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Identifying and Managing Risks Inherent to Cultural Differences in the Case of Production Internationalization

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Abstract

Ignoring cultural differences can cause unfavourable situations and negatively influence the success of production internationalization projects. A decision to subcontract part of the production or to produce in a foreign country, requires identifying and controlling the risks related to cultural differences. Our research objective was to study these risks and the business practices used to face them. In order to reach this objective, we studied eight (8) Canadian manufacturing companies, that outsourced part of their production to China. Results show that the risks related to cultural differences, can provoke an important divergence between requirements of the Canadian company and the resulting products manufactured by the Chinese subcontractor and cause an additional unexpected manufacturing costs. The risk of misunderstanding and difficulty communicating in addition to difficulty applying quality control practices were critical for most of the studied companies' managers. However, the identified risks could be controlled with different business practices, which we classified according to their role of mitigation or contingency. Frequent interaction with Chinese partners, developing a good trust-based relationship with them and finding ways of encouraging them to get more involved in the partnership and to suggest solutions and innovations represent some of the important practices to adopt.

JEL classification numbers: M1.

Keywords: Cultural differences, Production internationalization, International outsourcing, Outsourcing in China, Risk management, Cross-cultural management.

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1. Introduction

According to Tipuric et al. (2007), management of international affairs is always confronted with failures and difficulties related to a lack of understanding about the cultural specificities of certain countries where businesses operate. In fact, a different cultural environment requires behaviours that are adapted and distinct approaches in management and communication. Some strategies, structures, and behaviours can be appropriate for certain cultural contexts and have negative effects in others. Therefore, ignoring cultural differences can cause unfavourable situations and negatively influence business productivity and the success of international projects. This is why there is unanimous agreement on the importance of taking into consideration national cultures when conducting international affairs (Vlad and Stan 2018; Lin, et al. 2018; Chung, et al. 2016; Tipuric et al. 2007; Meshi 1997). According to Angue and Mayrhofer (2011), Anantatmula (2010) and Meshi (1997), cultural differences have been identified as an important factor in the failure of many projects carried out internationally as well as several alliance strategies between businesses in different countries. Among these projects is production internationalization, especially international outsourcing, which has gained popularity in recent years, particularly in emerging countries because of low labour costs (Vlad and Stan 2018; Ghandi, et al. 2012; Gallego and Saoudi 2010; Hilletoft and Hilmola. 2010; Fredriksson and Jonsson 2009; Li and Barnes 2008).

International outsourcing strategies, which are our focus in this article as a form of production internationalization, can procure significative competitive advantages, such as lowering costs, increasing flexibility, and refocusing on a business's main activities (Clegg, et al. 2005). However, they can also come with various difficulties, such as lower production quality, missing delivery deadlines, or even having to pay upfront for unexpected costs, which sometimes lead to failure (El Fadil and St-Pierre 2011). Moreover, several company executives choosing this kind of strategy have not been satisfied with the results (Mohiuddin, et al. 2010; Fredriksson and Jonsson 2009; Brown 2005; Craig and Willmott 2005). Negligence and sometimes not knowing the risks associated with these strategies may explain in part such failures (Ghandi, et al. 2012; Khan, et al. 2008; Elmuti and Kathawala 2000). Being careless toward international risks may cause a failure to anticipate events that have negative effects on company objectives. This can lead to the inappropriate management of risks related to subcontracting abroad (Lajili and Zéghal 2005). Among the determining risk factors associated with international outsourcing, there are cultural differences that can be the source of a number of undesirable events (Vlad and Stan 2018; Mohiuddin and Su 2013; Beulen, et al. 2011; Jones 2009). These differences can be related to communication, business practices, work ethics, and problem-solving (Gurung and Prater 2006), but also to diverging opinions regarding performance or quality, which can affect the success of a decision to outsource internationally (Angue and Mayrhofer 2011; Anantatmula 2010; Boudabbous 2005).

This explains interest in studying cultural differences and the resulting risks,

negative events and situations that can lead to the failure of an outsourcing project abroad. A lot of interest is generated around the case of emerging countries which enable businesses from developed countries to keep their competitive edge. In our study, we focus mainly on China because of its popularity for outsourcing and the large number of companies that already carry out part of their operations there (Prasad and Prasad 2007; Stark 2005). China is also chosen for the significant cultural distance that exists between itself and Canada, the country of residence of the companies studied herein (Chen, et al. 2020; Li and Karakowsky 2001).

