the process of making cultural conflict in the Sino-foreign joint venture is complex. The whole process contains a large number of interactive behavior. The famous scholar Peter Killing, after years of research to create a joint venture business theory, pointed out that The main reason why the joint venture is difficult to manage is that such an organization is quite hard to manage, not the tasks' problems. The difficulties and challenges faced by the joint venture are not external, but within the organization. At the same time, he also pointed out the success of another joint venture key elements, namely: sincerity and technology. Whether the joint venture operates well or not largely

depends on interpersonal relationships rather than the technology. The most important task of a joint venture is to create a relationship or culture that enables people from different countries, different regions, different nationalities and different races to work together in harmony.

Yu Wenzhao, a well-known scholar, has conducted a long-term empirical study of nearly 30 Chinese and foreign joint ventures from Japan, the United States, Switzerland, Germany, Taiwan and Hong Kong respectively, while 28 managers from 19 companies were given the filed interviews and questionnaires. Based on these findings and findings, he proposed a management model to address the intercultural conflict within the Sino-foreign joint ventures, namely, a new model for managing culture together. He believes that both sides of the joint venture is in pursuit of their own interests, if the joint venture has a different cultural background, then the joint venture companies should understand each other's culture in the process of production and operation, making the two sides of the culture can be integrated. Through this way, joint venture production and operation and other daily operations can be carried out efficiently. At the same time, the theory also suggests that cross-cultural conflict management needs to be carried out from three different levels. First of all, from the macro-level, the joint venture cross-cultural conflict management needs the joint venture both sides to understand the cross-cultural differences between the two cultures in the mutual adaptation and cooperation, and gradually achieve mutual cultural assimilation; then ,the joint venture organization within the different cultural background of the various departments needs to understand each other, make a coordination and cooperation, helping the cooperation between the departments go smoothly; Finally, from the micro-level, inside the joint venture organizations are employees of different nationalities and races from different countries, different regions who should ensure that the communication between them is bi-directional and sufficient, so that each employee can exploit their own subjective initiative and potential advantage.

### **2.3 What is cross-cultural conflict?**

A central concept” cross-cultural conflict” was put forward for the first time in a book named “primitive culture “by the founder of British cultural anthropology Edward Taylor in 1871. The cultural meaning of the system is expressed as: "culture is complicated, including knowledge, faith, art, morality, law, customs, and all the abilities and habits that mankind gains in society. He believes that culture is the most appropriate subject for exploring human thought and behavioral laws. Therefore, culture is the entry

point of cross-cultural marketing research.

Cross-cultural conflict refers to the different forms of cultural or cultural elements of the process of mutual opposition between each other. It refers that not only the different cultural concept between both sides in the JV but also the diverse cultural backgrounds hold by employees arise the conflicts. The reasons for the conflict could be concluded that information comprehension, communication form, management style, legal and policy consciousness, national personality and thinking way are all different.

## **2.4 Hofstede model and Hall model**

### **2.4.1 Hofstede national culture model**

Dutch scientist Hofstede is a pioneer in the field of cross-cultural management, he and his research team spared nearly 11 years of efforts to come up with the national culture model by conducting more comprehensive survey of IBM's 50 countries in the world's subordinate branch of nearly 16 million (Hofstede, 1997), which found differences in behavior and work attitude among managers of different cultures and countries of different countries (Chen ZhiFa., 2005). Hofstede's national cultural model quantified cultural differences, supplemented by other scholars, and summed up the five dimensions of national cultural identity (Susan C. Schneider, Jane Louis Barsokos, 2002): 1, Power distance; 2, Uncertainty avoidance; 3, Individualism and Collectivism; 4, Femininity and Masculinity; 5, Long-term orientation and Short-term orientation. These five dimensions are one of the primary criteria for measuring cross-cultural differences within Sino-foreign joint ventures.

Among them, the power distance indicates the degree of acceptance with the unequal distribution of power in the organization, and the power distance could be high or low. The power distance are relatively high in China, India, Japan and Singapore and other Asian countries or France and other parts of the European countries or regions. The high power distance presented in enterprises can be seen between business managers and subordinates and hierarchical concepts and strict system could be spotted everywhere in the company. While the United States, Australia and other countries are the typical smaller power distance countries. In these countries organizational structure, each employee can participate in the process of corporate planning and decision-making and is considered to make a contribution; relationship between the superiors and subordinates is more harmonious and relaxed, and mutual communication also appears to be more free.

Uncertainty avoidance refers to the degree to which a society is perceived by the

ambiguity of uncertainty (Qu Zhimin, 2004). It reflects the strength of the desire of members in society to avoid future uncertainties, or the tolerance of social groups to uncertainties. China is a country with a high degree of uncertainty, and anxiety and pressure are widespread in the society. People tend to focus on their own safety and often make decisions after collective consultation. Because USA is a country with a low degree of uncertainty, it is easier for Americans to accept the unpredictable future, for instance, Americans do not think that changing jobs is risky and unstable. Individualism means that people are only concerned with themselves and their families in a loose social organizational structure. Collectivism means a closer social organization structure and it divides people into two groups of the internal and the external. people want the internal groups to care for and take care of them, thus they are faithful in the internal groups. As China including Taiwan and Hong Kong, Chile, Japan and Brazil and other countries tend to be in collectivism, people pay more attention to collective loyalty and most of the work is completed through collective efforts. However, in the United Kingdom, the United States, Canada, Denmark and Italy and other countries or regions, people are more inclined to be in individualism. People in these countries always put themselves first and will achieve the individual goals on the basis of the collective goals realized and the value of their own staff directly depends on personal performance.

Masculinity (Ruggelman, Hodges, 1996) refers to that people are dying for pursuing the values of success, money and material, however, femininity symbolizes the social concern and the value of lives. In countries with high masculinity, people pay more attention to elements of income, recognition, progress and challenges and hungrily hunt for the wealth and recognition. The countries with low degree of masculinity require, to a large extent, a good working environment and employment security. People always insist that good interpersonal relationships and living conditions are the sign of success.

Some scholars have added another important dimension of long-term and short-term orientations on the study of Chinese-specific values to the national cultural model. Long-term orientation has these characteristics as follows: people in this culture like to save money rather than consume and they have a strong feeling of hierarch. Besides, people love to invest, focus on efficiency and are easy to accept a delaying result. With more typical long-term orientation are China including Taiwan and Hong Kong, India, Singapore and so on.

On the contrary, the main feature of short-term orientation is that people desire more consumption and less savings, values skills instead of culture, love adventures,

innovations and are in a stronger enterprising spirit. Typical countries with short-term orientation are the United States, the United Kingdom and Brazil.

#### **2.4.2 Hall model**

Hall model is proposed by the well-known American cultural scientist Edward Hall in survey of the accuracy of information transmission and reception in the communication process.

The main features of high-context culture show that very little information can be expressed clearly after being encoded in the process of communication.

In the social organization of high-context culture, people pay more attention to interpersonal communication as well as "context" rather than "content" in communication. It is paid much attention to the establishment the social trust, think highly of mutual relations and friendship, and maintain a long-term mutual relationship. Various agreements are founded on mutual trust and most of them are verbal agreements. It can be easier to distinguish the "insiders" and "outsiders", especially in the business negotiations, the negotiators are more constrained by the red-tapes, without regard to the importance of work efficiency.

The characteristics of low-context culture are just the opposite. In the social organization of low-context culture, the information exchange is clear and direct. People pay attention to "content" rather than "situation" and they are taught from an early age to express themselves accurately and clearly. In their opinions, there is no need for them to understand each other in details so they are less willing to take time on constructing the relationship. Usually people like to write down the agreements and they pay more attention to the contents in negotiation rather than the forms. (Zhang Rui,2011)

### **3 Case description**

#### **3.1 Company profile**

##### **3.1.1 Parent company profile**

Bauing Group is an architectural decoration company with all qualifications in the field which is founded in 1994 in Shenzhen. It is also a company which participates actively in China's The Belt and Road Initiative and goes global to develop an international market.

Main business of the company is architectural decoration which includes engineering construction, decoration engineering design and other related business. The customer of Bauing Group mainly includes government, large enterprises, multinational corporations, real estate project, high-end hotels and so on. Projects that the company

undertakes can be divided into four types which are public architectural decoration, refined residential decoration, curtain wall decoration and other projects. Among those projects, the revenue of public architectural decoration accounts for the largest part of company's total revenue<sup>1</sup>.

