

# **CROSSVERGENCE THEORY AND THE EVOLUTION OF CULTURAL VALUES: A SINO-WESTERN PERSPECTIVE**

## **Abstract**

This paper aims at expanding and complementing the previous work on crossvergence. It attempts to integrate a strategic perspective into crossvergence theory. While Ralston and colleagues have concentrated their discussion mainly upon the societal, macro-level influences upon micro-level values evolution, this paper emphasizes the institutional, meso-level influences on values evolution. The discussion in this paper is consistent with Ralston's (2008) call for the integration of the macro, meso and micro-level variables towards a more complete understanding of crossvergent values evolution.

**Keywords:** China, cross-cultural management, crossvergence theory, cultural values

## INTRODUCTION

Crossvergence theory, introduced by Ralston, Gustafson, Cheung, & Terpstra (1993), raises scope for further work in three areas; its meaning, its definitions, and its processes of value change (Witt, 2008). This paper investigates the last area. The crossvergence concept, that cultural influences interact with economic and business influences to create unique value systems, appears intuitively reasonable. Business and society certainly interact, and any interaction is likely to have an effect on both. Crossvergence theory, however, raises two major questions requiring empirical research into cultural value change in those actually practising business – the national managers. The two queries are, firstly, explaining longitudinal dimensional trends in values evolution and, secondly, investigating the how, when and why of values evolution (Ralston, 2008). In answering these queries, problems of meaning and of definitions in crossvergence theory may be simplified.

In introducing this paper, we wish to point out that we do not focus directly on cultural values but on explaining cultural trends and their likely processes of change. Neither do we create a cross-cultural comparison but investigate intra-cultural change by developing an inter-cultural interpretation. Within international business (IB) the timeliness of change appears to be rapid (the present credit crisis is an example) and managers in IB are forced to react quickly to economic and business problems. Taking a basic Darwinistic perspective it could be argued that also values are subject to an evolutionary survival mechanism dependent upon the success or failure of values for such problem solving.

We propose, therefore, that managers, when resolving business problems, choose a weighted mix of internal cultural solutions and external business solutions. The evolution of “new and unique values systems” (see Ralston, 2008, p.29) then occurs from alteration in the

weightings of the relative importance of core values – not necessarily from change in the actual values themselves. The unique system then evolves (or not) according to the successful (or unsuccessful) output of a problem solving system.

This paper aims at expanding and complementing the previous work on crossvergence. It attempts to integrate a strategic perspective into crossvergence theory. We have a particular interest in the speed with which Chinese managers adapt to new problems. A focus on Chinese managers could create a formidable challenge (see Ralston, Holt, Terpstra, & Yu, 1997) but would be a robust test for any theory on values evolution. The real challenge is, we believe, ensuring an empirical cross-cultural interpretation between West and East when holistically integrating culture, economics and business. We seek, therefore, to advance crossvergence theory on values evolution by deriving an international explanation through the integration of Western business and economic theories.

The paper is structured as follows. Following this introduction, the three perspectives convergence, divergence and crossvergence are introduced and a definition of crossvergence is provided. The following chapter advances the crossvergence idea by developing an interactive model which is based on a Sino-Western perspective. Based on the theoretical considerations, three propositions are derived. The following chapter then follows the principles of Kuhn (1970) and queries whether this work creates concrete predictions, indicates the predictive success, develops predictive techniques, and finally indicates the challenge in improving predictive technique. The study finishes with a brief conclusion, major limitations and contributions of this paper.

## **CONVERGENCE, DIVERGENCE AND CROSSVERGENCE**

Ralston et al. (1993, 1997) understand the concept of crossvergence as a continuum between the polar extremes of convergence and divergence. It is far beyond the scope of this paper to discuss the advances in the over four decade old debate on the convergence – divergence issue or to provide an overview on the comparably young theoretical advancement of crossvergence. A recent overview on these three perspectives and values change is for instance provided by Ralston et al. (2006, p. 69): On the one side of the convergence – divergence continuum, proponents of the convergence perspective argue that “industrialization and technology are the primary driving forces of the global merging of work values” and a convergence of values across societies. On the other side of this continuum, divergence theorists argue that “the values system of a society is deeply embedded in its cultural roots” and - as learned in an enduring sozialisation process – are passed on throughout generations and change very slowly.