Several authors propose management practices and behaviours that can attenuate the influence of cultural elements on international business operations (Vlad and Stan 2018; Anantatmula 2010; Calza, et al. 2009). However, to our knowledge, only few studies were interested in cross-cultural management in the case of international outsourcing (Winkler, et al. 2009). Moreover, no study was interested in cultural differences as a source of risks in the context of the outsourcing partnership between Canadian managers and their Chinese subcontractors. In the present research, we intend to fill this gap by conducting a multiple-case study, which aims to analyze risks inherent to significant cultural differences faced by Canadian companies in the business relationship with their Chinese outsourcing partners as well as the influence of the analysed risks on the companies' objectives. It also aims to examine the practices they use to control these risks. The results of this study lead to a contribution that will be of interest to researchers in the field of cross-cultural management and international business, especially the ones interested in the context of international outsourcing. This contribution will also help Canadian and Western executives to efficiently manage risks related to cultural differences when adopting an outsourcing project in China or internationalization activities in this country or other regions of Asia.

Anticipating these risks and choosing the best practices for managing them should reduce the rate of failure when deciding to outsource abroad, particularly in China, thus making it possible to benefit from the competitive advantages that these strategies can provide. Efficient risk management has become, according to Falkner and Hiebl (2015) as well as Silva, et al. (2013), an important competitive edge that helps businesses face the increasing threats and difficulties they encounter.

In the following section, drawn from our literature review, we discuss culture in general, its aspects, the differences that can affect business operations in an international context, and some practices used to manage and overcome these differences. Then we tackle risk management and international outsourcing. We present our research methodology, which is based mainly on the multiple-case study model, followed by our result analysis obtained from eight (8) Canadian companies. We conclude with our main findings and how these results contribute to the advancement of knowledge in the field of international and cross-cultural management. Finally, we discuss the limits of our study and the research avenues that we believe are most relevant.

2. Literature Review

2.1 Cultural differences

Hofstede (1993) presents culture as a collective program of the spirit, invisible from the outside, and that distinguishes one group of humans from another (Dong and Liu 2010; Selmer 2007). We keep from this definition the concept of invisibility, because it explains the comprehension and interpretation difficulties in some cases of cultural elements in foreign countries, which make learning these elements without interacting with individuals from these countries more complicated since interaction reduces the said invisibility. Culture is composed of a set of values and beliefs common to a group of individuals who share the same history that reflects collective standards of human thought, behaviour and interaction (Dong and Liu 2010; Kombou 2007; Chang 2002; Iribane 2000; Drake 1994). Thus, each nation possesses its own distinct culture (Crétien 2003), with different structural characteristics, such as perceptions, language, non-verbal communication, and gesticulations as well as how they understand time and space (Dong and Liu 2010). In this perspective, different authors propose cultural dimensions that explain the behaviours of nations and communities (Crede, et al. 2019; Dheer and Lenartowicz 2018; Harris and Russell-Bennett 2015; Chang 2002). The best-known are the dimensions put forth by Hofstede, et al. (2010): individualism vs. collectivism (an individualist society refers to another in which the individual focusses mainly on his or her interests and rights rather than those of the group); power distance (the members of a society in which this distance is small are considered equals); uncertainty avoidance (this avoidance is greater if people in a society are less capable of facing stress generated by uncertainty); masculinity vs. femininity (masculine values being, among others, competition, materialism, and power, and feminine values being quality of life and human relationships); long-term vs. short-term (a society turned toward the long-term gives more importance to the future and less to the present); and indulgence vs. restraint (a society with more indulgence would allow relatively free gratification of basic and natural human desires related to enjoying life and having fun). For example, in a Muslim country the degree of indulgence will be low because of the restrictions related to religion (Hofstede and Minkov, 2010).