### **3.1.2 Subsidiary company profile**

PT. Bauing Construction Indonesia is the joint venture which is set up by PT.SIOENGS, an Indonesia located international conglomerate, and Bauing Group in 2014 in Indonesia after signing The Agreement on Investment of Bauing Group and PT.SIOENGS. PT. Bauing Construction Indonesia signed construction contracts with a total of 999 million yuan and the number in 2016 increased to 1.818 billion yuan. PT. Bauing Construction Indonesia is the most important and iconic step that Bauing Group takes in going global and investment activities. The setup of PT. Bauing Construction Indonesia shows the determination of Bauing Group's expanding overseas market which also makes Bauing Group the first company with an overseas strategy in architectural decoration field.

## **3.2 The process of Bauing Group's Going global**

### **3.2.1 The Inspection**

After over a year's exploration of overseas market, Bauing Group profoundly aware that infrastructure of Indonesia is very poor, especially in road transportation. The inconvenience of transportation is the development issue of many cities in Indonesia, and the determination of Indonesian government in developing intelligent transportation system brings opportunities to Bauing Group who has a abundant strength in intellectual architecture. On communicating, Indonesian internet infrastructure is also poor for 3G network is still in the beginning stage. But 3G subscribers increased as government has rolled out efforts to improve the situation. With the development of Indonesian tertiary industry such as tourism and financial industry, the demand for hotels, office buildings and other facilities will rapidly increase. Moreover, the Asian Games will be held by Indonesia in 2018, which can bring large numbers of national construction projects.

In conclusion, future development of Indonesia can bring huge opportunities to Bauing Group. After the inspection, Bauing Group decides to develop new business such as smart city, e-commerce, and internet big data platform along with its main business of architectural decoration. And the preliminary actions Bauing Group took like acquiring

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<sup>1</sup>The information is from 2015 annual report of Bauing Group (SZ.002047)

Ninefold Construction Group and becoming the only private enterprise in CIUC of Maritime Silk Road.

### **3.2.2 Establishment of PT.Bauing Construction Indonesia**

Bauing Group publicly announced that Bauing Group signed an agreement on investment with its strategic partner, PT.SIOENGS. The cooperation marked a substantial step that Bauing Group takes to expand overseas market, which makes Bauing Group a vanguard in architectural decoration industry.

According to the investment agreement, Party A and Party B (Party A for PT.SIOENGS, Party B for Bauing Group) jointly set up a joint venture in Jakarta, Indonesia. Party A and Party B each funded at the most 1.6 million US dollars and 2.4 million US dollars, which account for 40% and 60% shares of company. The board of directors of PT. Bauing Construction Indonesia consists of five people. Party A appoints two of them, and Party B appoints the other three. And the legal representative is appointed by Party B. In the first year of the establishment of Bauing Indonesia, the total amount of project that PT.SIOENGS should provide is no less than 500 million yuan, and the amount increases to 1 billion yuan after the first year. In addition, the investment agreement also specifies the company's business scope: construction projects of the general contracting business, which includes but not limited to construction project consulting, planning, design, construction, decoration and other business.<sup>2</sup>

Information shows that PT.SIOENGS, the strategic partner of Bauing Group, is a large multinational enterprise headquartered in Indonesia. Its business is involved in the fields of finance, real estate, international trade, hotel, tourism and so on. PT.SIOENGS owns dozens of famous companies in different industries such as the United States, Canada, China, Indonesia and other countries or regions.

The establishment of PT. Bauing Construction Indonesia contributes to enhance Bauing Group's profitability and risk resistance capacity which is beneficial to shareholders' benefit. The cooperation between Bauing Group and PT.SIOENGS used resources and advantages of both sides which help two companies to expand overseas market and business growth.

### **3.3 Interviews**

Our team interviewed 3 people who have rich experience in business activity in Indonesia to gather the Indonesian cultural information such as religion, humanity, political culture and so on to provide the basis for the problems in cross-cultural

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<sup>2</sup> Reference: Listed company announcement published by Bauing Group in Sep,30<sup>th</sup> of 2014



management.

### **3.3.1 The Introduction of Interviewees**

Mr.Luo, a senior businessman<sup>3</sup>, graduated from Guangdong University of Foreign Studies, engaged in foreign trade since 1990s, successively worked in foreign trade department for government and state-owned enterprise, and now he is the vice president of Guangdong ZhenRong energy co.LTD. Mr.Luo worked in many foreign countries including Indonesia. He has a lot of multinational business experience and a unique viewpoint on cross-cultural management.

Having been a senior manager of American company, and guest professor of University of Hawaii and Hong Kong Chinese University (HKCU), Mr.Chang, a Chinese American, has rich experiences in Indonesian business activities and traveling around the world. <sup>4</sup>

Ms. Sarah, a British senior business people, who has been worked in China for many years, is very familiar with Chinese culture. She worked in a large British multinational company, and now she worked for a large educational institution in Zhongshan, Guangdong province. During her work, she traveled to Indonesia for many times and had deep exchanges with Indonesian locals. <sup>5</sup>

### **3.3.2 Interview Results**

#### **3.3.2.1 Mr.Luo**

Before interviewing Mr. Luo, we confirmed that he had the experience of working in Indonesia, and had rich experience in dealing with cross-cultural conflicts, so Mr. Luo's personal experience can be seen as effective and credible.

First of all, there is a big difference between Indonesia and China in terms of religious culture, and most people in Indonesia believe in Islam, so we raised questions like "what is the influence of Islam in Indonesia" and "what is the impact on local business activities". Mr. Luo said that the spread of Islam in Indonesia is very extensive influential, while dealing with the local people, religious differences is a problem can't be ignored. Firstly, Indonesia has the most populous Muslim population in the world, but unlike the Islamic countries of the Middle East, Indonesian local believers are more non-fundamentalists, which means there are more flexibility in the treatment of religious precepts and activities. Secondly, influenced by the closed characteristics of Islam,

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<sup>3</sup> At interviewee's request, the name of first interviewee will be used as Mr.Luo

<sup>4</sup> At interviewee's request, the name of first interviewee will be used as Mr.Chang

<sup>5</sup> At interviewee's request, the name of first interviewee will be used as Sarah

Indonesians local Islam believers are more resistant to non-Islamic religious culture. Because of its inclusiveness to other religions, some Indonesian Islam will show extremely hostile attitude to non-Islamic religions. Thirdly, if there is a criticism to local Islamism, especially government officials or foreign business managers, even if the criticism is objective and correct, local believers are likely to gather together to parade to protest. The recent action against Chinese in Jakarta SAR can be seen as an example. Finally, although Islam has been advocating for business since its inception, it is necessary to respect the religious activities of the local people when carrying out business activities in Indonesia. For example, Muslims usually need to pray regularly, they do not want to be bothered when they are praying.

We then asked Mr. Luo to provide us a more in-depth understanding of the Indonesian local people's temperament and social culture, because all the business activities are about interaction between people, a clear understanding of the two countries and the differences in social culture will be a help when carrying out business activities. Mr. Luo offered us information according to his own experience as follows:

Firstly, the majority of the local people in Indonesia are lazier, their desire for money is not strong, and they do not want to think of ways to earn more money. Besides, tropical island climate brings the superior natural environment coupled with the relatively closed information, make that many of local people are easy to be satisfied. Phenomena like "borrow money for entertainment" and "leave work to travel after payment day" are more frequent. Chinese people take up about 5% of the total Indonesian population, but own more than 80% of Indonesia's fortune; Mr. Luo said it is because local people are not crazy in making money. Some Chinese bosses even achieved staff-management by lending money to Indonesian employees.

Secondly, similar to that of China, people in Indonesian society also focus on "relationships". Under the law and regulations, a good relationship between people can be seen as a lubricant which ensures that business activities can be smoothly carried out. So when enterprises make investment in Indonesia, they need not only to obey commercial contracts, laws, institutional terms and other norms, but also need to know the local social customs and rules, and how to communicate effectively with the locals. Establishing a good relation with locals and other soft power measures are better ways to consolidate cooperation and improve the success rate of commercial activities.

Thirdly, in Indonesia, the performance system, bonus incentives and other Chinese enterprises commonly used incentives for large enterprises may not work. If the enterprise

simply raises benefits to motivate people, other than other incentives, Indonesian workers may think it's easy to have a raise in wage, if they can't get a raise, the enthusiasm of the workers will be greatly reduced, and even lead to a strike. And in Indonesia, wages must be paid even there is a strike, which will bring a lot of losses to the company. The simple material incentives may not improve work efficiency, sometimes they are counterproductive.