Crossvergence – as defined by Ralston et al. (1997) – can be understood “as the synergistic interaction of sociocultural and economic ideology influences within a society that result in a unique value system” (Ralston et al., 2006, p. 70) that borrows from both national culture and economic ideology. In this notion, crossvergence may be an integrative alternative that might be characterized as the melting pot philosophy of values formation. Crossvergence was originally defined as a value set that was ‘in between’ the values supported by national culture and economic ideology. A broader definition views crossvergence as ‘something different’, rather than something ‘in between’. Thus, it can be argued – as a definitional attempt – that crossvergence occurs when an individual incorporates both national culture influences and economic ideology influences synergistically to form a unique value system that is different from the value set supported by either national culture or economic ideology.

## DEVELOPING AN INTERACTIVE MODEL

In deriving an interactive model, we have been concerned that Western theory does not automatically apply to Asian practices. One major difference is in the holistic cognitive processes of the Asian mind which contrast sharply with Western analytical techniques (see Nisbett, Peng, Choi, & Norenzayan, 2001). Therefore, the derivation of Western theory for this model is holistic in nature as recommended by Tayeb (1994). The derivation is dynamic allowing for the internal integration and external adaptation argued by Schein (1985). The iterative value adjustments of Adler (1997: 16) also indicate that any cultural value change is ultimately systemic with feedback through behavior. For instance, Hofstede (1997: 8-9) notes that core values differentiate decision choice and Trompenaars & Hampden-Turner (1998: 7) note that repeated success creates core assumptions in problem solving. This paper argues that a focus on dynamic change in managerial problem solving will explain values evolution in IB.

A dynamic model, however, must incorporate the *space* of the system where change takes place, *rules* for change within the *space*, and *time* in which the change takes place (Casti, 2000: 37-39). A functioning dynamic system, mathematically, tends towards a small number of control variables with any number of state or descriptive variables (Saunders, 1980: 3). We propose that two crossvergence control variables (the *rules*) are considered as socio-cultural values and economic (or business) market ideologies (see Ralston 2008, Witt, 2008). Cultural values are considered a *rule* as they could be argued to control decision choice. Economic and business ideologies are considered to govern the markets in which that IB decision is implemented. Cultural and market sub-dimensions would thus provide descriptive (or *space*) variables. We intend, therefore, to holistically integrate Western theory, establish its correspondence with Chinese business practice, and conjecture a dynamic model of

crossvergent interaction. The following sections will undertake an effort to integrate Western theory and to localize it in a Chinese context using the concept of *guanxi*. The subsequent section will then derive an interactive model and propositions building upon the previous discussion.

### **Integrating Western Theory**

The choices of Western theory are substantial for the subsequent discussion and theoretical advancement. Fukuyama (1995: 71) draws attention to the economic nature of Sinitic society. A focus on economic theory allows to link social, business and market interactions in an evolutionary manner (as argued by Nelson and Winter, 1982) and conforms to the argument of Tang & Koveos (2008). In reviewing Western research, we therefore concentrate on three primary economic theories to explain the nature of individual managerial choices over business decisions:

1. the transaction cost theory (Williamson, 1996) on governance and control over human opportunism, defined as self-interest seeking with guile,
2. the resource-based theory, involving the development of competitive advantage through difficult to imitate valuable resources (Barney, 2001), and
3. the real option theory (see Eden, 2009), identifying potential future benefits beyond the initial business investment

The latter is considered necessary but needs to be integrated with the other two theories to avoid ambiguous results (Leiblein, 2003). Successful economic and business decisions should thus encompass governance over opportunism, with increased resource heterogeneity and

flexible options over investment uncertainty. We argue that these three Western economic and business theories allow an interpretation of Chinese cultural values evolution.