For their part, Jun and Lee (2007) mention the seven cultural dimensions of Trompenaars and Hampden-Tuner (1998) that complete, in their opinion, those put forth by Hofstede (1996) and Hall (1983), and which allow for a more in-depth understanding of cultural differences. The first, universalism vs. particularism, describes the extent to which social norms prevail in a culture. Indeed, in universalist cultures individuals conform more to these standards. The second dimension is individualism vs. communitarianism, which is similar to Hofstede's individualism vs. collectivism. The third is emotional vs. neutral, which describes the extent to which individuals in some cultures express their emotions. The fourth, specific vs. diffuse, is correlated with Hofstede's (1996) power distance, individualism and long-term orientation. In some specific cultures, individuals

differentiate their personal life from their public life. The fifth dimension, which is accomplishment vs. attribution, concerns the extent to which status is reached or attributed. The sixth dimension describes attitude toward time, and the seventh concerns one's relationship with the environment (Jun and Lee 2007). We add to the mentioned dimensions, Hall's (1983) high-context dimension, in which the message is rooted in its context, thus the need to understand the context to grasp the message. This dimension is more important in certain cultures like those in Arab countries (Kalliny, et al. 2006). A more recent and famous approach that adds more dimensions to the ones used by Hofstede (1996) was proposed by the GLOBE group (House, et al. 2004), which included nine dimensions. GLOBE classification covered more aspects than the Hofstede approach, such as assertiveness, which describe the level of competitiveness between individuals in a country; performance orientation, which concern the degree of emphasizing on performance and excellence; as well as human orientation, which refers to the value that a society places on being fair, generous and caring (Crede, et al. 2019; Dheer, Lenartowicz, 2018; Harris, Russell-Bennett; 2015).

In this way, different cultural dimensions can influence the behaviour of individuals, employees, and leaders in any given country (Crede, et al. 2019; Dheer and Lenartowicz 2018; Chung, et al. 2016; Harris and Russell-Bennett 2015; Dong and Liu 2010). In the field of organizational management, Simon and Lane (2004) put forth that the differences in managers' behaviours, attitudes, values, beliefs, and decision-making are greatly conditioned by their national culture. More specifically, they mention Hofstede's (1996) dimensions regarding the survival of collaboration between partners from different cultures who are part of an alliance. The most important of these dimensions in business, according to Yoo, et al. (2006), is hierarchical distance and collectivism because they affect the nature of leadership as well as collaboration between members of a work team. As for Dong and Liu (2010), they add that members in an organization face uncertainty and ambiguity both individually and collectively according to attitudes and strategies that have been influenced by their culture, which confirms the relevance of Hofstede et al. (2010) other dimension, that is, the tolerance of uncertainty. In general, cultural values play a large role in determining customs and practices adopted in an organization (Dong and Liu 2010).

In an international context, differences in practices are noticed, according to Anantatmula (2010), regarding centralization of authority, formalization of communication, and the depth of organizational hierarchy. Thus, cultural elements can be the source of different perceptions of what performance means, which can make the successful outcome of projects carried out in this context more difficult (Anantatmula 2010). According to Gurung and Prater (2006)—who have studied outsourced projects in the field of information technology—cultural elements can generate differences at the level of communication, work ethics, and problem solving. On their parts, Gomez and Taylor (2018) put forth that cultural value differences can have an important impact on conflict resolution styles.

In addition, according to Boudabbous (2005)—who has analyzed the influence of cultural elements on transaction costs in the case of a partnership between two organizations from two countries with different cultures—cultural elements increase asymmetry and the difficulty in disseminating information. This makes negotiations and agreement monitoring costlier in time, energy, and precautions.

Many researchers describe the cultural difference between nations as a cultural distance (Baker, et al. 2020; Xu, Drennan and Methews 2019). They suggest that difficulties, conflicts, costs, and risks inherent to the management of international projects and operations increase with this distance between individuals, groups, and organizations (Baker, et al. 2020; Xu, Drennan and Methews 2019; Angue and Mayrhofer 2011; Bjorkman, et al. 2007; Kogut and Singh 1988). Note that cultural distance is closely linked to linguistic, institutional, economic, legal and political differences (Angue and Mayrhofer 2011; Bjorkman et al. 2007). According to Xu, et al. (2019) and Gurung and Prater (2006), linguistic differences can significantly affect communication efficiency and the expression and interpretation of complex ideas.

