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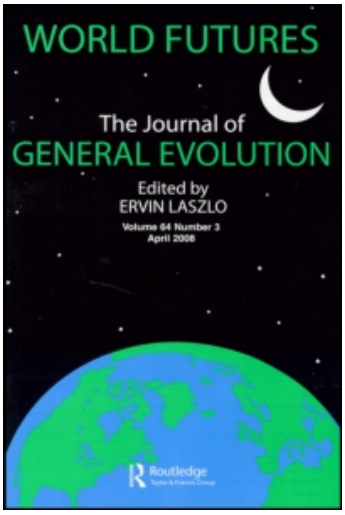


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# Cultural Hybridization: A Third Way Between Divergence and Convergence

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# CULTURAL HYBRIDIZATION: A THIRD WAY BETWEEN DIVERGENCE AND CONVERGENCE

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The convergence–divergence debate on whether business cultures are growing alike or not has become an important part of studies of the influence of national cultures on the operation of firms. This article intends to formulate a third way, a third model, by creating synergy between the model of cultural hybridization and Social Integration Theory. We contend that cultural hybridization takes place in multicultural joint ventures but this process happens unevenly and in different parts of the venture. The new model, itself a product of hybridization, is illustrated with examples from Chinese and Indian joint ventures.

*KEYWORDS: China, cultural hybridization, India, joint ventures, Social Integration Theory.*

## INTRODUCTION

The convergence–divergence debate is one that seems to have become an inherent part of the study of the influence of national culture on the operation of firms. The advocates of convergence believe that the increasing interaction between players of different parts of the globe will lead to the gradual emergence of a single business culture. This process is further facilitated by the use of similar technologies (Castells 1989). At the end of that road there will only be culture-free "global organizations" (Ohmae 1990). The proponents of divergence counter this belief by pointing out that cultural differences continue to exercise a strong influence on the way people interact, with no exception for business interactions. This group of researchers include scholars defining national culture in terms of values, like "power distance" between superiors and subordinates (Hofstede 1980), or the "ascribed vs. achieved nature status" (Trompenaars 1993). Another school in the divergence camp is Whitley (1993), who launched the concept of National Business System. This concept centers around the belief that firms do not act in a social vacuum, but are economic actors affected by numerous influences from the environment (e.g., the way firms compete, extent of interference from the government,

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employer–employee relationship). Some researchers in the divergence camp try to formulate strategies to reconcilliate cultural diversity in cross-cultural contact. The contribution of Hampden-Turner in this special issue is an example of that school.

This article intends to formulate a third way between divergence and convergence by creating synergy from models developed separately by the two authors of this article, cultural hybridization and Social Integration (SI) Theory. Multinational joint ventures in China and India have been selected for case studies. China and India have been large foreign direct investment (FDI) recipient countries in the world in recent years. This is largely because of two factors: investment incentives offered by both governments and the countries' abundant availability of cheap labor (UNCTAD 2006).

International Joint Ventures (IJV) have been a prevalent mode of entry into global markets for some time (Berg, Duncan, and Friedman 1982; Harrigan 1985; Hergert and Morris 1988; Wysocki 1990; Douw and Chan 2006). The leading organization theorist Richard Daft (2007, 70) regards joint ventures as a subtype of strategic alliances: "Joint ventures result in the creation of a new organization that is formally independent of the parents, although the parents will have some control." Others refer to a joint venture as "a strategic alliance for a specific purpose or project . . . a specific strategy in which two or more organizations join together, pool resources, and spread risk to accomplish a goal that is mutually beneficial" (Hodge, Anthony, and Gales 2003, 126).

Scholars have noted that many IJVs are not successful (Inkpen and Beamish 1997; Han and Xu 1997; Reurer, Zollo, and Singh 2002). Estimates suggest as high as 60 percent of all alliances end in failure (Barger 2007). A good match on paper does not always end up as a successful cooperation. In many cases this is related to the implementation of the contract, and the inadequate or inappropriate transfer of knowledge, rather than the rationale and resources used to form the venture (e.g., Barkema and Vermeulen 1997; Park and Ungson 1997; Steensma and Lyles 2000; Child and Yan 2003). Researchers have indentified many international barriers to IJV success. Three of those barriers include the culture differences that affect the ability and willingness of firms to communicate with each other (e.g., Barkema and Vermeulen 1997), the ability to create and maintain trust within the IJV (e.g., Park and Ungson 1997), and the establishment of control processes and procedures that encourage cooperation and reduce resistance to change (Inkpen and Beamish 1997). Steensma and Lyles (2000) and Zollo and Winter (2002) claim that IJVs that are not able to overcome at least one of this barriers will quite often not survive. Chan and Ho Luk (2006) and Chan, Ho Luk, and Wang (2006) have made an attempt to formulate strategies of conflict management in multinational joint ventures. Instead of talking in the polarizing language of divergence and convergence, Chan formulates a hypothesis of cultural hybridization. Chan started developing his model in a much broader study of cross-cultural contacts. Such contacts have sharply increased during the past couple of decades as a result of a process popularly referred to as globalization. One product of that process is global cities like Hong Kong, New York, Paris, and more recently cities like Shanghai, in which people from all over the globe meet and are confronted with cultural

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differences on a daily basis. Chan regards hybridization as the preferred strategy to cope with cultural differences. Hybridization is when people with different cultural backgrounds during interaction are willing to "culturally let go" and open up to other possibilities (Chan 2002). Chan and Ho Luk (2006) have studied conflict management and innovation strategies in joint ventures between Chinese companies and partners from a number of other Asian and Western countries. They concluded that "Constructive or cooperative (as opposed to disruptive) conflict resolution strategies created a better understanding between the Chinese, Japanese, Taiwanese, and Koreans, and thus consolidated many partnerships. Nevertheless, cooperative and disruptive strategies often coexisted in these Sino-foreign joint ventures, although cooperative strategies were more numerous by comparison" (Chan and Ho Luk 2006, 238).

Mackinnon and Powell (2008), in their study of how China is adapting its traditional values and practices to target strategic investments worldwide, contend that the rest of the world will also be forced to adapt to the significant impact that Chinese international involvement will bring about. They speak of "crossvergence," a hybrid term denoting a hybrid form of management, as the alternative for convergence and divergence. This term can be compared with Chan's cultural hybridization. By crossvergence the authors meant deliberate adaption to local culture. For example, a core value of Chinese culture is giving personal relations priority over contracts. When operating in Western countries, Chinese entrepreneurs may adopt and adapt to the local practice of negotiating contracts in legal terms, but may still implement those contracts in term of their relationship with the partner involved.