### **A Chinese Correspondence: The Concept of *Guanxi***

There are considerable Chinese cultural influences throughout the Asian region, demonstrated by Haley & Tan (1999) to contain trial and error, intuitive and holistic decision making practices. The nature of this homogeneity is embodied within a Chinese dynamic and relational network – *guanxi* (see Xin & Pearce, 1996). Studies into *guanxi* have indicated that it is prevalent throughout Chinese society and that it is multifaceted (Chen, 2001).

Primary *guanxi* facets, identified by Lee, Pae, & Wong (2001) through empirical research, control opportunism yet ease decision making under conditions of heightened uncertainty. The practical facets of *guanxi* enable transactions to be controlled within a poorly defined and limited legal framework (Allen, Qian, & Qian, 2005). These descriptions of *guanxi* correspond with Williamson's (1996) concept of governance over opportunistic behavior and confirm practical links to decision making in the face of complexity and uncertainty.

From a resource-based perspective, *guanxi* enables the transfer of knowledge and information to develop, in an ethical manner, suitable alternatives for decision making purposes (Ramasamy, Goh, & Yeung, 2006). In doing so, the transferable nature of *guanxi* is clearly economic with specific intended application and closely networked (Wood, Whiteley, & Zhang, 2002: 267). Traditionally, *guanxi* is used to create and trade in resources, resulting in a gain or loss, and the transfer of social status through face (Redding & Ng, 1982: 207). The development and trading of valuable (or rare) network resources is well embedded in *guanxi* and contributes to firms' growth (Peng, Wang, & Jiang, 2008: 927). The unique nature of

each *guanxi* network also make imitation and substitution difficult, thus corresponding with Barney's (2001) arguments on resource-based theory for competitive advantage.

In their empirical study of *guanxi* in Southern China, Leung & Wong (2001) argue that joining a *guanxi* network is a costly process which can be long and drawn-out. High trust levels within the network (see Child & Rodrigues, 2004; Chua, Morris, & Ingram, 2009) are necessary to establish *renqing*, a system of decision making designed to create future obligations (Chen, 1995). These obligations are 'human feelings' (a literal translation of the two Chinese characters making up *renqing*) and not contractual. In Chinese society they are stronger than merely being owed a favour and can be considered, analogous to an open, or 'put', option in Western markets. They are, therefore, optional, but subject to speculative trade. Luo (2007) confirms the increasingly corrupt and manipulative nature of such *guanxi* obligations when they transcend the family connection into business. Future, possibly onerous, options are maintained through the *renqing* of the *guanxi* network. The Chinese real options thus correspond to the arguments of Leiblein (2003).

### **A Dynamic Perspective**

An explanatory model must cater for the crossvergent tension between a culturally controlled society and an ideologically driven open or closed economic or business marketplace. This tension is identified in IB when managers polarize decisions between the socio-cultural group dynamics relating to the management of relationships in cross-border activities, and the business logic decisions relating to the strategy necessary for countering external competition, customer demands and resource deployment (as explained by Evans & Lorange, 1989). These logic systems are subsequently empirically established, using management practices as descriptive variables, by Segalla Fischer, & Sandner (2000). The rationale of this



concept allows to argue in the context of this paper that values evolution could be seen as an outcome of successful or unsuccessful socio-cultural integration with external market adaptation. This logic needs to be integrated into the proposed dynamic model as they add value in explaining queries arising from crossvergence theory.

The model dynamics therefore imply that values retention or evolution are dependent upon levels of present uncertainty for developing and transacting resources (the changing *rules* over *time*), within dimensions describing the social and business market context (the *spaces*) and decision making (choice between *rules*). The model incorporates cultural and economic theory and relevant logics to resolve the integration of governing opportunism, gaining competitive advantage, and maintaining future options for IB managers. Decision making requires dynamically interacting within the model and settling on the most acceptable choice for evolutionary advantage. The model, therefore, advances crossvergence theory by arguing not only the nature of the dynamic interaction but also by positing successful or unsuccessful choice under conditions of uncertainty as an evolutionary survival process – a systemic process with values evolution as one output.