Fourthly, local people who have power may influence business activity greatly, management of company should establish a good relationship or establish a partnership with local powers and make full use of their resources can bring lots of convenience to business activities. If the company choose to do business all by themselves, or blindly believe that money can do everything, they may fail in operation in Indonesia or need to pay much higher costs and expenses than expected. Tianjin Julong Group is one of the examples, which had invested \$ 335 million through the acquisition of three private companies in Indonesia. . Due to the lack of experience in the business activities and the support of local dignitaries, the group did not go well at the time of entering after the acquisitions. So the group has to spend huge amounts of money together with unremitting efforts of the staff, they gradually established the trust with the local people, the project finally goes back on track, but it cost much more than expected.

Fifthly, the development of democratic politics in Indonesia has also brought about a certain negative impact in recent years. As most of the Indonesian people are not highly educated, many Indonesian people, especially local people who worked for foreign-funded enterprise and feel that they are treated unfairly, would accept money from the power of extreme forces to get involved in the local strike and demonstrations, even violent incidents of smashing foreign assets. In addition, anti-Chinese sentiment still exist in Indonesia, it is very likely to be made use of to bring troubles and loss to Chinese enterprises.

Furthermore, historical factor is an important factor which influences local culture, and a clear understanding of its historical development is very important in dealing with cultural differences. Mr.Luo mainly mentioned three points about Indonesian historical factors:

Firstly, from the 16th century to 1942, Indonesia experienced nearly four centuries colonial domination by Dutch, and the impact of colonial domination still exists so far. In the history of the Netherlands, due to rampant piracy and less legal construction, the Dutch business practices and management are more chaotic and disorder which makes

Indonesian business environment not so good. For example, the market rules are not so strict, and private relations can be used to solve the problems instead of legal system, and legal system is incomplete.

Secondly, although the process of democratic democracy in Indonesia has made some progress, corruption culture is still more prevalent in the administrative system. Under Suharto's rule, Mo Hassan, who served as commander of the armed forces, also took the positions as chairman of the Indonesian Olympic Committee, chairman of Badminton Association, vice chairman of the Asian Olympic Committee, the Indonesian Minister of Trade and Industry, and finally became the leadership of the timber industry association. He abused his power and accepted bribes which seriously disrupted the Indonesian business order, undermined the fair competition in the market. After the fall of Suharto, Indonesia's democracy developed, but the over-interference of power groups in the commercial activities is still common, which brings enterprises a lot of invisible costs.

Thirdly, the local Chinese set up their political parties and have been actively involved in political life in recent years. They are seeking political positions such as the Jakarta SAR Executive which is occupied by local Chinese. In the future, Chinese locals will seek a greater right to speak for their own interests in Indonesia, which has a profound impact to Indonesian political, economic and cultural system. But still existed anti-Chinese sentiment in Indonesia will bring the local Chinese and Chinese enterprises challenges.

Finally, since the establishment of a comprehensive strategic partnership between China and Indonesia in 2013, the communication between two countries, both at the national level and at the civil level, have been increasingly frequent. During the process, Mr. Luo believes that some Chinese enterprises are self-righteous in Indonesia. When doing business activities, some companies thought they are doing "poverty alleviation". Meanwhile, they didn't use proper ways when dealing with problems. The lack of a full understanding of the actual situation leads to the failure of investment activities. In addition, some Chinese enterprises export their goods to Indonesia with different names. Such a practice will continuously weaken Chinese enterprises' brand influences in Indonesian market. Only basing on the situations of Indonesian market and local customers' preferences can Chinese enterprises keep a foothold in Indonesia.

### **3.3.2.2 Mr. Chang**

Mr. Chang introduced the three aspects of Indonesian culture according to his

personal experience and the theoretical knowledge of cross-cultural management accumulated in his work.

Firstly, Indonesia is a high context country. Indonesians pay great attention to the relationship between people and more moderate when they get along with others. And they are trying to care about other people's thoughts to avoid discomfort or embarrassment.

Secondly, according to Hofstede's culture model, Mr. Chang said that Indonesians culture is with high power distance, collectivism, femininity, low uncertainty avoidance. For example, Indonesian employees care more about family and community, and they are good at listening to others. They also believe in fate and reincarnation so they are willing to take challenges and accept the new things.

Thirdly, the Indonesians pay attention to equality and justice. On the one hand, Indonesia encouraged and welcomed foreign companies to invest in Indonesia by the way of a joint venture; on the other hand, Indonesia was once a Dutch colony, after gaining independence, the Indonesians have their own sovereignty, so they hope that foreigners can show their respect and treats them equally. If foreign companies can not provide fair and equitable treatment, then the Indonesian people will express their hatred and dissatisfaction, they will either lower their enthusiasm and work efficiency or go on a strike.

Finally, Mr. Chang said that although Indonesian culture is similar with Chinese culture in some respects. But the femininity and low uncertainty avoidance of Indonesian culture will undoubtedly bring risks and challenges to China's joint venture management, and this is the question that all Chinese companies should pay attention to.

### **3.3.2.3 Sarah**

Sarah has traveled to Indonesia for many times and has lived in Indonesia for some time, so her experience in Indonesia can provide some useful information for this case study. In this interview, we asked Sarah about some of the Indonesian people's personality traits and some of the internal management issues. She also gave us the following answers according to her personal experience:

First of all, most Indonesian people are friendly and helpful, with a good command of English. When you go on business visits in Indonesia, you do not need to worry about getting lost, because many Indonesians will guide you, and even invite you for a free ride to the destination. Sarah believes that this may because of undeveloped local economy, the economy depends more on the development of the service industry, people hope that their friendliness may be helpful to attract more foreigners to increase their income and

improve living standards. In addition, Sarah also mentioned that the Indonesians want to get paid after offering help, especially after their offering help to Europeans and Americans. But even if they receive no money after help, they will not get angry and will continuously help foreigners within their capacity.

Secondly, the Indonesians have a strong "home-oriented" mindset. Whenever they are free they will spend time together for holidays. Even if their living standards are relatively low, they have a unique way to get along with their families. In addition, Sarah also mentioned that the Indonesians would strongly urge their employers to give them time to stay with their families. If employers are indifferent to this claim, the working enthusiasm of Indonesians will greatly reduce even if they may lose their jobs.

Finally, like Mr.Luo, Sarah believes that in Indonesia you must respect their religious beliefs and customs. Sarah mentioned women's clothing as an example, in Indonesia, women must wear long skirts and long-sleeved shirt, or Islamic clothing to show respect. Clothing such as vests, shorts, skirts are not allowed; If a female dresses in a improper way, most of the Indonesian will not show their dissatisfaction of such behavior because of its high context culture, but they will feel uncomfortable inside, which may bring negative effects to relationships. Besides dressing, there are other restrictions on women in Indonesia.

Sarah gave the following four recommendations when it came to the question of internal management of Chinese corporation:

Firstly, companies should respect the Indonesians religious customs because Indonesia is an Islamic country and most of the people believe in Islam. The prayers should be given full freedom and space. And religious holidays should be guaranteed to the employees.

Secondly, in Indonesia, by the influence of religious culture, men and women affairs are separated. So whether it is formal business activities, male and female employees should keep a certain distance. This may bring the enterprise some problems in personnel management. If the enterprise ignores this point, not only will it upset the staff, but also may lead to inefficiency of management.

Thirdly, the Indonesians are willing to be treated fairly, and they respect their own culture and traditions. Sometimes they are willing that the company can offer local food with reasonable price, which can make them feel care from their company, so the enthusiasm for work will naturally increase. Enterprises' incentive system should consider the preference of Indonesians, so that Indonesians can work more efficiently.

At the end of the interview, Sarah also mentioned that the Indonesians would respect people who are friendly to them or who would bring them fair treatment, rather than the wealthy upstart. So Sarah suggested that a well-funded Chinese joint venture should to care more about the feelings of employees instead of only paying them money, which will leads to a better result in personnel management.

## **4 Problems and Analysis**

Based on the information we gathered and the results of the interviews, we believe that PT.Bauing Construction Indonesia will face problems in the following four areas: religious culture, values and thinking mode, political system and prejudice and misunderstanding.

### **4.1 Problems in the Religious Culture**

Each country has its own religion and belief, and it has a profound impact on the national outlook, values, behavior patterns and standards of life. Religious beliefs are also the deepest thing in a national culture, and tend to show a different tendencies or taboos.