The word "coexisted" in the citations of Chan and Ho Luk (2006) and Chan, Ho Luk, and Wang (2006) points at a soft point of the model. Cultural hybridization in their study is only described in terms of the joint venture itself. It does not address the practice that some parts (people) of such ventures will interact more frequently with people from alien cultures than others. This will lead to some sections of the venture being more and/or more quickly hybridized than others, which can lead to frictions that can further evolve into conflicts.

In this article, we will address that problem by combining the concept of cultural hybridization with an organization theory developed by Peverelli (2000, 2006a, 2006b) known as Social Integration (SI) Theory. Where Chan's concept of hybridization speaks of "everyday life operational transactions," Peverelli goes one level deeper to ongoing social interaction between individuals. On that level we can observe how various groups of local employees in the joint ventures differ in the frequency of interaction with foreign nationals, which should lead to different ways and degrees of hybridization. Observing at the level of social interaction allows the researcher to maximize the range of details studied, such as: frequency of interaction, the relationship between the local and foreign people (e.g., position in the hierarchy), occasion for interaction, and so on. It is hoped that this study will contribute to the debate on the influence of national culture on firms by offering a third way that reconciles the concepts of divergence and convergence.

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## CULTURAL HYBRIDIZATION

In the first part of this section, we will introduce Chan's concept of cultural hybridization as defined in Chan (2002). Globalization has become such an inalienable part of our present reality that even the antiglobalist movement has become fully globalized. The revolutionary developments in communication and transportation of the past few decades have created a number of global citizens, people who, seemingly, do not belong to a particular culture, but are, again seemingly, at home wherever their travels bring them. Business executives fly from Amsterdam to New York and, a couple of days later, catch the plane to Hong Kong, to return to Amsterdam the following week, with a last minute one night stop-over in Shanghai to deal with an emerging problem. However, this exciting world of global citizens does not only consist of business-class travelers. It also includes tourists, and people who stay in the foreign country for longer periods like migrant laborers, exchange students, and so on.

People who are abroad are confronted with the differences between where they are from (their origin) and where they are (their location). Phrased in a postmodern fashion, such people can be regarded as being in more than one place at one time. If we designate the culture of the place of origin A and the place of the current location B, we can then discern a number of strategies to cope with the differences between A and B:

1. *Essentializing*: A<—>B = A/B. Both A and B essentialize and ossify upon their "encounters with difference or differentness," sort of retreating to their respective "unchanging same." This possibility is particularly real when it, as social psychology has taught us, happens at the group level—the group as breeding ground of prejudice, discrimination, racism, because groups in contact manufacture and exaggerate differences whilst stereotypes of the group and thus its members are constructed and put to destructive use.
2. *Alternating*: A<—>B = A + B. A is internalized by the person through socialization but will co-exist, side by side, with B formerly residing inside the mind of the person, both now sufficiently compartmentalized, divided, kept separate. The person will retrieve A or B depending on the occasion, the presence of others. He alternates his identities, he oscillates, he practices internal mental migration, he engages in what sociologists call "passing," putting one mask on at this moment and another mask at the next. He is an identity juggler though the perpetual fear is what if he drops a ball or two. Identity is thus a matter of positioning—identity as positionality.
3. *Converting*: A<—>B = B. This option is perhaps the most talked and written about, historically. Many terms have been invented for narrative purposes: assimilation, acculturation, and conversion. The image here suggests a replacement or, more accurately, a displacement of A by B, usually because of an alleged loss or negation of one culture by another because the person is by now uprooted and has buried his "old self," so to speak.
4. *Hybridizing*: A<—>B = AB or Ab or Ba. The upper case or lower case designates the amount of significance or importance attached to the label by the

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person. In this option, the air-tight compartmentalization, which incidentally is another sociological concept as in the compartmentalization of roles, is removed intentionally as well as unconsciously if the person can culturally "let go," and not be so "uptight" about one's "culture of origin" and, at the same time, strive not to be overly critical about the culture of the place of "arrival." This kind of mental agility and tolerance can open up many fascinating, exciting possibilities.

5. *Innovating*: A<—>B = AB or Ab or Ba—>C. In this symbolism, the entanglement and collision of cultures within the mind, the crucible, the cauldron, of the person may take the form of turmoil, trauma, existential pain, a dialectic of the opposites, which may sometimes degenerate into pathology of various kinds. But the good news is C, a new product, a new culture, a hybrid, a novelty.

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Chan and Ho Luk (2006) and Chan, Ho Luk, and Wang (2006) attempt to apply the concept of cultural hybridization in a study of strategies to resolve conflicts in Sino–foreign joint ventures. The study found three types of strategies to cope with cultural conflicts.

### *Disruptive Strategy*

The foreign party attempts to force its own point of view on the Chinese side. Example: some Japanese managers undertook to defuse an explosive situation by organizing training courses in Japanese culture and work ethic for the Chinese workers. Lessons in Japanese management inevitably created acculturative stress for the Chinese workers. Moreover, many Japanese managers insisted on using their own ideas, especially in doing business with Japanese customers.

### *Conciliatory Strategy*

The foreign party tries to avoid direct confrontation and instead tries to win the Chinese side over by giving the latter time to adapt. Example: In many cases, the Korean managers refrained from using a heavy-handed approach in dealing with defiant Chinese workers. Rather, they patiently reasoned with them, and tailored work to their abilities. The Koreans also allowed conflicts to be resolved by mediation or arbitration.

### *Cooperative Strategy*

This is a cross-cultural approach to conflict resolution in joint ventures with the advantage of integrating the best practices of different cultural orientations. This cultural hybridization is an embryonic formation of a new corporate culture that is a localized or Sinicized corporate culture and identity. Example: In some instances, the Communist Party representatives organized their own training sessions to impart a socialist corporate culture to the enterprise. An interface was then created between foreign and Chinese corporate cultures, which fostered a new, localized, and adaptive corporate culture in these Sino–foreign joint ventures. Chan adds

that this action was a response to the aforementioned less successful lessons in Japanese management skills. These created acculturative stress for Chinese workers, but in turn also created the need for new coping strategies, which led, subsequently, to further adaptive changes. Conversely, the absence of conflict may have deprived some partnerships of the opportunity to sort out differences and to arrive at resolutions.

Chan and Ho Luk (2006) and Chan, Ho Luk, and Wang (2006) conclude that a long-term strategy of conflict resolution should be predicated on the opening up of communication channels and the allowance of diverse communicative styles, in addition to a willingness to learn from each other and an inculcation of an innovative, responsive, and localized corporate culture and corporate identity. As a consequence, a new and localized corporate culture of various shades and hues could be achieved.