The schematic nature of the model can be summarized as follows:

1. socio-cultural and business dynamics imply that the individual manager makes choices within the space of national and institutional contexts and their present market rules,
2. uncertainty in choice implies that that the individual (or family or firm) is subject to changing predictions over time from the social or economic or business rules governing survival,

3. problem solving and decision making dynamics are governed by evolving sets of values when uncertainty challenges the stability of rules within 1) and 2) and alters the output successes in problem solving.

The socio-cultural and business dynamics are linked by economic theory with the third dynamic of managerial choice being used to resolve uncertainty in terms of which direction to move in the link (see Figure 1).

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Insert Figure 1 about here

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A previous qualitative study on Chinese managers' problem solving (Mackinnon & Powell, 2008) provides a partial explanation of intra-national trends in Chinese cultural dimensions and gives insights into changing Asian business practices. It is suggested that managerial choice is inherently unstable in periods of change and high uncertainty but settles to communally acceptable values, attitudes, behavior, and market controls when uncertainty is low – thus allowing cultural differentiation between managers. We argue that it is survival dynamics in the face of uncertainty which change system *rules* within descriptive *spaces*. Closed border national cultures in the past, had stability in cultural system input, resulting in little to no change in output, implying slow value evolution. There is a continuing trend to disequilibrium in modern business (Bettis & Hitt, 1995) with Chinese firms encountering

uncertainty from external business threats (Warner, 2002). We argue that *time* governing the evolution of values is now shorter with successful and unsuccessful choices being made under conditions of increased uncertainty.

It is to be expected that managers in an uncertain environment are likely to have input variations in the dynamic systems affecting their choices. Within IB the multinational enterprises (MNEs) are facing converging business problems and may choose similar solutions. This would result in mergers and acquisitions, or strategic alliances, with such activities now evident (Hitt, Franklin, & Zhu 2006). A trend towards socio-cultural safety, when market uncertainty increases, should result in the regional convergence argued by Rugman (2006). The model thus allows for survival strategies chosen through ‘protective’ markets close to MNE ownership socio-cultural groupings.

## **PROPOSITIONS**

The evolutionary model in Figure 1 is conjectured in response to two queries on values evolution – to explain longitudinal dimensional trends and to investigate the how, when and why of values evolution. The subsequent sections of this chapter focus on systems of rules, spaces and times. Second, consider their dynamic interaction to hypothesize the evolutionary nature of how, when and why and discuss uncertainty in the socio-cultural and market systems to hypothesize longitudinal trends.

### **Systems of Rules, Spaces and Time**

Reflecting on crossvergence theory, Ralston (2008: 35) queries why Hong Kong national managers’ values are evolving towards higher levels of Confucian dynamics whilst Chinese managers are tending towards lower levels. The answer may lie in the comparison of intra-

national societal influences. The Hong Kong British system was handed over to Chinese control in 1997. Political and business uncertainty would have been decreasing during this time following protracted negotiations between the UK, Hong Kong and Chinese representatives. At the same time, China was clearly about to enter the World Trade Organization (WTO) by 2001, creating a change in traditional market governance. It would be unusual if economic and business uncertainty did not increase over such a period for China as it had little experience of WTO market *rules*. In dynamic terms, the separate socio-cultural and market *rules* of Hong Kong and China *spaces* were undergoing different levels of uncertainty, requiring the preparation and acceptance of new *rules* against a specific *time* period. A crossover of value trends in Confucian dynamics identified by Ralston (2008: 35) is explicable through the model dynamics. We would argue, however, that it is the independent controlling *rules* that are being changed and although these outputs are linked in presentation by Ralston (2008: 35) they are not necessarily linked in *space*.