According to the information we collected, 87% of people in Indonesia believe in Islam<sup>6</sup>, which makes Indonesia the world's most populous country of Muslims. China is mainly influenced by the Confucianism. In addition to the Hui nationality and Northwest people of China believe in Islam, the majority of Chinese people basically do not understand Islam, and even many people hold the idea that "Islam is a terrorist organization", "Islam is related to ISIS and other terrorist organizations "and other misunderstandings(ChengYuzhen,2011). Because of differences between Confucianism and Islam, together with misunderstandings of Islam, cross-cultural communication and management will encounter problems and challenges. If these problems are not taken into consideration seriously, huge losses will be brought to the enterprise, and it even lead to catastrophic consequences.

Through our research of the literature and the results of the interview, we summed up the following three issues that PT.Bauing Construction Indonesia will face in the field of religious culture.

#### **4.1.1 Tougher management generated by religious cultural differences and conflicts**

As the board of directors of PT.Bauing Construction Indonesia is formed by representatives from both China and Indonesia and due to strict protection for Indonesian

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<sup>6</sup> From "Guidance on foreign investment and cooperation in foreign countries (regions) - Indonesia (2016 edition)", published by Ministry of Commerce, Research Institute of International Trade and Economic Cooperation.

domestic workers, that is, local workers are considered to be employed with priority, the cultural barriers arising from the misunderstanding of Islam as well as differences between Confucianism and Islam which brought cultural conflicts that appear in the company's operation and management process. More manpower and resources are needed by PT.Bauing Construction Indonesia to deal with different situation and overcome a variety of potential obstacles and conflicts, which will undoubtedly increase the difficulty of company's management. Combining the cultural dimensions of Hofstede's model and the literature we referred, we believe that the reasons for cultural conflicts and higher cost of management are as follows:

Firstly, Confucianism is not a religion, it has no written rules and regulations or mandatory binding on Chinese ideology and behavior, but it has been a way of thinking and acting in the social operation, daily life and work which subtly influence the Chinese people's thinking mode, especially in the Chinese company's management level. While Islam is a typical religion that has a strong binding force on its believers in all respects and it has written rules and norms based on classic Qur'an and affects all aspects of the believers' life as well as company's internal management. In addition, Muslims regarded Allah as the highest management of all things in the universe, any human management activities range from national level to individual level, all of them are under the code of ethics and conduct made by Islam, and Qur'an can be regarded as discipline of Islamic society. (Fan Wei, 2007) Therefore, compared to Confucianism, Islam has a stronger binding on the believers, and the constraints on their own behavior are stronger than that on Chinese.

Secondly, Chinese management style is influenced by Confucianism, which emphasizes on harmony, stability and group awareness. It highly valued people, and made decisions consisting with long-term management objectives. While Islamic management style is some kind of obedient style, it emphasizes that management activities can't be separated from the Islamic norms, and any activities should be properly carried out according to Islamic norms. Although it ensures the normative and consistence of the activity, the flexibility and initiative of the people will be greatly reduced.

Thirdly, according to Hofstede's cultural dimension theory and data displayed (Table 1), in the three dimensions of Masculinity / Femininity (MAS), Uncertainty Avoidance (UAI), Long-term orientation (LTO) , influenced by different cultures, there are differences between China and Indonesia :

China scores 66, Indonesia is 46, Arab countries is 53, and Hong Kong is 57 in MAS



dimension which measures the individual's pursuit of target. It can be seen that China is inclined to masculinity culture, people work for the pursuit of social status, power, money and other material success. Many Chinese put works in priority instead of leisure time, so material incentives will be more effective to Chinese workers. While Indonesia is tend to be femininity culture, there are contents about caring for others and improve the quality of life in the Islamic classic Quran. In addition, we learned from the interview that the Indonesian are family oriented, many people want to spend more time accompanying family and more leisure time. So based on this situation, management of Indonesian should focus more on the value of employees, flexible work time and care for their families rather than material incentives may be more effective in improving workers' performance, which is consist with that simple material incentives in Indonesia may be less effective mentioned by Mr.Luo.

Secondly, on the dimension of uncertainty avoidance(UAI) which indicates the attitudes towards uncertainty and whether willing to avoid uncertainty by the means of belief and systems. The score of China is 30, Indonesia is 48, Arab countries is 68, and Hong Kong is 29. Thus, there is a huge difference among those regions in the attitudes toward unknown things and the willingness to take measures to avoid risks. In China, the rules and regulations that are persisted inside of the enterprise only play a limited role. In Islamic countries such as Indonesia, managers and employees are more inclined to keep beliefs and behavioral norms at the same time, and they can't tolerate the unorthodox action and ideas. In addition, Mr.Luo mentioned in the interview that Islam is incompatible with new things and other cultures, and the uniqueness of the Islamic faith will make the staff highly respect and follow the doctrines of Islam and see the doctrines as an important method to avoid uncertainty.

Finally, in the dimension of long-term orientation (LTO), influenced by Confucianism, China is a typical long-term oriented country with a score of 87, which emphasizes the long-term planning, pragmatic values, perseverance and thrifty. Chinese people prefer the long-term strategy planning of the unpredicted future. While of Indonesia is only 25, with a strong normative tendency, people fully comply with the doctrines of Islam, and show great respect to traditions which are considered as a guidance to direct their behaviors. Enterprises focus more on immediate effect instead of long-term plan in development strategy.

Chart 1 Scores of Dimensions in four regions (perfect=100)

	China	Indonesia	Hong Kong	Arab countries
Masculinity / Femininity (MAS)	66	46	57	53
Uncertainty Avoidance (UAI)	30	48	29	68
Long-term orientation(LTO)	87	25	61	16

Resource: Geert Hofstede, Gert Jan Hofstede, Michael Minkov. *Cultures and Organizations—Software of the Mind*, McGraw—Hill, 2010. 57—59. 95—97. 141—143.192—194.282—285.255—258.

In summary, Indonesia is deeply influenced by Islam, and Indonesian companies are differ from Chinese companies in the ways of values, incentive system, management style, norms for employees, decision-making process, attitude towards unknowns, and development plan for the company. When PT. Bauing Construction Indonesia develop a company internal management system in decisions making, it has to take the factors above into account, which will undoubtedly increase difficulties in company’s management.

#### **4.1.2 Ignorance of Islamic Customs Brings Negative Effects**

As we all know, Islam has many unique religious practices. Both Mr.Luo and Sarah agree that Indonesia is a country with the largest number of Muslims, which can’t be ignored of its religious and cultural practices. And the respect for Indonesian religious practices must be showed both in business activities and leisure time. Special attention should be paid to Ramadan, according to the custom of Islam, during Ramadan time, all the Muslims can’t eat, drink nor smoke during the day, and this is a time that everyone will slow down the pace of life. Business activities decreased, and workers are only allowed to work six hours a day.

As the majority of employees of PT. Bauing Construction Indonesia are local Indonesians, the Islamic Ramadan will inevitably affect the company’s daily management activities and local business activities. Besides, the Islam has two other important festivals - Mawlid and the Corban Festival, during which Muslims need to carry out corresponding religious activities. For example, during Mawlid time, Muslims need to go to the mosque to listen to Guran explained by Akhoond. More devout Muslims will pray five times a

day to show the devotion to Allah. When Muslims are praying, if others disturb them without reasonable causes, such actions would be regarded as disrespectful to them, which would cause dissatisfaction and reduce Muslims' enthusiasm for work. And it would lead to strikes and even violent incidents.

Secondly, Sarah mentions that Islam has strict rules on women, women's dresses can't be too exposed which may cause trouble. Sarah also mentioned that by the impact of Islamic culture, men and women need to maintain a certain distance during the work and even they should do their work separately sometimes. In addition, there are many customs and regulations that are completely different from Chinese culture and some are hard to understand for Chinese.

Main business of Bauing Indonesia is the construction of the general contracting business, which undoubtedly will be involved in Islamic religious activities during construction process. If the company does not have a comprehensive understanding of the religious beliefs of Islam, it will inevitably lead to the neglect of local employees' needs, which will bring negative impact on the company:

Firstly, problems will occur in cross-cultural management which will affect the management and corporate cohesion. Secondly, the enthusiasm of local staff will be affected and it will lead to lower work efficiency. Furthermore, the company will make a bad impression for not respecting the local customs, hindering the company's business development in Indonesia. Finally, some radical believers will take the lead in the strike activities, because the general Indonesian education level is not high, workers are likely to be incited to participate in the strikes which influence business practices.