Chan and Ho Luk (2006) and Chan, Ho Luk, and Wang (2006) are valuable contributions to the study of cultural conflicts in transnational cooperative ventures. They concentrate on the strategies to cope with cultural conflicts, rather than the definition of culture. Culture is regarded as given and interpreted in the broadest possible sense as "the way we do things." In this way culture is regarded as a process rather than a property. A cultural conflict thus becomes a clash of different ways to do a certain thing and solving the conflict is a process to either select one of the conflicting processes, or mold them into a new process acceptable to both parties.

A point of critique could be that, although Chan and Ho Luk (2006) and Chan, Ho Luk, and Wang (2006) concentrate on labor conflicts, they still speak in terms of cultural hybridization of international joint ventures as a whole. However, in practice, local employees of some sections of such ventures will have more opportunity for interaction with foreign colleagues than others. As a result, we can expect that some section will be hybridized earlier and/or faster than others, and that other sections will not be hybridized at all. Continuing this line of thought, it can be envisioned that for some sections of international joint ventures hybridization is more necessary than for others. In some instances a low level of hybridization may even be preferable.

This problem is related to the interaction of organizations with parties in their environment. Different sections of enterprises often interact with different parties, which results in different corporate identities within the enterprise (Peverelli 2006a). In the example of a "disruptive strategy" cited earlier, it was mentioned that "many Japanese managers insisted on using their own ideas, especially in doing business with Japanese customers." This issue includes a specific party in the environment of that joint venture: customers from the homeland of the foreign party. Apparently, even a high degree of hybridization would not do for the Japanese managers in this case.

In the case of IJVs in China, for sections that frequently interact with local government agencies, a high degree of hybridization could be an impediment for a smooth interaction, as the governments cannot be expected to hybridize as well.

We therefore need to deepen the model of cultural hybridization with a model that:

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- can describe the different routes of hybridization in different sections of the enterprise;
- can link the process of hybridization to the interaction between the enterprise and its environment.

The model is Social Integration Theory.

## SOCIAL INTEGRATION THEORY

Social Integration (SI) Theory, which draws heavily on the works of K. Weich (1979, 1995, 2000), regards organizations as constructs. This means that they do not exist "out there," but only exist in the social–cognitive context(s) in which they make sense. Actors facing a similar task will construct a common view on that task and their roles in it through a process of sensemaking in ongoing social interaction. This process leads to the emergence of groups of actors who frequently interact about a specific theme, referred to as (social–cognitive) configurations.

At a certain moment, the actors themselves and other actors become aware of that frequent interaction and are starting to think about those actors as "belonging" to a group. Many of such groups are dissolved once the occasion for their initiation disappears or, phrased differently, when the actors stop making sense of the theme. However, some themes become sticky and the social–cognitive groups start attracting more actors. They are given names and once the frequency of interaction is regular enough, the location of that interaction can become fixed in the form of an address, with telephone number, mail box, and so on.

Actors can be, and usually are, included in several of such groups, a phenomenon referred to as multiple inclusion. During any instance of social interaction in a certain social–cognitive group, actors are never completely anchored in that group. Their attention will be fragmented over a number of inclusions. At any given moment most attention can be directed to one inclusion, but never completely (compare the remarks on complex systems in the contribution of Papestergiadis in this special issue).

When interacting in a certain social–cognitive context, actors can access cognitive aspects from other contexts through their inclusion. This can lead to the emergence of a new social–cognitive structure. In terms of the main theme of this special issue on hybridity, we could rephrase this by stating that multiple inclusion provides possibilities to hybridize social–cognitive groups with cognitive material from other groups. For this reason, multiple inclusion is regarded as the motor of organizational change.

As soon as organizations are believed to exist, the problem of the delimiting of organizations (boundary) appears. People usually talk in terms of the organization and its "environment."

From an organizing (process) point of view, organizations (entities) are constructs and so are the boundary and the environment. The only thing that exists is ongoing social interaction. A concrete organization exists by the grace of a sufficient number of actors supporting the perception of the organization by their frequent interaction about the specific theme around which the organization emerged (Van Dongen 1991).

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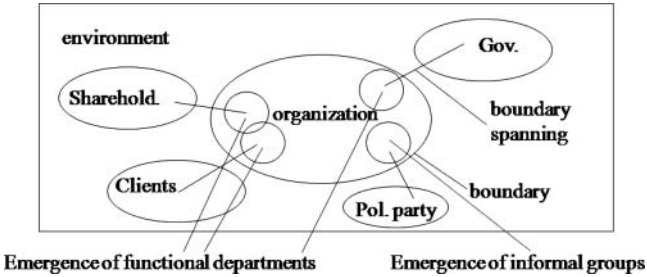


Figure 1. The Emergence of Complexity in Organizations

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The environment of an organization consists of other social–cognitive groups of actors. Organizations, being constructs, cannot link to one another. An organization is linked to its environment through the various inclusions of actors in that organization in other organizations. For example, a company does not communicate with its local Tax Bureau. The communication takes place between a certain person in the Financial Department of that company and a certain person in a certain department of that local Tax Bureau.

When certain actors within an organization regularly interact with the same external party, this can lead to the emerging of a special group within that organization. As shown in Figure 1, the functional departments like Finance, R&D, Legal Affairs, and so on that have become household words in the corporate world have evolved from this type of groups. However, the so-called informal groups, often regarded as an opposite of the formal organization in the classical management literature (Keuning 2003, 308–309), emerge in a similar fashion.

While such groups are formed on the basis of various partial linkages between an organization and its environment, those linkages are constantly reinforced (reconstructed) through the inclusion of actors in such sub-groups and social–cognitive structures in the environment. Union members within a company will annually attend national conventions; sales people will contact their clients at least once a month to seek out their needs, and so on.

One more aspect of SI Theory needs to be introduced here: conflict. Conflicts of various natures are named as the causes for untimely termination of Sino–foreign joint ventures. The term conflict in everyday speech has a strong negative connotation. SI Theory distinguishes between cognitive and social conflicts. The first are also referred to as functional conflicts, while the latter are regarded as dysfunctional.

When actors start interacting there are bound to be differences of view on many aspects of their interaction. Such differences are called cognitive conflicts. Such conflicts are regarded as conductive to the continuation of social interaction.

Theoretically, sensemaking through social interaction will continue until the interacting actors have reached a completely identical view on everything. However, if such a stage could really be achieved, there would no longer be an occasion to interact and the interaction would stop. Actors engaged in social interaction in

this respect resemble communicating vats: as long as the levels of the liquid in the vats are different, the liquid will flow, but it will stop as soon as the levels are equal. Where there is no interaction, there is no sensemaking and hence no organizing. Multiple inclusion is a guarantee that actors can always find different views on any topic. For this reason, multiple inclusion is often referred to as "the motor of organizational change" in SI Theory.