The model does, however, allow for descriptive *spaces* to merge and it is also argued that there is a link. It must be noted here that the Chinese Culture Connection (1987) proposes Confucian dynamics as a dimension peculiarly Asian, identified as representing long-term orientation (see Hofstede, 1997). It is here that the model is explanatory. As China enters the legal system of WTO market governance, the relative importance of its managers' long-term values, geared to relationships, are likely to drop towards the WTO shorter term orientation of contractual resolution such as prevails internationally. Meanwhile Hong Kong is relating more openly to China, especially in the Pearl River Delta, and is likely to require its managers to develop greater longer term *guanxi* relationships in China than hitherto. Hong Kong managers will thus integrate their respective societal networks in adapting to external business opportunities. The apparent longitudinal crossvergent change within the *spaces* of

the Chinese and Hong Kong value systems is linked only by coincidental *time* periods. The independent systems of values evolve longitudinally from successful attempts over *time* at resolving levels of uncertainty in market and societal *rules*.

### **System interactions**

In order to answer the how, when and why of values evolution the model, therefore, needs testing in its dynamics – the integrated economic interaction of uncertainty between societal and business *rules*. We argue that systems of cultural values evolve when *rules* change in the dynamic *spaces* needed for competitive advantage and survival. Transaction cost theory notes that any strategy designed to control opportunism can become costly when contracts become increasingly complex. The Chinese practice of *guanxi* involves high levels of trust which effectively control opportunistic behavior and decrease transaction costs. Complex international activities are therefore likely to retain *guanxi* control for Chinese management. From a transaction cost perspective, a first proposition is that for Chinese management expanding into international business, there would be considerable retention of socio-cultural *rules* when business *rules* are complex.

Resource-based theory argues for competitive advantage through valuable and increasingly difficult to imitate resources. At an international boundary, a Chinese company maintaining Chinese practices would have management resources difficult for a Western company to imitate. Retaining *guanxi* would be one way to prevent imitation and still conform to transaction cost governance. Conversely, the Chinese company would find it difficult to imitate Western companies unless it adopted Western legal and management practices and dispensed with *guanxi*. The dynamic solution to the dilemma is to increase heterogeneity in resources. From a competitive advantage perspective, a second proposition is that there

should be retention of *guanxi* but also some convergence to Western management practices where possible at the international boundary. This should occur when an opportunity for heterogeneity in managerial choice is available.

### **Uncertainty**

In catering for uncertainty, the use of real options should allow for a follow-on potential to any investment. The Chinese use of future obligations through the *renqing* function in *guanxi*, although cementing present relationships and improving harmonious behaviour, does create and possibly increase future uncertainty because of the unspecified nature of those future obligations. Unfortunately, it is not possible to specify what other options might become available to decrease future uncertainty. Perhaps arbitration (see Zhang, 1996) will substitute when accepting or not the outcome of a Chinese option. There could be a greater convergence to Western legal systems to decrease uncertainty. Following this line of reasoning, a third proposition reasons that there should be a decrease in the importance of *renqing* obligations with a trend towards Western systems to counter uncertainty in the retention of Chinese socio-cultural *rules*.

To sum up, three propositions were developed for the context of Chinese managers operating at an international boundary. Following the previous discussion, evolution in a system of values is explicable when there is:

1. the retention of traditional rules governing transactions but countered by
2. an increased heterogeneity in resources for resolving problems in the socio-cultural and business spaces,

3. with both implying a decrease over time in manipulative future options.

Longitudinal value trends will depend upon the successful problem resolution of decreasing the uncertainty levels of either socio-cultural or business systems or both. The how, when and why of values evolution is, respectively, the interactive dynamics of the integrated economic theories, the availability and subsequent implementation of successful solutions to the managerial problems, a subsequent acceptance of a preferred new output from the core values system governing decision choice.

## **DISCUSSION**

We avoid recent arguments over the meaning and definitions of crossvergence in order to develop an explanatory theory for values evolution. The theorizing in this paper is primarily from first principles and we are conscious that some principles are already advanced through more recent research. Nevertheless, it is the advancement of the crossvergent concept that is the aim of this paper. The subsequent sections in this discussion chapter will follow the principles of Kuhn (1970: 245-246) and try to discuss the following questions: (1) What can the dynamics of the model predict? (2) Does the model have even partial success? (3) Are predictive techniques developed? (4) What are the challenges of improvement?