#### **4.1.3 External Threat Brought by Extreme Islamic Forces**

ISIS is an extremely terrorist organization which is characterized by its internationalities, participation of a large number of people, and its extreme cruelty. Since its establishment, it has planned many terrorist attacks around the world. In recent years, there have been many terrorist organizations set up by ISIS in Indonesia, and Indonesia has also become an important target area for ISIS to plan terrorist attacks. In addition, there are many ISIS members among many Muslims in Indonesia. These people are dangerous to the community, as well as to the business activities.

### **4.2 Problems Caused by Values and Ways of Thinking**

#### **4.2.1 Values of Indonesians Lead to Relatively Low Work Enthusiasm**

First of all, Indonesia is rich in natural resources, people do not need to spend too much to get rich natural resources; In addition, because of relative closed information,

the Indonesians are easy to satisfy themselves. And the desire for money is not strong. Therefore, according to Mr.Luo's reflection of Indonesia, more lazy characteristics and hedonism greatly reduced the efficiency of the work.

Secondly, Indonesia is a country with more femininity , according to the survey of different countries culture carried out by Hofstede and Michael Harris Bond that Indonesia's masculinity index (MAS) was 46, lower than China's 66. The Hofstede culture dimension model shows that the lower the value, the more prominent a country's femininity. In this model, the values of masculinity cherish competition, materialism, ambition and power, while the values of feminine cherish cooperation, humility and moderation, and pay more attention to quality of life. The pursuit of power and material achievements is not high. Therefore, Mr.Luo mentioned in the interview that only material incentive system for improving the enthusiasm of Indonesian employees may be ineffective.

Finally, as mentioned by Sarah and Mr. Chang in the interview, the Indonesians have a strong sense of family which is strongly influenced by Indonesian femininity values. They depend much on the family and they are willing to spend their free time with their families and hope that the employer can give them more leisure time. If employers force them to work overtime at the price of family time, Their work enthusiasm may be greatly reduced.

In summary, because of the Indonesian lazy character, femininity culture and value influenced by county culture, Indonesian employees may be less enthusiastic than the Chinese staff, which will disturb the process of construction. If blindly use Chinese-style management, there will be problems in company efficiency.

#### **4.2.2 New challenges Brought about by Short-term thinking**

According to Hofstede's research (as shown in chart4-1), Indonesia's long-term orientation (LTO) index is 25, much below China's 87. According to Hofstede's cultural dimension theory, the lower the long-term index is, the more obvious the short-term orientation of the way of thinking will be. On the contrary, the higher the index is, the more obvious the long-term orientation of the way of thinking will be. It can be seen that the way of thinking of Chinese employees is more inclined to long-term development, and they are more willing to sacrifice present satisfaction in order to get better future returns so they are more willing to work overtime to get better future development opportunities.

According to Sarah's interview, Indonesian employees prefer to have fair and

equitable treatment, and they want them to enjoy some of their immediate benefits such as cheap meals, more flexible working hours and better treatment. In addition, according to Mr.Luo, Indonesians like to borrow money to entertain themselves, they usually take less consideration about future. Therefore, combined with interviews and cultural dimension theory, we can find that Indonesian employees are more inclined to short-term orientation, which means they focus more on present life instead of the future opportunities, which will bring PT. Bauing Construction Indonesia challenges in management.

### **4.3 Problems Caused by Political System**

#### **4.3.1 "Guanxi" and Bigwigs Influence Indonesia's Investment Environment**

According to Hall's theory of high and low context culture, Indonesia is a high-profile culture of the country. People in high context culture are very sensitive to their environment. Their communicative style is more euphemistic. They value harmony and commitment. They also prefer to establish a long-term relationship with each other. Therefore, most Indonesians in business activities and daily life will focus on relationship between people, especially in the Indonesian society, with the "Guanxi" they can make things more convenient .In most cases, "Guanxi" is a shortcut to solve problems. As Mr.Luo said, if the company could build up good relationship with local officials and make full use of their resources, it is easier to carry out business activities.

The "Guanxi" culture makes corruption prevalent in Indonesian society. According to Hofstede's cross-cultural model, people who in power in high power distance culture often have the privileges, and power overrides laws, corruptions are highly tolerated, scandals are often sealed, and people highly respect power. Indonesia has a power distance index of 78, which means that Indonesia is a country of high power distance. In addition, according to the data released by the world's leading non-governmental organizations, Transparency International, from 2007 to 2014, Indonesia's incorruptness index is always from 2.5 to 5.0, we can see that Indonesia is a country with more corruption.

#### **4.3.2 The Imperfections of Indonesian Systems Increase Risks**

Policy risk refers to the government policies in the commercial areas which may have a negative impact on business practices. The stability of policies and regulations are key factors to country's long-term stable development. (Wang Weihang, 2015) Any changes in government regulations and administrative regulations will make business investment hampered. In the case of ore exports, for example, the Indonesian Ministry of Finance

announced export restrictions on 65 unrefined metals in 2014, which attracted investment for metallurgical plant at a sum of more than \$ 35 billion. In 2016, the Indonesian Mineral Ministry began to restudy the National Decree No. 4 - Mineral Law, which was introduced in 2009, to consider a modest relaxation of export bans. If the policy is implemented, the interests of investors will be impaired.

As Indonesia's legal system is still not perfect and the policy management environment is still not transparent enough, it will bring a series of problems such as the arbitrariness of policy establishment, the randomness of policy implementation and corruption in the implementation process.

#### **4.4 Prejudice and Misunderstanding Generated in History**

The history of a country has an unavoidable influence on the values that people have, and these values will create a prejudice or misunderstanding that will bring risks and problems to the development of PT. Bauing Construction Indonesia.

##### **4.4.1 The Prejudice and Misunderstanding Would Undermine Company's Image**

From 1600s to 1942, Indonesia experienced more than four centuries of Dutch colonial history. In this colonial history, acts and policies of Dutch rulers have deeply affected the Indonesian people's views and attitudes towards Chinese, and it buried hidden risks for anti-Chinese incidents.

First of all, during the period of colonial time, the Dutch ruled Indonesians and Chinese with different policies. They politically divided all the inhabitants of Indonesia into three categories: first-class are mainly Dutch-dominated Europeans, and the second-class are Chinese-oriented Asians. The third-class are the local indigenous people. Different classes of residents apply to different laws, and the Chinese legal status is significantly higher than the indigenous people. This situation gradually harm the relationship between Chinese and local Indonesians. And in business activities, Chinese mainly engaged in sales, while indigenous residents are mainly engaged in agricultural production. Economic activity differences between the Chinese and indigenous people gradually widened the economic gap between Chinese and Indonesians. At the same time, on the one hand, the Dutch colonists, made use of the Chinese people to gather wealth in the colonial plunder. On the other hand, because of the fear of overpowered Chinese which will threat their interests, they often bring shame on Chine and spread rumors to worsen relationship between Chinese and Indonesians and blame Chinese on exploiting local Indonesians. Finally, the Dutch colonists released rules and regulations on prohibiting Chinese from believing in Islam, hampering the cultural exchange and

integration of Chinese and local Indonesian people, which increases the gap between them.

These policies with racial discrimination makes the Indonesian society nowadays still has some prejudice against the Chinese. On the one hand, local people in Indonesia acknowledge the economic contribution made by Chinese. But on the other hand, Indonesians still hold biased opinion towards Chinese. According to Lianhe Zaobao's report on December 25, 2016, there are rumors that over 10 million Chinese workers who took away the Indonesian job opportunities. It can be seen that there is still prejudice against Chinese and Chinese enterprises in Indonesia, which will bring an unfavorable public opinion for development of PT. Bauing Construction Indonesia in the Indonesian market. Although the company spent a lot of money in cultural exchanges and integration into the local society <sup>7</sup>and it had achieved a certain effect, these unfavorable remarks and prejudice will make the company to spend more money in Indonesia to establish and maintain a good corporate image.

#### **4.4.2 Values and Nationalist Sentiment increase Social Risks**

When people's values are in conflict with the values of the various regimes, they will take collective action. The likelihood of occurrence and the tendency of this collective action are social risk.(Wang Weihuan, 2015)

When Suharto was in power, the Indonesian government often carries out some fake reports and propaganda of Chinese. For example, the Indonesian government over-exaggerated the impact of Chinese on the Indonesian national economy. Suharto had repeatedly said in public that Chinese accounted for less than 3% of the population in Indonesia, but control 70% of the Indonesian economy. However, according to the official report released by the Indonesian government in 1981, the amount of investment contributed by non-indigenous people, including the Chinese, accounted were only 9.7% of the total capital of the Indonesian foreign-funded enterprises, showing that the Chinese did not control the Indonesian economy. Because of Indonesian economy was in a downturn and the gap between Chinese and Indonesian is increasing, together with political reasons and natural disaster, Indonesian anti-China sentiment aroused, and serious anti-Chinese attacks finally broke out in 1998.