When actors start excluding other actors from ongoing interaction, or stop accessing certain inclusions, SI speaks of a social conflict. As social conflicts automatically lead to halting social interaction, they are regarded as dysfunctional.

In SI Theory, the joint ventures that are studied in this article are organizations just like any other. They have emerged from ongoing social interaction and need to make sense in a sufficient number of contexts as any other organization in order to continue their existence. In our present-day society, organizations that are established with the objective to generate profit are regarded as so important to humanity that studying them has been singled out as a special academic field: business administration. However, from an organizing perspective, there is no need for a typology of organizations.

We can presume that there was an initial interaction between at least two actors, one from each mother company of the joint venture. They met at a certain time, place, and social–cognitive context. That context is an important aspect, as such a meeting is not likely to take place by accident, but takes place in the context of ongoing social interaction. These initial actors formed a configuration in which cognitive matter from both cultures was formed.

In the process from that initial configuration to the joint venture, the number of actors increased. These actors brought along their respective inclusions, while forming new configurations within the joint venture space. Moreover, as the ventures studied here are located in China and India, the number of local actors soon greatly outnumbered the foreign ones. We can presume that in most of the joint ventures in this study, only a small minority of the local staff have sufficient occasions to interact with foreigners to be influenced by foreign cognitive matter.

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## A NEW MODEL OF EMERGING HYBRIDIZATION

The model of cultural hybridization and SI Theory can enrich one another into a model that should not only better explain the way cultures amalgamate in multinational joint ventures, but should also be even more broadly applicable to a wide range of topics about which people with different cultural backgrounds meet.

Chan and Ho Luk (2006) and Chan, Ho Luk, and Wang (2006) apply the concept of cultural hybridization in a broad way to Sino–foreign joint ventures as a whole. SI Theory holds the view that organizations cannot hybridize, for the same reason that organizations cannot communicate, negotiate, cooperate, have conflicts, and so on. Hybridized configurations can emerge from regular interaction between actors with different cultural backgrounds.

Secondly, Chan seemed inclined to introduce cultural hybridization as something exclusively positive, something that should be desired, or necessary, for a smooth operation of such joint ventures. Such a view glossed over the commonly

held view that cross-cultural interaction often leads to "cultural conflicts." Chan (2010) examines both the bright and dark sides of hybridity in his new book *Hybridity: Promises and Limits.*

As an experiment, we can re-tell the story of the emergence of a Sino–foreign joint venture as related in the previous section:

> . . . We can presume that there was an initial interaction between at least two actors, one from each mother company. They met at a certain time, place and context. However, that meeting will also have been an instance of interaction in a continuous stream of ongoing social interaction. As the joint venture that emerged from that initial interaction exists, we can presume that these initial (two or more) actors formed a configuration in which cognitive matter from both cultures was included, thus forming a culturally hybridized configuration.
>
> In the process from that initial configuration to the joint venture, the number of actors increased, some Chinese from the foreign party. These actors brought along their respective inclusions, while forming new configurations within the joint venture space. Those configurations differed on the extent of foreign cognitive influence, depending on the number of foreign actors or actors with foreign inclusions in the configuration. Moreover, as such ventures are located in China, the number of Chinese actors soon greatly outnumbered the foreign ones. The majority of configurations in the joint venture presumably lack foreign cognitive matter. We can presume that in most of the joint ventures that are the topic of this study, only a small minority of the Chinese have sufficient occasions to interact with foreigners to be influenced by foreign cognitive matter.

This rather compressed text contains hints to a number of research topics. In the remainder of this article the term "hybridization" will replace the term "cultural hybridization."

## TOPIC 1: PARTIAL HYBRIDIZATION

We can presume that hybridization does not apply equally to a joint venture as a whole, but that some (groups of) people are more hybridized than others.

Only a limited number of foreign nationals are usually employed by the joint venture. Moreover, those foreign nationals are usually performing top management functions. They will interact more frequently with local managers than with other local employees in the joint venture, so we can expect to find a higher degree of hybridization of members of the Boards of Management and other management teams. This could mean that IJVs are more prone to labor disputes than single-culture companies.

## TOPIC 2: SECONDARY HYBRIDIZATION

We can envision that some local employees never directly interact with foreigners, but do interact with local members from hybridized groups, like local managers. In Chan's terms, this situation could be symbolized as AB/Ab/ Ba < —> B =

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AB/Ba. To clarify: A stands for the foreign culture and B for the local. AB/Ab/Ba is the range of possible outcomes of primary hybridization (i.e., hybridization of people with different cultural backgrounds). The formula presented here states that a primary hybridized person interacts with a non-hybridized local person (B). All social interaction leads to amalgamation of cognitive matter of the people involved, and in this case some of the hybridized culture will "flow" to the local employees through the hybridized local managers. We will refer to this phenomenon as secondary hybridization. Secondary hybridization can take place unintended, but often primary hybridized persons volunteer to explain to others how the foreigners do things. Being hybridized is then perceived as a source of identity.

It should be interesting to see if we can find instances of secondary hybridization and observe if this would lead to conflicts between local people with different degrees of hybridization.

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## TOPIC 3: FUNCTIONAL VERSUS DYSFUNCTIONAL HYBRIDIZATION

Earlier in this article it was pointed out that Chan is mainly optimistic about hybridization, which would bring us something useful and possibly necessary for joint ventures to survive. Peverelli opines that joint ventures, as all organizations, need to make sense in a sufficient number of contexts to survive. When we combine these two envisioned requirements for the survival of joint ventures, we can imagine there are occasions on which a joint venture is made sense of in a negative way by an outside party and that the outside party attributes this to the hybrid cognitive element. The opposite can also happen, when such an outside party makes sense of the joint venture in a positive way and attributes this perception to the hybrid nature of the joint venture.

Here again, we need to be aware that "the joint venture" is a reification. Outside parties do not interact with joint ventures. People from outside organizations will interact with people inside the joint ventures. Moreover, people from a particular outside organization will typically interact with a particular person in a configuration of the joint venture (Figure 2).