In conclusion, cultural elements must therefore be considered when managing international alliances, collaborations, and projects. In the next section, we discuss management practices that can reduce the negative influence of cultural differences.

2.2 Management of cultural differences

According to Crétien (2003), the risk of misunderstandings and incomprehension within a cross-cultural situation may not only stem from cultural differences, but also from the assumption that there are no differences. Therefore, awareness that they do exist is essential because it will reduce the possibility of negative reactions or projections and smooth the process in the critical phase of understanding the foreign cultural elements and values involved. This phase is important, according to Dong and Liu (2010) and Calza et al. (2009), because it helps to identify, understand and respond to ideas, feelings and actions of employees and leaders from these cultures. This phase makes it possible to integrate respect for the other culture's values when designing business practices and organizational rules in their country (Vlad and Stan 2018). And yet, it is difficult to perfectly understand a foreign culture (Trompenaars 1993) because becoming familiar with it and adapting to it is a learning process that requires time, energy and commitment. The difficulty in this familiarization process is proportional to the cultural distance. Additionally, being aware of and sensitive to cultural differences and knowing the target country's language and culture are factors that can facilitate communication with employees, leaders and partners in this country (Vlad and Stan 2018; Anantatmula 2010). Also, one of the key elements that can help overcome cultural distance and promote better interaction between individuals from different cultures working on a project together is the trust, according to Anantatmula (2010). Sachsenmaier and Guo (2019) reported that trust between individuals and groups from different organizations in a cross-cultural context can have a determinant impact on the relations between these

organizations. Developing trust is a gradual process that requires open-mindedness and great effort, but it has a significant impact on the successful execution of an international project.

In this regard, Calza et al. (2009) conclude that the managers most likely to attain their investment project goals in foreign countries are those who are aware of the importance of the cultural dimension in their decision-making process and who involve local managers in the management of operations in that country. For their part, Vlad and Stan (2018) and Bartel-Radic (2011) noted the importance of cross-cultural skills in order to attain these objectives and avoid communication-related misunderstandings. The receiver interprets a message according to their own cultural codes (Kim 2015; Bartel-Radic 2011), which can modify the meaning of the message initially sent. These skills facilitate interaction with people from different cultures either within cross-organizational communication or contract negotiation with a partner or client (Xu, et al. 2019; Vlad and Stan 2018; Kim 2015; Bartel-Radic 2011; Raynal 2004). They can also be useful to develop good international business relations, enter and develop new foreign markets, and design marketing and sales strategies tailored to the foreign culture (Bartel-Radic 2011). According to Raynal (2004), the most successful administrators in cross-cultural negotiations are those who are more “internationally” knowledgeable.

Learning cross-cultural skills is always possible and endless and these skills are developed mostly by interaction with other cultures and by experiencing cultural differences (Vlad and Stan 2018; Kim 2015; Raynal 2004). Raynal (2004) put forth a pyramid that describes the levels of cross-culturalism, explaining one’s understanding of aspects from foreign cultures, one’s adaptation to these aspects, and one’s ability to integrate them. Referring to Hofstede (1983), Higgs (1996) identifies three stages that facilitate the development of skills needed to successfully execute operations in a cross-cultural context. The first concerns developing an understanding of one’s own culture and of cultural differences; the second concerns acquiring knowledge about the impact of cultural differences as well as strengths and weaknesses of cultures in a business context; and the third concerns developing skills that enable one to adapt to the cultural traits in question, in the context of cross-cultural business, in order to attain objectives (Vlad and Stan 2018; Chung, et al. 2016; Kim 2015). As reported by Vlad and Stan (2018), intercultural competent individuals develop affective, cognitive and behavioural skills to enable adequate communication and behaviour in a multicultural context.

The practices discussed above make it possible to reduce and manage the various problems and difficulties that result from cultural differences. These problems and difficulties represent risks that must be considered because they can negatively affect the company’s ability to achieve its objectives if they occur.