Although it has been nearly 20 years since the breakout of the incidence, and democracy has been developed in Indonesia. But China is still under the impact of anti-

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<sup>7</sup>From "Shenzhen Bauing Group: Three-steps to open up overseas markets" Uploaded by Shenzhen TV on July 5, 2016

Chinese sentiment. Social risks increased because of rumors spread by local media and criminals, and occurrence of social unrest, mass riots, demonstrations and other activities will greatly have a bad influence on the commercial operation of PT. Bauing Construction Indonesia.

## **5 Suggestions and Feasibility Analysis**

### **5.1 Suggestions**

#### **5.1.1 Suggestions on Cross-cultural Management**

##### **5.1.1.1 To strengthen Cross-cultural Training**

Cross-cultural training is the most basic and effective way for companies to deal with cultural differences and improve cross-cultural management.

For Chinese employees, PT. Bauing Construction Indonesia needs to conduct cultural sensitivity training. The ways are as follows: first of all, cultural teaching is necessary, which means to invite experts to deliver culture lectures about Indonesian cultural customs, religious beliefs and so on. Or to recommend some books about Indonesian culture to help employees get mentally prepared for new working environment; The second one is environment simulation, which help staff to get familiar with Indonesian environment in advance, and get prepared for difficulties they may encounter in the future. Train staff to think and act in Indonesian way, so that employees can get used to the Indonesian ways in advance. The third one is language training. To train domestic staff to use simple and effective Indonesian language in order to reduce the troubles caused by language barriers.

For Indonesian local staff, PT. Bauing Construction Indonesia should train the employees about corporate culture, business philosophy and other related issues. In addition, PT. Bauing Construction Indonesia can also offer non-Chinese employees Chinese training in order to enhance foreign employees' sense of belonging to the enterprise

##### **5.1.1.2 To organize a Cross-cultural Management Team**

Setting up a cross-cultural management team is also an important way to promote cultural integration and improve cross-cultural management of enterprises. PT. Bauing Construction Indonesia gathered talents and set up a management team with mutual trust and respect. When team leader choose their own management style, they should be objective or impartial and he should motivate team members to make their contributions to teamwork. Team leader should also lead the team to cultivate a good network of interpersonal relationships and enhance team cohesion.



### **5.1.1.3 To form a Corporate Culture with Shared Values**

Although there are cultural differences between China and Indonesia, but according to Hofstede and other scholars, China and Indonesia are both collectivism country, which means that Chinese and Indonesians tend to focus on collective interests. On the basis of these cultural similarities, PT.Bauing Construction Indonesia can build a corporate culture with shared values to improve the company's internal identity and enhance the cohesion of the employees. Meanwhile, developing a shared value of staff is helpful to restrain and motivate employees.

### **5.1.2 Suggestions on the Organizational System from the Perspective of Cross-culture**

#### **5.1.2.1 To establish a Diversified Welfare System**

PT.Bauing Construction Indonesia can get a better understanding of the actual needs of employees by the means of questionnaire, interviews and others. Then they can design a reasonable welfare system according to actual situations. For example, for Indonesian employees who work diligently and regularly, the company can provide them with free lunch, medical and pension insurance, child education subsidies, and give them the benefits of tourism and leisure time, such as helping them to reimburse travel expenses, invite their families to participate in corporate recreational activities. The establishment of a diversified welfare system not only takes Indonesian people's humanistic feelings and family-oriented consciousness into account, but also help them to improve their enthusiasm and belonging to the company, which will increase efficiency of whole company.

#### **5.1.2.2 To establish a Scientific and Rational Management Mode**

Firstly, PT.Bauing Construction Indonesia should establish a reasonable internal organizational structure to ensure that the staff of different departments can clearly know their responsibilities and objectives, and regularly review of the work is needed; Secondly, it can establish rigorous and efficient job responsibilities system, such as performance appraisal system, so as to encourage employees to work harder; Finally, strengthen risk awareness of both leaders and staff to enhance their ability to identify and avoid risks. Feedback from employees is also needed to modify training contents.

### **5.1.3 Suggestions on Dealing with Political Environment**

#### **5.1.3.1 Collect Information about Government Policies from various sources**

PT.Bauing Construction Indonesia should actively collect the development information of Indonesia, and know related government policies. The company can not

only collect social information from newspapers and magazines, but also obtains information from PT.SIOENGS and Indonesian officials. The company should strengthen cooperation with local enterprise and benefit from the cooperation to reduce operational cost. In addition, when conducting a foreign investment, Chinese company should establish a good relationship with the local government to strengthen communication and contacts in order to avoid political risks to the utmost extent. Finally, PT.Bauing Construction Indonesia should also have a deep understanding of the local political parties and labor unions which are under government's influence, and know how to deal with political parties and labor unions.

#### **5.1.3.2 To establish Industry Associations with Other Indonesia Located Chinese Companies**

It is also necessary to establish an industry association with other Chinese funded companies in Indonesia, as these associations can have a certain impact on the policies of the host government. For example, the East Asian Economic Research Center, established by Japan, has a tremendous influence in Indonesia through a very unique business model. Through the cooperation with the Indonesian government, the research center provided development suggestions, and help Indonesia on infrastructure, economic integration and other development issues, which influences Indonesian policy for Japanese companies. At present, the interaction between China and Indonesia is not too much. Such companies like Bauing Group should improve its influence by organizing activities in Indonesia to get a better understanding of Indonesian government policy and reduce the risks caused by political factors.

#### **5.1.4 Suggestions on Dealing with Social Risks**

From the above analysis we can see that due to the influence of history, Indonesian society still has potential social risks. Therefore, PT.Bauing Construction Indonesia must actively take the corporate social responsibility and manage social risk.

##### **5.1.4.1 To focus on the Choice of Social Responsibility Objectives**

Corporate social responsibility objective refers to a specific measurement of enterprise's return to the society in a certain period, and it is the basis for taking corporate social responsibility. This measurement may focus on one or more aspects of obtaining economic benefits, addressing employment, protecting the environment, safeguarding consumer rights, focusing on employee growth, and caring for public welfare. (Lu Yong .2006)

PT.Bauing Construction Indonesia paid great attention to the choice of social

responsibility objective at the beginning of entering Indonesia. Since 2015, the company organized a number of cultural exchange activities and charitable activities and repeatedly expressed that the company want to be the emissary between China and Indonesia and they will make their responsibilities in cultural communication and development of Indonesia into practice. PT.Bauing Construction Indonesia use "culture" as the entrance, with the Chinese culture of identity, to promote the cultural communication and artistic exchanges between the two countries in order to establish a good corporate image to obtain a good business environment and public support for the follow-up business activities.

Therefore, the follow-up development of PT.Bauing Construction Indonesia should focus on the choice of social responsibility objectives to get prepared for the future situations. When the company choose social responsibility, it should pay attention to three issues: Firstly, social responsibility objectives should to be hierarchical, which means that company should not only have a strategic level of social responsibility objectives, but also have a detailed division to the management level, operating level; Secondly, corporate social responsibility objectives can't be separated from the economic goals; Finally, the choice of social responsibility objectives should be renewed with the development of enterprises.

#### **5.1.4.2 To enhance the Supervision and Evaluation Mechanism**

Social risk indicators should be quantified when conducting social risk management, which can improve the efficiency and quality of social risk control. Since the 1990s, international corporate social responsibility standards SA8000, GRI guidelines and other social responsibility standards have been released. China issued Draft of Corporate Social Responsibility in 2005, providing basis and indicators for social risk management. Therefore, PT.Bauing Construction Indonesia can develop their own risk management standards based on their own situations. According to the relevant literature, in the quantitative criteria, the enterprise's social risk management can be divided into two parts, of which are organization and topic, including the assessment of property, goodwill, strategy and other factors. The evaluation of the results of social risk management can improve the efficiency of enterprise resource utilization and the effect of social risk management. It is also helpful to get an accurate and equitable assessment the decision-making and execution of employees by supervision department.

## **5.2 Feasibility Analysis**

### **5.2.1 Feasibility analysis of strategy layer**

Bauing Corporation has always been the promoter and practitioner of the “One Belt and One Road” initiative and the “Go Global” strategy. Since 2014, Bauing Corporation acquired ZJNF Corporation to improve its power and successfully conducted the key step of its “Go Global” strategy by setting up a joint venture called BauingIndonesia Corporation with XiongShi Corporation in Indonesia.