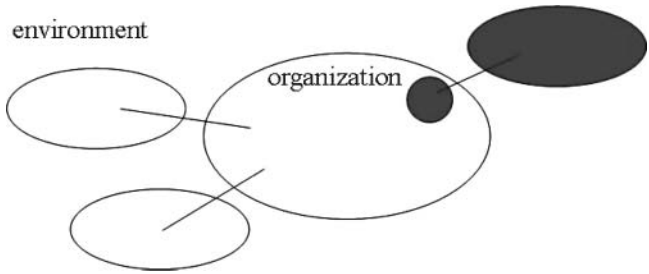


Figure 2. The Emergence of Partial Hybridization

## TOPIC 4: DEGREES OF HYBRIDIZATION

This could be the most challenging research topic. SI Theory states that social interaction always leads to an exchange of cognitive matter between the actors participating in the interaction. Even the fiercest adversaries, as long as they are willing to interact (i.e., not turn their cognitive conflict into a social one), will exchange cognitive matter in the sense that they will become better aware than before of the opponent's point of view. They may not eventually adopt that view, but will have a better insight into it, which in time could lead to respecting the alter.

From this point of view, interaction between people with different cultural backgrounds will always lead to some extent of hybridization. Hybridization could then be imagined as a gliding scale, with on one extreme of complete hybridization (which would probably be difficult to determine, as no criteria to establish complete hybridization exist) and the other extreme of a situation in which the actors from one culture are not willing to adopt cognitive matter from the others, but would possibly be aware of the others' values, ways of doing things, and so on, and respect the differences. The alternative situation would be one in which no such respect would be accomplished. This would be a social conflict, making social interaction problematic or even impossible. Social conflicts in IJVs would lead to joint ventures never taking place, or being ended prematurely.

It would be interesting to see if the study of the case material available would show various degrees of hybridization as well as instances of hybridization not taking place. It may then be possible to gain more insight into the hybridization process and aspects which are conductive to a higher degree of hybridization.

## CASES

It is difficult to find case material suitable for testing our model of cultural hybridization. The ideal would be to study an entire joint venture and analyze the hybridization process as it happens in different sections of the company. For this article we had to select case material that was less than ideal, but still adequate for our inquiry. One of the authors of this article, Chan, and his team have conducted interviews in Sino–foreign joint ventures in Shenzhen (near the border with Hong Kong). The interviews tended to focus on HR departments, but the transcripts of the interviews provide interesting raw material for our purpose. The first two Chinese cases in this section were selected from this material. The third Chinese was derived from the other author Peverelli's consulting practice. The fourth Chinese case was adapted from a published source. The Indian cases were taken from DeVries (2007), who conducted in-depth interviews in foreign joint ventures in India. The latter research used Whitley's model of National Business System (Whitley 1993), which makes the resulting case stories suitable for our purpose as well. Moreover, Whitley's model could be applied in future studies into cultural hybridization.

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*China Case 1: Smooth Hybridization*

This is an American-invested Information Technology Company (ITC). The American mother company has established a company in Hong Kong, which acts as the investment channel for the project in China. Some functional managers hold office in Hong Kong, rather than Shenzhen.

The founder and CEO is a U.S. citizen of Chinese descent, who is described by the HR manager as "infatuated" with China. He can speak Chinese, but is not able to write it. He is introduced as someone with 28 years of experience in Silicon Valley. Again in the words of the HR manager, the CEO intends to give his company a strong "Silicon Valley" culture. This term is used much more often in the interview than the term "American culture." There is sufficient information to conclude that some form of hybridization is taking place at the top management level of this venture, although there is no specific information regarding which part of "Silicon Valley" culture is introduced.

The Technology Department consists of 180 employees, including 3 foreign nationals. The Chief Technical Officer (CTO) is American. It is not sure from the interview whether the CTO is included in these 3 foreign nationals, or that the latter is located in Hong Kong. However, although we again lack detailed information, we can safely conclude that some level of hybridization is taking place in this department. It is less likely that the American technical staff will be sufficiently fluent in Chinese to engage in technical conversations. English is therefore spoken more often in this department than elsewhere in the company. This will facilitate hybridization.

The HR and Finance departments are managed by the Chinese. Employees of these departments believe that the management of their company is more relaxed than in Chinese companies, which they attribute to American influence, which is in contrast with the more paternalistic style of management in Chinese enterprises. This certainly makes sense, but the difference may be partly caused by the nature of the business. The management style in Western ITC companies also tends to be more casual than in manufacturing.

The HR manager, who was interviewed separately, is not only aware of the nature of the differences between Americans and Chinese, but takes a keen interest in studying these differences. He is inspired by the China-mindedness of the CEO. He shows some understanding of the American culture, but has not cognitively adopted American views on HR issues. Here we have a detailed example. When a departing employee of the Technology Department wanted a letter of recommendation confirming that he had done an excellent job, the American CTO altered the original letter, deleting the exaggerations. The HR manager perceived this as typically American. He would have signed the more positive version, which he described as a typically Chinese way of acting. He is not adamant about this. He accepts that this is a partly American company.

This case shows that hybridizations takes place with different speeds in different departments. Conflicts have not happened. We also witness three different types of hybridization:

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- *Socialization of bi-cultural persons*: the American Chinese CEO, who is proud of his Chinese descent;
- *Regular interaction with expatriate employees*: three American technologists in the Technology Department; long-term interaction will cause people from both cultures to adopt habits, particular language, and so on, from one another;
- *Exposure to unfamiliar practices*: an American manager who refuses to sign an upbeat letter of recommendation. This is a one-time event, but one that left a deep impression, and thus can be an occasion for reflection.

*China Case 2: Two Sides of the (Taiwan) Strait*

This is a Taiwanese-invested electronics company. Its head office is in Taiwan and the company has subsidiaries in Hong Kong and Shenzhen. The Taiwanese managers of the Shenzhen subsidiary are hired in Taiwan. Their salaries are also set in Taiwan. Some of the Taiwanese hirees have been selected from the acquaintances of the CEO. Common local employees have no particular opinion about the Taiwanese managers: "We know they are Taiwanese, but that has no consequences."

The Shenzhen company mainly purchases parts from other Taiwan companies. These suppliers directly contact the Taiwanese managers. The way the local employees of the Purchasing Department describe this situation shows that they feel rather detached from the purchasing process. This is an interesting case in the context of hybridization research. Here we seem to have an example of the opposite. Although the joint venture is located in China, the Purchasing Department seems to be a section mainly operated by the Taiwanese. This is part of a larger cognitive space constructed by the network of Taiwanese suppliers in the electronics industry. Taiwanese manufacturers of electronic appliances that used to operate in Taiwan move their production units to China. Many of their suppliers do the same. One local employee adds that the company's owners in Taiwan started out as traders, rather than as manufacturers. The question is whether the Purchasing Department in this company is hybridized Chinese and Taiwanese, or mainly Taiwanese. The actual business seems to be almost purely Taiwanese, but the handling of the other processes (payment, bookkeeping, etc.) will probably be in the hands of local employees using local practices. We should be safe to conclude that this is a hybridized department of the joint venture.