2.3 Risk management

Risk can be defined differently according to the field of study and the approach used by the author (Silva et al. 2013; Lee 2008). However, the definition we adopted for our work presents risk as the possible occurrence of an event or situation that can negatively affect an organization's ability to reach its objectives (Reboud and Séville 2016; Grant, et al. 2014; Althaus 2005; Hutchins and Gould 2004). This definition takes into account the occurrence of an event and its negative effects and considers the organization's general objectives without limiting itself to financial aspects, including elements of product quality and the timeframes for project execution (Kezner 2001). We will use these concepts to identify risks. In addition, this definition associates risk to a negative impact, which means that in the absence of loss or such impacts, there is no risk that requires monitoring (Dia and Zéghal 2008). Thus, while factors likely to result in risks may exist in the organization's internal or external environment (DuHadway, et al. 2019; Kim and Vonortas 2014; Smith and Merritt 2002), some of these may not occur depending on the parameters in play (e.g., adopting efficient risk management practices).

In this respect, risk management, which is increasingly considered as a strategic capacity within companies (Islam, et al. 2017; St-Pierre and El Fadil 2017; Silva et al. 2013), is a holistic process that aims to identify, analyze and deal with risks that organizations can encounter. Given the various risks companies are faced with, leaders must now integrate risk management in the overall management of their business in order to enhance their competitiveness by implementing a set of tools or preventive and proactive actions also geared toward intangible aspects of their company (St-Pierre 2004; Barthélémy 2002). The strategic management of risks cannot be successful without implementing an efficient process based on three main activities, that is, the identification, assessment, and development of risk response plans (Silva et al. 2013; Norman and Jansson 2004). Identifying risks aims to recognize and define risks and risk factors that projects and investments may involve (Acar and Göç 2011; Noor et al. 2002). Risk assessment and evaluation help organization leaders to measure, organize and prioritize risks (Acar and Göç 2011; Magro and Kellow 2004). Finally, Nalewaik (2005) considers planning risk response as the most difficult part of the risk management process. In fact, for each risk deemed relevant, one must define an objective to reduce its impact or to mitigate it, and then develop an action that will enable the objective to be reached. The hard part resides in the fact that the action must be efficient regarding cost, time and the possibility of attaining the risk management objective in question (Silva et al. 2013; Magro and Kellow 2004).

On the other hand, different risk management strategies exist. The first is risk transfer, which seeks to delegate risk management and its consequences to another organization, such as an insurance company. The second is risk acceptance, according to which some risks are accepted without implementation of actions aimed at controlling or reducing them. The third is avoidance, which consists of avoiding risk when it shows up in a project by changing, for example, some initial

traits of the project itself (Norman and Jansson 2004). The fourth strategy, which is the most crucial and on which companies must spend more time, is risk mitigation because it makes it possible to decrease the possibility of a risk occurring, by working on potential trigger sources in particular. The fifth is contingency. Its objective is to provide an immediate solution when the risk appears by acting on the impact or the consequences (Norman and Jansson 2004).

After looking into risk and risk management, we must also discuss outsourcing.

2.4 International outsourcing and the cultural differences between China and Canada

Outsourcing is defined by Elmuti and Kathawala (2000) as the strategic use of resources external to the organization to accomplish activities that are traditionally executed by internal personnel and resources. Various strategic reasons can lead a company to outsource abroad, the best known of which is cost reduction (Edvardson, et al. 2020; Kotabe, et al. 2008; Fill and Visser 2000). To this are added the recentralizing of operations, which consists of focusing on the company's primary activities, increasing its production capacity without increasing the size of the organization, freeing financial capital for more profitable operations, flexibility, access to natural resources, establishing a presence on a foreign market, as well as the use of expertise and specialization from other companies (Edvardson et al. 2020; Mohiuddine 2011; Bengtsson and Dabhilkar 2008; Leavy 2004; Morcos and Crombrughe 2004; Ghaussi 2002).

Given the strategic aspect of international outsourcing, as a form of production internationalization, the process of adopting this kind of project is composed of three phases and begins with the determining phase decision-making. This phase involves a strategic analysis of the option of manufacturing abroad, comparison with other alternatives and the decision of which production functions and activities to outsource. The second phase is prospecting and selecting the outsourcers, which can take more time than planned and that, if done well, makes it possible to manage several risks inherent to international outsourcing. The third phase is operationalizing and managing this strategy, which includes activities linked to transition, control, assessment, and reviewing the different aspects related to it (El Fadil and St-Pierre 2011).