In the process of deepening international markets and integrating global resources, Bauing Corporation follows the "Three Steps" strategy. First, make a full research of overseas market and formulate the implementation plan for going out. Second, cooperate with local companies so as to formally carry out the overseas strategy. Third, attach great importance to overseas cultural communication and use cultural communication to promote economic and trade cooperation. Shaoming, GU, the chairman of Bauing Corporation's board, as well the president of BauingIndonesia Corporation, was interviewed by SZTV and said, “When engaged in multinational operation, a company is supposed to use cultural communication to promote economic and trade cooperation. Integrate into their society first and then seek the development.” In addition, the cross-cultural communication and management which can be seen from the cultural activities hold by BauingIndonesia Corporation in 2015 and 2016 is critical to the “Go Global” strategy of Bauing Corporation. Bauing Corporation realizes that if it wants to well integrate into Indonesia market and obtain investment returns, the first problem it needs to face is the cultural differences between China and Indonesia, namely the problem of cross-cultural management.

As a consequence, based on the cross-cultural perspective, the cultural difference and conflict problem that Bauing Corporation needs to face in the joint venture in Indonesia is analyzed and the countermeasures is correspondingly put forward. These countermeasures are belonged to the field of cross-cultural management. The suggestion of first and second parts is used for solving the different religious culture, values and ways of thinking. The suggestion of third and fourth parts is used for solving the culture of Indonesian political system and the prejudice and values caused by history. These countermeasures not only stick to the third point of its "Three Steps" strategy but also can satisfy the needs of developing strategy partners and expanding overseas business for Bauing Corporation. So, the above-mentioned countermeasures and suggestions play a positive role in promoting the internationalization strategy of Bauing Corporation, which turn out to be feasible.

### **5.2.2 Feasibility Analysis on the Layer of Product Service**

Bauing Group, the parent company of PT. Bauing Construction Indonesia, is a mega architectural ornament enterprise aiming to provide clients with comprehensive schemes of design, construction and installation and managerial service for the construction. Being one of the most qualified enterprises in the architectural ornament industry in China, Bauing Group has been listed in China's Top 100 growing enterprises in architecture industry for years and even ranked the top 10 among the Top 100 enterprises in this field nationwide. In 2015, it was awarded with the China's Top 10 enterprises successfully entering the ASEAN market.

The eight competitive advantages(*including abundant brand, excellent qualification, professional engineering, talented personnel, great management, powerful marketing, rich corporate culture and creative artistic marketing*)and a standardizing production managerial model of manufacture in factory, management with normalization and construction via assembly guarantee the core competitiveness and market influence for the Group in this field. Up to now, the Bauing Group has created fantabulous engineering projects like the National Convention Center, the Gym holding Shenzhen Universiade, Shenzhen Expo Center etc. Satisfying design concept, techniques striving for excellence and near-perfect operational management has made what the Bauing Group is today——reaching an advancing competitive status for high constructing and design level in the architectural ornament industry in China.

As a subsidiary of the Bauing Group, PT. Bauing Construction Indonesia has some similarities with the headquarter, like the scope of business. What's more, PT. Bauing Construction Indonesia could enhance its own competitiveness by making use of the comprehensive competitiveness: advantages of service, techniques and all-rounded advantageous resources from the parent company. Since its inception, Bauing Indonesia has gained contracts for architectural decoration engineering projects with value of 0.99 and 1.818 billion in succession. And the local projects have all received highly praise and approval, which shows certain local influence of this corporation. The local staff, especially the engineers and construction workers working hard on effective management, has contributed a lot to building service advantages for Bauing Indonesia in the construction ornament field. If certain circumstances as slowdown due to the cultural conflict, increasing social risks of Indonesia or augmenting risks of political institution ever happen on the local staff, the quality of all the engineering projects or the contract term would not be guaranteed, which may weaken the competitive advantages on service that PT. Bauing Construction Indonesia has provided for and even bring negative social

influence. Accordingly, effective solutions should be adopted to deal with the problems like cultural differences, conflicting, political and social risks. Aiming at reducing the risks above, this proposal put forward several pieces of suggestion as follows, building a cross-cultural managerial team, improving corporate culture, organizational and social risks management building and adequate investigation. Effective cross-cultural management and solutions to cope with political or social risks help response suitably when facing the risks. Furthermore, service quality and competitive advantages of architectural ornament service could be maintained. Therefore, the suggestion raised above is feasible.

### **5.2.3 Feasibility Analysis on the Layer of Target Market**

PT. Bauing Construction Indonesia carries out marketing activities with the corresponding advantages and conditions, which greatly improved the feasibility of its strategy. the specific performance are as follows:

First, the parent company of PT. Bauing Construction Indonesia-Bauing Group, after more than 20 years of development, in the design, construction, planning and other aspects has trained and attracted a large number of talents which combines with its strong financial and material resources providing Strong support for its marketing activities.

Second, PT. Bauing Construction Indonesia should actively recruit local talent and set up a cross-cultural marketing team consisting of Chinese and Indian employees. With the experience of local employees and their ability, the company's marketing strategy will be more in line with the Indonesian consumer psychology and habits and more close to the actual situation in the Indonesian market, so that the marketing activities can be carried out smoothly and achieve the desired results;

Third, the Indonesian market is not mature which provides a broad space for PT. Bauing Construction Indonesia to carry out marketing activities. After more than a year of investigation and exploration of Indonesian market, the Bauing Group had a profound understanding that infrastructure constructions of Indonesian cities are not perfect and the network development level is poor, but Indonesia has 250 million population including a lot of potential customers. If the company can occupy a large number of market share with less competition, the company will receive substantial gains from the Indonesian market; Fourth, PT. Bauing Construction Indonesia's current marketing activities around the "strengthening Sino-Indian cultural exchange" theme to carry out, for example, holding the "PT. Bauing Construction Indonesia Chinese painting and calligraphy exhibition "activities and so on.

The advantages of "culture" as a marketing strategy are that it can firstly cause the cultural resonance with the local Chinese and attract a large number of potential Chinese customers and can secondly avoid the sensitive historical problems of Indonesian society and make the Indonesian consumers be more receptive which will help PT. Bauing Construction Indonesia to establish a good corporate image in the local market; Fifth, the Chinese government's "The Belt and Road" Initiative will help PT. Bauing Construction Indonesia's marketing strategy to carry out. The "The Belt and Road" initiative has narrowed the relationship between China and the countries of "The Belt and Road" initiative. Fostering cordial relations between countries will help enterprises to achieve a harmonious social environment in the host country's business activities including greater support of public opinion, being easier to win the goodwill of the customer groups and more access to policy support. In summary, PT. Bauing Construction Indonesia is facing a huge market opportunity, having a multi-cultural marketing team, holding the "cultural marketing" selling point and taking advantage of the boom of Chinese government initiative with the support of the strong parent company, Which have greatly improved the feasibility of its cross-cultural marketing strategy.

#### **5.2.4 Feasibility Analysis on the Layer of Corporate Finance**

##### **5.2.4.1 Financial Analysis on Bauing Group**

From chart 5-1, we can clearly see the financial performance of the Bauing Group from 2012 to 2015. When it comes to developing ability analysis, climbing up can be obviously seen in asset and owner's equity from graph 5-1, according to data provided by chart 5-1. Thus, we can see the development in company's size and ability of Bauing Group in the recent years.