In other respects, the Taiwanese managers seem to mainly keep to themselves. They have little knowledge of the typical Mainland processes ("... as to the backstage processes, we are not very knowledgeable... " Their dormitories are clustered together.

Mainland managers seem to be reluctant to criticize Taiwanese managers, and leave matters in the hands of the Taiwanese CEO.

Mainland employees regularly refer to the Taiwanese management style as "family type" of management, and opine that their attitude is rather paternalist. From their point of view, Taiwanese managers find the way Mainland managers correct employees rude. Mainland managers like to reprimand employees who make mistakes, while Taiwanese managers would prefer to try to correct them

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through mild warnings. When asked by the interviewer, the Taiwanese manager admits that he can occasionally appreciate the behavior of local managers as more suitable for local employees. This indicates that some hybridization is taking place as a result of regular interaction between peers from different cultures.

Although Taiwan is usually regarded as culturally close to China, the hybridization processes we can observe in this case seem to proceed less smoothly than in the American case. This seems to corroborate the findings of Han and Xu (1997, 162) that Mainland Chinese and Chinese from Taiwan, consciously or subconsciously, believe themselves to be very close and therefore are less wary of possible cultural differences. This attitude can become an impediment to hybridization.

This case introduces another possible route to hybridization: interaction between (parts of) the joint venture and companies of the same culture as the foreign partner. This joint venture mainly purchases parts from other Taiwan companies. Apparently these ties originate from existing relationships in Taiwan. Taiwanese suppliers directly interact with Taiwanese managers of the purchasing department, ignoring the local buyers. However, local buyers who were interviewed mention that with the improvement of the quality of local products, more local suppliers are used, who work through the local staff of the Purchasing Department. It is therefore tempting to conclude that this is a possible case of *de-hybridization*, a department that is very Taiwanese, but is on the verge of becoming more Chinese.

There seems to be an interesting similarity in this respect with the Sino–Japanese joint venture mentioned earlier, in which the Japanese insisted on using Japanese practices in dealing with Japanese customers. Both cases are about interaction with parties in the environment (suppliers and customers respectively) from the homeland of the foreign party. The influence of this type of transactions on hybridization will be an interesting topic for future research.

### *China Case 3: Hybridization by Force*

This case is a small Dutch dairy company, which had established a joint venture in Shanxi. (This case has been introduced in Peverelli, 2006b.) The joint venture was initiated by the Dutch and Chinese CEOs, brought together by a Hong Kong–based trading company. The Dutch and Hong Kong companies established a work company in Hong Kong, which acted as the foreign investor in the joint venture. Two instances of Chinese–Dutch interaction took place during that stage:

- Interaction between the Dutch and Chinese CEOs during visits by the former to China;
- Interaction between a Dutch technical expert and Chinese counterparts during irregular visits of the former to China to provide technological assistance (which could be regarded as an instance of "regular interaction with expatriate employees").

At a certain moment, after the Dutch CEO had not been able to visit China for more than a year, the accounting firm of the Dutch mother company requested a proper annual account of the Chinese venture to include in the consolidated annual

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account of the Dutch firm. It proved difficult to make the Chinese side provide such a document, but the annual account of the joint venture came just in time for the Dutch company to complete its consolidated account before the deadline imposed by the Dutch tax bureau.

To avoid similar problems in the future, the Dutch CEO requested the joint venture to provide a monthly financial statement. The Chinese partner was at first not willing to comply with the request because the Dutch and Chinese accounting practices differed. The Dutch CEO then went to China to refresh the contacts with the Chinese side in general, after more than a year of absence, and to arrange for monthly statements. In the end he was able to persuade the Chinese partner to make a separate monthly statement according to the Dutch requirement for use by the Dutch side only. During this visit it was found out that the Chinese side was most probably manipulating the "real" financial statement to lower taxes.

At the time of the visit of the Dutch CEO reported here, the only section of the joint venture with noticeable Dutch influences was the laboratory. The joint venture was basically operating as any other Chinese company. As a result of this intervention, the Finance Department started adopting some European practices. The Dutch side clearly employed a disruptive strategy in the case of the Financial Department, while in the first case (the laboratory) a more cooperative strategy was followed.

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### *China Case 4: From Cultural to Social Conflict*

This case has been derived from Cheng (1999, 36–37). It is a joint venture between a European and a Chinese partner for the production of pharmaceuticals. The management of the warehouse in this venture is part of the responsibilities of the manager of the Maintenance Department. The latter is introduced as a European who does not speak Chinese. To facilitate the implementation of a European warehouse management system he appoints a young female university graduate (English major) as the Executive Warehouse Manager. The warehouse employees are angry over the fact that such a young woman with no warehouse experience is made their superior. They regularly refuse to do their job under the pretenses that "it is impossible to do things like that," or "doing so will harm the goods," and so on. The woman understands the roots of the animosity, and is therefore reluctant to report the problems to the European manager. Instead, she seeks help from a Chinese vice-manager, who in principle is willing to help. However, when at a certain moment two workers are unwilling to do their job, just when the European manager is nearby, the woman pours out her grief directly to him after all. The Maintenance Manager seeks to dismiss the two workers on the spot with the help of the (European) General Manager. The Union representative intervenes by pointing out that a written warning is needed first. He agrees to act as go-between.

The key person in this case is the woman and the key question is: What is her degree of cultural hybridization? Through her study of English she has had some exposure to European culture, but this does not say anything regarding her hybridization in the corporate culture of the European partner in this joint venture. The story seems to indicate that she was hired with some instruction in the use

of the management system, but was not given any management training. The warehouse workers, on the other hand, were confronted with their new manager without any opportunity for the manager and subordinates to get acquainted. In terms of acculturation strategy, the Maintenance Manager was working with a disruptive strategy.

While the Chinese vice-manager was informed about the problem, his relation with his European superior was apparently not such that he could quickly deal with the issue, which erupted before he could intervene. This is another clear sign of defective social interaction in that department, which was certainly not conductive to hybridization.

Finally, the intervention of the Union representative resembles the cooperative strategy of the Communist Party representative mentioned earlier in the example of Chan and Ho Luk (2006) and Chan, Ho Luk, and Wang (2006). In Chinese society, the Union (Women's Federation, Youth League, etc.), although less important, can be regarded as a similar type of organization as the Communist Party (Peverelli 2006a, 29). It is interesting to see how organizations, which in Western perception are often regarded as guardians of an oppressive system, can act as guardian angels of social stability in cases like this.

