

1. Introduction

Business theory is by now quite elaborate and embarks on an ever-broadening array of issues, reaching into ever-greater detail. Concepts and theoretical constructs as diverse as Porter's Five Forces, embarking marketing as a whole and Supply Chain Management, a holistic view of the entire procurement process are well understood and widely applied.

On the other hand, a lot of research has sharpened our understanding of cultural differences and how to account for them.

However, literature is rather scarce when it comes to mating the lessons learned in intercultural management with the lessons taught in business theory.

Drawing on my own experiences in a Chinese State-Owned Enterprise, and elaborated as an exploratory research, I suggest that business theory, in the particular case Supply Chain Management be mated with the cultural lessons learned and taught by Hofstede. During an internship I had the opportunity to first-hand recognize the dire need for the application of business theory, to improve the substandard performance of a SOE's purchase department, while being at the same time confronted with cultural differences that made the 1:1 application of said business theory a challenge at the very least.

This paper sets-out to make an initial – albeit of course incomplete - step towards a culturally sensitive business theory.

1.1 General Objective

The general objective of this analysis is to demonstrate that improved processes in cross-functional sourcing teams can greatly enhance the efficiency and effectiveness of globally sourcing Chinese firms. The analysis focuses on the department responsible for the global sourcing of iron ore in a building materials enterprise.

At the time of the analysis, the managers in charge were concerned about the department's substandard performance. They considered new business strategies as the most efficient way to improve the department's efficiency and effectiveness. Not opposing but rather augmenting their suggestions, I will argue that people and organizational design are tools at least as apt for the task at hand than new business strategies are.

As an integral part of my proposal I will demonstrate that business theory cannot necessarily be applied "as is" in China, due to the country's culture, communication-style, or more broadly spoken, due to its cultural dimensions.

It is necessary to recognize that some procedures cannot always be implemented universally and need specific adaptation to local conditions all the more so in the context at China.

In order to bring together the business theory on team-organization and the particularities of the Chinese environment, I will focus on the question "What can be done to improve a purchase department's substandard performance?" under four different aspects:

What can be done? Referring to the remedies suggested in the Chinese context.

How should it be done? Looking at how to account for the cultural particularities during the implementation of the suggested means.

When should it be done? This aspect is closely related to the “How should it be done” with a focus on the timing of the measures.

Why should it be done? Arguing why accounting for cultural differences ultimately pays.

1.2 Structure of the Analysis

To show that improved processes in cross functional sourcing teams could significantly improve the performance of sourcing departments, observations of a sourcing team in a Chinese State-Owned Enterprise (SOE) are matched with literature on Supply Chain Management and cultural idiosyncrasies. Contributing to existing research, this paper then sets out to propose how the application of business theories should be adapted in order to be more effective in the Chinese context.

Chapter 2 outlines how data was collected. Directly related to the collection, Chapter 3 sets the stage by comprehensively describing the company under scrutiny, its industry and its position in the controlling entity as well as the particular department in question.

Against this backdrop, Chapter 4 sets out to identify the problems that beset the above-company and outlines the problems’ causes and effects.

A review of the literature relevant to the problem (Supply Chain Management to improve substandard performance of a purchase department) and the setting (cultural concepts to account for a Chinese State-Owned Enterprise) in Chapter 5 forms the basis for the subsequent proposal of a solution in Chapter 6.