Chart 2 Financial statistic of Bauing Group(2012-2015)

	Asset	Liability	Owner's equity	Revenue	Sales Profit	Net profit
2012	1916924035.7	1266521520.7	650402514.9	2912851581.7	205672514.9	152195010.1
2013	2790936151.1	1743108978.6	1047827172.4	3726811295.6	293648625.3	219904193.6
2014	4917856427.7	2747289034.0	2170567393.7	5382464813.4	366558525.1	272954954.5
2015	6895636643	4304223082.5	2591413560.5	6853661299.4	487275884.2	376808558.2

Source: Bauing Group (SH.002047) Annual Report(2012-2015)

Chart 3 Bauing Group Financial Index

	Asset-liability ratio	Sales profit ratio	Net profit ratio	Increase rate of income
2012	48.65%	7.06%	5.22%	
2013	39.89%	7.88%	5.90%	21.84%
2014	20.99%	6.81%	5.07%	30.76%
2015	39.79%	7.11%	5.50%	21.47%

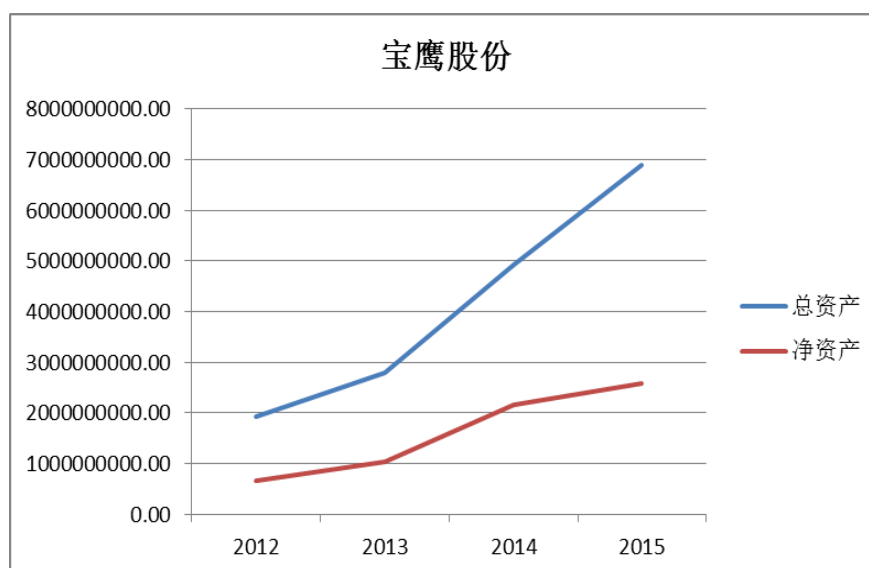
Source: Bauing Group (SH.002047) Annual Report(2012-2015)

For the earning ability analysis, we can find that the revenue and net profit of Bauing Group increased in the past four years according to chart 5-1, chart5-2, chart5-3 and graph 5-2. Although sales profit ratio and Net profit ratio has kept steady in the past few years, yet the increase rate of income has increased and far exceed the industry average one. So we can see Bauing Group has great ability in profit development.

Chart 4 Industry Average (2015 年)

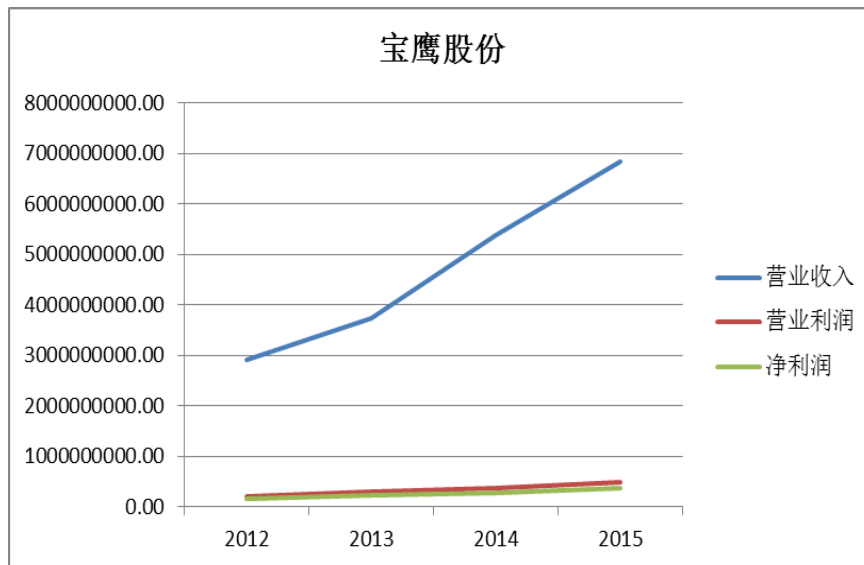
	Net profit ratio	Increase rate of income
Industry Average	6.92%	16.2%

Source: 和讯网



Graph 1 Asset of Bauing Group





Graph 2 Sales Performance of Bauing Group

#### 5.2.4.2 Financial Analysis on PT.Bauing Construction Indonesia

According to the 2015 annual report, we can see the financial performance of PT.Bauing Construction Indonesia. The company's balance sheet structure is reasonable by using financial leverage to maximize the profits of the enterprise. Moreover, in terms of profitability, net profit ratio of PT.Bauing Construction Indonesia is much higher than the average level of the construction industry. Thus, PT.Bauing Construction Indonesia has a strong ability to grow and develop. (Seen chart5-4 and chart 5-5)

According to the analysis above, we find that Bauing Group has very good financial performance, having the ability to adopt the suggestions above. Thus, the suggestions above are feasible.

Chart 5 Financial statistic of PT.Bauing Construction Indonesia (2015)

	Asset	Owner's Equity	Income	Profit	Net Profit
2015	215429940.3	63885937.5	203150565.9	64524708.7	58430191.7

Source: Annual report of Bauing Group in 2015

Chart 6 Ratio of PT.Bauing Construction Indonesia

	Asset-Liability Ratio	Net profit Ratio
2015 年	70%	29%

Source: Annual report of Bauing Group in 2015

## 6 Revelation and Experience

The report is based on the research on Bauing Indonesia Corporation. At the view of cross-culture, we analyze the problem that Bauing Indonesia faced and we come up with

some suggestion with high feasibility.

According to the analysis and exposition as above, the case of Bauing Indonesia can provide Chinese companies with revelation and experience which can help Chinese companies implement 'Go Global' strategies in the counties along the Silk Road economic belt in the future.

### **6.1 Cultural difference and conflict can't be ignored**

There are many countries along the Silk Road economic belt. Religious culture, culture environment, institution and system culture, mode of thinking, value and other aspects are various for their different track of historical development. Besides, it is undeniable that there are large differences between China and many counties in the culture aspect, which can turn into a cultural conflict. If Chinese companies ignore these differences or conflicts and adopt the original mode of business thinking and business regulation to conduct business, they will face various problems and suffer from different setbacks, which can bring about loss of business and even total failure.

### **6.2 Scientific and Effective Cross-Cultural Management are Essential**

Cross-cultural management is one of the important methods to solve cultural differences and conflicts. Scientific and effective cross-cultural management not only allows Chinese enterprises to make effective use of resources of the target countries, but also can promote their integration and cooperation between different countries and regions that enhance company's competitive advantage. Therefore, in order to make better investment to countries along the Belt and Road, Chinese enterprises must carry out scientific and effective cross-cultural management, that is, through establishing excellent cross-cultural team, implementing effective cross-cultural human resources management, training managers and other ways to reduce obstacles and problems brought about by the cultural differences and conflicts, and to make better use of the local resources.

### **6.3 Enhancement and promotion of internal risk management**

During the process of going global and participating in the international competition and cooperation of higher level actively, Chinese companies should not ignore the potential risk. Besides the social and political risks above, companies may face operational or marketing risks which generate inside the companies. The probability of risks in joint ventures is high because there are various kinds of culture backgrounds inside the company and the operation will be highly influenced by the international environment. Therefore, it will be a huge risk to the operation of companies and aimed at

a effective and efficient management, companies should enhance the capability of risk evaluation and control. Otherwise, internal risk management should also be taken into consideration.

#### **6.4 To build and Maintain a Good Corporate in Multiple Ways**

As a result of historical factors, many countries along side of the Belt and Road exits bias and misunderstanding towards China and Chinese enterprises. Negative comments will affect the image of Chinese enterprises, so Chinese enterprises in the target countries need to build and maintain a good image in multiple ways. When Bauing Group first established PT. Bauing Construction Indonesia ,it held a number of charitable activities, played a role as a communicator between China and Indonesia, successfully established a good corporate image in local Indonesians. And gained trust and support from both local government and its partner, PT.SIOENGS, and set an example for other Chinese enterprises in Indonesia. However, in the face of the bias and misunderstanding, as well as the unpredicted environmental changes, PT. Bauing Construction Indonesia has a long way to go in the maintenance of corporate image.

### **7 Conclusion**

In this report, we use PT. Bauing Construction Indonesia as an example which is a joint venture established by Bauing Group to analyze the problems caused by religion, values, ways of thinking, political system and other factors which joint venture may come across. We also put forward the suggestions for cross-cultural management, political risks and social risks. Finally, we analyze feasibility of the suggestions from the perspectives of strategy, products, technology, and finance.

In the future with the speedup of the process of Chinese enterprises' going global, cross-cultural management will encounter a variety of different problems, there is still much more room for research and discussion, which is the future direction of this report.

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