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*India Case 1: Dutch Insurance (DI) Company*

DI started in 2001. By 2007 it was already present in 246 cities with over 300 branch offices, staffing 7,000 employees and around 50,000 agents serving 550,000 customers in India. Unlike most foreign competitors, DI has managed to be at least on par with the Indian equity holders. Even though, as per regulations, the Indian holders have the majority share in the joint venture, the Multinational Company (MNC) has secured a certain amount of support (votes in the board) and rights in terms of operating guidelines, compliance, and management appointees. The joint venture structure, according to one management team member, "is a big challenge and involves a lot of politics." Also, the branding is almost fully aligned with the MNC's global brand. It becomes clear that the MNC has positioned itself such that when possible (as per regulations), it will want to gain full equity ownership. When the time comes, the MNC will have to align other equity holders' interests.

Currently DI has an Indian CEO, promoted from internal ranks, and two out of ten management team members are Dutch (no other expatriates at DI). A key position like Chief Financial Officer (CFO) is held by an expatriate. His experience should help DI to operate smoothly in line with MNC policies and standards and keep risks in check. The previous three CEOs at DI since 2001 were Dutch.

The MNC puts DI under very strict governance and compliance rules, which are up to "international standards." DI has to adhere to very strict guidelines for product development, risk prevention, audit, risk compliance, governance, and so on, that are rather uniform on the MNC level. Also, the performance management system is uniform on the MNC level.

In terms of work systems, working conditions are overall rated better than average at DI. DI has a five-day work week, which is still quite progressive (as opposed to six days). DI is also one of the few companies in the sector with

paternity leave for its employees. As such the working conditions are transferred from the MNC (De Vries, 62–66).

This case seems strikingly different from the Chinese cases presented earlier. This is partly due to the different type of raw data produced by the research. While the Chinese cases are based on raw interview transcripts (first-hand data), these Indian cases are accounts of such interviews (second-hand data). Moreover, the Indian cases are operating in the international financial world, a line of business that is much more regulated and institutionalized than the electronics and ITC industries of the Chinese cases. Finally, the foreign partner in the Indian cases is a globally operating financial company, which can use that status to increase its influence in the joint ventures.

The Indian political environment is set on keeping the financial institutions sufficiently Indian by limiting the total shareholding of the foreign partner(s) to a maximum of 49 percent. In spite of that, the Dutch side has been able to achieve considerable influence in all aspects of the venture. Although the reason for this success is not explicitly mentioned in the case text, it seems to be very likely based on the fact that the foreign partner is a globally operating MNC ("the branding is almost fully aligned with the MNC's global brand," "The MNC puts DI under very strict governance and compliance rules," etc.). The Indian side is content enough to partner with such a company to allow the Dutch more influence than would be strictly needed according to their share in the equity.

This is happening with only 2 of the 10 management team members being Dutch. The current CEO is Indian, but "promoted from internal ranks," which means that he has had years of exposure to the hybridized/hybridizing culture of DI. DI has a 5-day work week as opposed to a 5.5- or 6-day week, which is still regular in India. In fact, MNC influence is seen as a major source of the current trend toward a nation-wide 5-day work in that country (Window2India 2008).

### *India Case 2: Dutch Bank (DB)*

Seven interviews were held at a bank, which was an affiliate of the same Dutch MNC as DI and is locally listed (hereafter DB). At DB, 2 out of 14 management team members were interviewed. Both were Australian expatriates. The other five middle management interviewees were all expatriates (five Dutch, one Polish). As DI, DB is headquartered in Bangalore (in the same building). Its identity is quite unique in the Indian banking sector, since it is one of the oldest private banks in the country. It was founded in the 1930s and had not been part of the nationalization rounds in 1969 and 1980, during which 20 of the largest private banks were brought under government control. This was done to assure a greater control on credit availability in the light of 5-year plans in the mixed economy.

The MNC views its 45% stake a good starting position in a market with enormous "growth potential" (ING Bank's Annual Report 2006). Around 30 percent of the publicly traded shares, on two Indian stock exchanges, are in the hands of financial sector investors, of which two-thirds are foreign. As such, the MNC has full management control, but still needs to be locally listed. As long as foreign ownership is still limited to 49 percent, a situation exists where there is no full

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external ownership for the MNC. By this and other regulation the management of DB has to deal with a population of other shareholders and is held to act in every shareholder's interest.

Before the MNC took full initiative in 2002, DB was also still very merely decentralized, locally run, oriented on different castes and looking for community relations in the different regions. Since this is not in line with the desired practices at the MNC, many new (formal) procedures had to be put in place, to reflect newly aspired practices. An interesting point to make is that before 2002, few (administrative) processes at DB were computerized or digitized, which are essential to Western banks.

In contrast to DI, DB is confronted with strong labor unions. Given that the company has operated for many decades, employment relations are strongly shaped by the industrial relations landscape of the past. DB therefore is unionized for as much as 80 percent. Therefore layoffs are not possible, even though current processes are highly inefficient.

Corporate hierarchy is still very present, since it is a remnant of mixed economy style organizations, with no autonomy or merit-based evaluation. Since the country has only started to modernize 15 years ago, concepts like leadership and management development are very new and more an exception than common practice (De Vries 2007, 66–76).

The overall influence of the foreign party on DB seems lower than in the case of DI. This can probably be attributed to the fact that DI was established by MNC and the Indian partners in 2001, while DB is based on an enterprise founded in the 1930s, as "one of the oldest banks in the country."

Centralizing authority is reported to be proceeding, but only with considerable effort. This may be related to the reportedly strong influence of labor unions. Centralization in companies often creates "superfluous" staff, which needs to be laid off.

An attempt to introduce a matrix structure has not been successful. The matrix is still regarded as a rather new way of structuring companies in Western countries. A change from a functional structure with its singular lines of command to a matrix structure, making many employees accountable to multiple managers, will be even more complicated in a culture in which observing proper hierarchical relationships is regarded as a cornerstone of social harmony.

However, this may be a good time and place to point out the cultural bias in these Indian examples. DeVries tends to perceive the cultural differences from the Dutch perspective, in which success is measured in terms of the extent to which Indians adapt to Dutch practices, not vice versa. Whenever the opposite is the case, it is related in terms of the Dutch having to accept a situation that they do no like, but are unable to change. The statement that India "has only started to modernize 15 years ago" reveals a strong cultural bias. This particular survey was commissioned by MNC, which will be the cause of this cultural bias.

### *Processes of Hybridization*

The following type of hybridization can be observed in these Indian cases: *Strong partner*: a strong, globally operating, foreign partner can enforce many of its

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corporate practices in overseas joint ventures, as the local partners believe that these practices are the key to the success of the foreign partner.