### **Prediction**

For China, it would argue that reliance purely on market regulation is not the optimal value choice. A value system that controls opportunistic behaviour through a gatekeeper network is advantageous for complex business transactions. Combining networking with WTO regulatory controls for simple contracts, such as basic trade or affreightment issues, would conform to transaction cost theory and should improve Chinese competitive advantage. For

the West, previously used to a market geared to consumerism, recessionary deflationary markets would suggest an evolutionary adjustment to increased societal thrift - future resource adjustments and investment options are likely to become tougher. Thrift is an important value in the Confucian dynamics dimension of long-term orientation and an increase in Western thriftiness would be a crossvergent trend to certain Chinese values. An increasing distrust of politicians' and economists' abilities to handle recession would also result in convergence to the more low trust Chinese society outside the *guanxi* network. Indeed, instead of China becoming crossvergent to Western market values, the model predicts that the West becomes crossvergent to Chinese socio-cultural values.

The model explains longitudinal values evolution as a result of communities and nations resolving the weighted mix of socio-cultural and market influences when uncertainties arise in their established controls over their transactions, their resource heterogeneity, and their future options. It would predict that Hong Kong values evolution, initially tending towards Chinese long-term orientation then overtaking it, is a relative adjustment caused by greater social certainty in Hong Kong through and post-1997 but greater market uncertainty in China through 2001. The more internationally inclined Hong Kong may now perceive increased market uncertainty but China may feel more certain than the West of its own intrinsic competitive advantages. A reversal of the present vector trends should occur with convergence between the two managerial communities beginning to predominate in the Confucian dynamics dimension.

## **Success**

This section questions whether the model is even partially successful? Could the model, for example, have predicted the arrival of the 'astronauts' referred to by Tung (2008: 43). The



model can cater for socio-political unrest. One of the authors of this paper was an IB-practitioner in Taiwan in 1978 when President Carter recognized Beijing over Taipei, and was based in Hong Kong in 1984 when the British Prime Minister announced the handover of the territory to China. He was immersed in a changing social and business environment yet observed that minimal societal unrest followed. Nevertheless, some Taiwanese took refuge in US immigration and many Hong Kong Chinese (primarily civil servants) requested British passports, others emigrated to Canada (Vancouver gaining the nickname Hongcouver), Australia and New Zealand. A socio-cultural dynamic, the Chinese predilection to importance of the family, was being threatened by political and institutional uncertainty. Evolutionary survival options would indicate that by applying for foreign passports and residency, but returning 'home' as expatriate managers to Hong Kong, there is a marketable advantage over other foreign expatriates in terms of language and existing *guanxi*. There is thus predictive and explanatory power based on resolving uncertainty within a socio-cultural and market system based on economic options, valuable resources, and improved transaction costs. This system of values evolution is intra-cultural but affected by international uncertainty.

Few models function well in periods of cataclysmic economic or social unrest but the model actually requires some uncertainty to allow for values evolution. The model should cater for recessionary phases such as the present credit crunch and indicate a return to cultural safety (past successes) when market uncertainty threatens society. For example, market dominated US Republicans may let banks go bust but the socialist British Labour Party nationalizes them – indicating socio-political path dependence under market uncertainty. The prediction and explanation for longitudinal trends in values evolution rests with changes in the *rules* governing either the socio-cultural *space*, or the market *space*. In short, value systems evolve

as a result of *rule* change either in society or in the market *rules* within which that society seeks to trade. The present credit crunch and recession may have dramatically changed the *rules* to which many societies must now adapt. Research into value changes of recession-prone societies indicate, under the system interaction, a rejection of market *rules* and a strategic flight to safety, predicted as a return to societal values presently ‘hibernating’.

The theoretical link is also robust when Western societal practices rely on networks such as lobbying by political party donors (corporations and individuals) where Western opportunism is poorly governed in a manner similar to *guanxi* manipulation. At the time of submission of this paper, the court case for alleged fraud against the international financial manager, Mr Bernard Madoff, received a guilty plea. But newspaper reports indicate that the competitive advantage sought by certain fund managers, in accepting options to invest in his business, relied on social, country club controls over transactions rather than the market due diligence of regulatory authorities. Value systems of a networked nature failed and the likely evolutionary outcome is increased reliance on stricter market governance for financial transactions in the West.