When we remove the cultural bias of the narrator, the Indian cases show that this combination, a strong global foreign partner and a local partner that believes (some of) its practices to be a key to success, is needed for this route to hybridization to be successful. The introduction of a matrix structure may have failed, because the foreign MNC had not made an effort to show that change will benefit the company.

The way this MNC is trying to transfer its corporate practices to its Indian joint ventures is different from that in the last Chinese example. The Dutch dairy company is operating internationally, but can certainly not be regarded as a global giant. The acceptance of the Dutch accounting practice was relatively easy to accept, as it was not requested that it would replace the Chinese system, but to be implemented simultaneously, which allowed the local finance staff to get acquainted with the Dutch system in a more relaxed fashion. It would be a major challenge for the Dutch partner of DB to try to implement the matrix structure in stages, and allow the Indian staff to gradually familiarize itself with the new way of organizing.

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## CONCLUSION

This article has combined the concept of cultural hybridization with elements of SI Theory, creating a new, or one could say, hybridized model to analyze the process of hybridization in complex situations like international joint ventures. In this final section we will pass through our cases and their analyses once more; this time to see if we can find evidence of themes that we expected to find.

### *Partial Hybridization*

Partial hybridization in the sense that the process starts in a limited section of the venture, and then gradually expands to other sections, is found in all cases examined. One can even object that partial hybridization is so obvious, that it does not need to be studied. This objection may well be correct as far as the Chinese examples are concerned. However, when we compare the Chinese and Indian examples, we seem to see a difference in degree between these two cultures. In the Chinese examples, hybridization seems to be much less common than in the Indian counterparts. In Sino–foreign joint ventures cultural hybridization seems to take place only in a section of the companies in which Chinese have regular contact with foreigners (or non-mainland Chinese). Several Chinese interviewees show that they have an eye for foreign practices, and even take a genuine interest in studying them. However, this does not mean that they are ready to adopt these practices. They maintain a strong "us–them" attitude; foreign practices are mainly for foreigners. Only after some time of regular exposure, Chinese employees may take over some of the practices, habits, and so on' of their foreign colleagues.

Cultures seem to differ in readiness to accept foreign practices. The Indian case material seems to show that if a foreign practice is introduced as something

necessary for the joint venture to reach the same level of successfulness as the foreign mother company, it is usually more easily accepted. Only proposals that conflict with strong local interests are met with resistance. Chinese partners seem to be more inclined to preserve their own practices.

### *Secondary Hybridization*

The case material from both regions is insufficient to draw conclusions regarding secondary hybridization. The closest is the HR manager in the first Chinese case, which is almost taking his hybridized CEO as a role model. Some Chinese interviewees find the working spirit in their company more relaxed than wholly Chinese companies, which they perceive as due to American influence. Again, the Chinese seem to take on the role of an observer. They perceive a difference and attribute it to American influence, but there are no signs that they feel they need to embrace this more relaxed way of interacting, because they are working for a partly American firm. They remain keen observers, and remain as such.

There are no concrete examples of secondary hybridization in the Indian cases. However, as the total hybridization process seems to proceed faster in foreign joint ventures in India, secondary hybridization may play a less important role here. This could be related to the cultural difference noted at the end of the previous section. If Indians are quick in taking over work practices from their foreign colleagues, the same will apply to interaction between non-hybridized and hybridized Indians. While hybridized Indians are regarded as role models by their local colleagues, hybridized Chinese are often regarded as "a dog circling around the feet of the foreigners" by Chinese rank and file (Cheng 1999, 36).

### *(Dys)functional Hybridization*

The case material selected for this article does not contain instances of hybridization that are explicitly perceived as functional or dysfunctional. In the second Chinese case, the Taiwanese character of the Purchasing Department is commented on by some local interviewees as functional in attracting suppliers of proper parts. The same applies to the Sino–Japanese case cited by Chan et al. (2006), where the Japanese side regarded Japanese sales practice as imperative to attract Japanese customers. In the Chinese dairy case, we could state that the Dutch partner regarded the fact that the Finance Department was not (yet) hybridized as dysfunctional.

### *Degrees of Hybridization*

This is once more an aspect that is part of all cases in this text. In the first Chinese case the CEO is an interesting case of a person who himself is a product of hybridization. The Technology Department seems to be in an advanced state of hybridization. The manager of the HR Department is hybridizing through observing his CEO and the American manager of the Technology Department. Regular HR staff among the interviewees shows a lower degree, not exceeding the role of observers.

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The second Chinese case is revealing. All local interviewees are aware of the typical habits and practices of the Taiwanese managers, but they show no signs of taking over any of them. Only the Purchasing Department has strong Taiwanese influences, due to their frequent contact with Taiwanese suppliers. However, even there the local staff is reportedly hardly involved in these deals, which are a continuation of business relations that already existed in Taiwan.

In the Chinese dairy case there was only some Dutch influence in the laboratory, where Dutch experts once in a while offered some assistance. The Finance Department was forced to hybridize in a very short time. However, as the relationship between the two sides has improved considerably since that moment, and the Chinese venture is still on the consolidated annual account of the Dutch mother company, we can conclude that the hybridization has been successful.

In this respect, we can once more observe a difference between the Chinese and Indian cases. Cultural hybridization seems to start and proceed much more quickly in multicultural joint ventures in India than in China. We again lack data to explain this observation. It would be tempting to attribute it to the stronger Western influence in India, including the widespread knowledge of English, but further research would be needed to corroborate this. It is not a result of a more open policy of the Indian government toward foreign investment. In fact, India opened up a little later than China and some of India's regulations regarding FDI are stricter than those in China.

The outcomes of our research are promising, although far from conclusive. We believe to have shown that synergy can be achieved by combining SI Theory with the concept of cultural hybridization. However, we would like to see this article as an invitation to further research, rather than a finished chapter in the research of hybridization. Topics for future research include:

- Application of the new model to IJVs in more regions; this could provide interesting material for comparative studies. It would be particularly interesting to be able to compare investments from country A in country B, and vice versa;
- The comparison of the readiness to adapt to different cultures in various cultures. We have noted that Chinese and Indians seem to differ in this respect;
- Clusters of IJVs with foreign parties from the same country and the way this affects the hybridization process. In this article we have encountered two cases that involve external parties, customers, and suppliers, from the same country as the foreign partner. In those cases the foreign partner deems it especially necessary that the IJV would strike those external parties as culturally hybridized. It would be useful to study cases in which a certain foreign investment in country X inspires suppliers and/or customers from the same country to invest in X as well and see how that affects the process of hybridization.

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