## **Techniques**

The predictive techniques require integrating Western economic theory by combining the governance of opportunistic behavior with increased resource heterogeneity and ensuring that options in an uncertain world are maintained. Integrating is, we appreciate, more challenging than differentiating the individual applications of transaction cost, resource-based, and real option theories. But actual Chinese practice incorporates all three theories and attempts some form of equilibrium between them when resolving problems. Chinese managers are decreasing their relational obligations, increasing business trust levels and acknowledging

increased risk taking. International Chinese managers, resident in China, maintain a learning convergence to the problem solving practices of the West but retain the social context of relational transactions. This would indicate a form of retained regional divergence and international convergence. The integrative techniques would be applied to assess whether cultures inclined to relationships (such as the Asian) revert to their strengths and whether Western cultures more suited to legalistic control over markets increase their regulatory powers. The dynamics should indicate a reversion to past solutions in attempts to decrease uncertainty but if past solutions fail then the solution offered by a new world regulatory order will be trialed.

## **Challenge**

Finally, it is difficult to assess how challenging any improvement in predictive techniques might be. For example, we have not tested the transfer potential across cultures or markets. The theory should allow for transferring the model in Figure 1 to different socio-cultural and market systems to enable the discussion of system adjustment and change in the dynamics of Western firms. The internal corporate culture and market between specialized functions in a Western firm may also be researchable by the theory. Research into lowering inter-network risk when exchanging resources such as information should identify a demand for inter-network reciprocity and a need to decrease system manipulation. To deliver networked value across functions within an organization there is a need for reciprocity between the networks. An increase in the heterogeneity of intra-network problem solving expertise should be identified as an alternative to organizational, networked but narrow path specialization. An increase in intra-organizational trust may be achievable through the use of holistic solutions to corporate culture and market issues. Within regional trading blocs, the market solution appears to be improved trust levels due to stronger institutional affinities. Researching the

nature of strategic alliances should indicate that a mirror image of Figure 1 is being applied – one firm's market *rules* matching another firm's socio-cultural *rules*. The challenge is in the techniques required for holistic measurement and interpretation.

## CONCLUSION

This paper aimed at expanding and complementing the previous work on crossvergence. The theoretical argument in this study advances crossvergence theory by explaining longitudinal trends in cultural values evolution and gives examples of how, when and why such value systems evolve. It attempted to integrate a strategic perspective into crossvergence theory. While Ralston and colleagues have concentrated their discussion mainly upon the societal, macro-level influences upon micro-level values evolution, this paper emphasized the institutional, meso-level influences on values evolution. Key findings establish a correspondence between Western economic theories and Chinese management practices - thus identifying an explanatory interaction in the socio-cultural and business systems of crossvergence theory.

We acknowledge that this study has limitations which relate to theory advancement. The theoretical development is derived from basic principles of culture and economic theory and from individual attempts to take an intuitive leap into Chinese practices. The universality of the model might benefit from a discussion of this concept in a number of different contexts. The new theoretical perspectives developed in this paper need empirical support based on solid constructs in order to ensure the predictive successes of holistic, integrated economic theories. The socio-cultural system needs to be refined further and tested against the problem solving behaviors emanating from different national institutions and organizational cultures. In defence of these limitations, we would wish to reiterate Ralston

(2008: 30) and argue that we have based his arguments ‘on logic, underlying assumptions, and/or historical facts to identify the situational differences’ in seeking to make the theoretical advancements in this paper relevant.

In consequence, a major contribution of this paper is that it advances the general understanding of values evolution and crossvergence potential. The discussion in this paper is consistent with Ralston’s (2008) call for the integration of the macro, meso and micro-level variables towards a more complete understanding of crossvergent values evolution.

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## APPENDIX

Figure 1      Evolutionary Model Dynamics