Furthermore, different sources of risk can be associated with international outsourcing, such as reducing the control of outsourced operations, international inexperience, and cultural differences. The latter, which are at the heart of this study, can lead to risks of misunderstanding and difficulty communicating. In the particular case of China, Jones (2009) and Reithel, et al. (2007) note that cultural factors can represent major obstacles to the success of projects outsourced in this country and provoke different unfavourable events, particularly because some *invisible* factors (Jones 2009; Hofstede 2003) have an effect on attitudes and ways of communicating (Kim 2015). The Chinese culture is very different from the North American and European cultures. For example, the level of collectivism is higher

among Asians compared to North Americans (Li and Karakowsky 2001). In general, the former are more patient, prudent and modest, and their behaviour is controlled, whereas the latter are more spontaneous, impulsive and natural (Li and Karakowsky 2001).

In addition, North Americans believe in less external control over their lives and actions, whereas Asians believe in the concept of *Yuan* that comes from Buddhism and means that success and failure are in part tied to external causes (Lin, et al. 2018). In the Chinese society, this is used to explain the harmony that exists in the relationship between two people as well as the rupture of this relationship when problems arise (Li and Karakowsky 2001).

Besides, Chen, et al. (2020) and Li and Karakowsky (2001) discuss the Chinese concepts of *Lian* and *Mianzi* (respectively face and reputation in English) as well as how important it is for the Chinese to avoid losing face. This concept regards the pride of an individual or a community that is present in every aspect of business and social interaction in China (Chen, et al. 2020). Chen et al. (2020) reported that the pride and dignity of Chinese workers can influence their intention to share information and knowledge. Lin et al. (2018) and Li and Karakowsky (2001) note the significance of human relationships in Asian and Chinese cultures and of the differences in interpersonal interactions between these cultures and those from Western cultures. Lin et al. (2018) discuss the importance of the informal relationship among Chinese managers and employees known as *Guanxi* in China, which facilitate the harmony between individuals at work. This harmony is based on genuine care and support from managers toward their subordinates and on loyalty and compliance from the latter to their leaders. Also, relative to cultural differences, Lin et al. (2018) reported that managers from western countries often complain about Chinese employees' lack of suggestions and input in meetings. They also noted that Chinese workers blamed some western leaders for not respecting hierarchy and breaking some of the Chinese cultural norms.

In his website, Hofstede (2018) presents the scores attributed to the different dimensions of his model. We note that, except for the scores for masculinity (Canada: 52 and China: 66) and uncertainty avoidance (Canada: 48 and China: 30), the scores of the four other dimensions are different. Those for Power Distance (Canada: 39 and China: 80), Individualism (Canada: 80 and China: 20), Long-term Orientation (Canada: 36 and China: 87) and Indulgence (Canada: 68 and China: 24) differ greatly.

Given the important cultural differences that exist between Canada and China, and their probable negative influence on the objectives of the project outsourced in China (Mohiuddin and Su 2013; Beulen, et al. 2011; El Fadil and St-Pierre 2011; Jones 2009), this study sought to, firstly, identify and analyze the risks Canadian companies might encounter if they subcontract a part of their production to Chinese partners. Second, it sought to discuss the practices used by Canadian companies to manage and control these risks. In this regard, Edvardsson et al. (2020) put forth the need for cross-cultural empirical studies on outsourcing strategies. To our knowledge, after our literature review, no articles were found to focus on risks

inherent to cultural differences in the case of international outsourcing strategies adopted by Western companies in China. This further justifies our study, in addition to the increasing popularity of these strategies since the late '90s as well as the limited experience of many Canadian managers working with Chinese partners at the beginning of this decade. Let us note that time context of our data collection and the present research is set in 2011.

From what we discussed above, we pose the two following research questions:

- 1) How can the risks associated with cultural differences influence the objectives of outsourcing strategies in the case of business relationships between Canadian manufacturing companies and their Chinese subcontractors?
- 2) How do the Canadian managers reduce the effect of these risks and control them?

3. Research Methodology

Given the research questions and objectives, the present study was exploratory and descriptive. From this perspective, a methodology that is based on a multiple-case study fit the characteristics of our research (Yin, 1990). Particularly since the object of our study was a contemporary phenomenon that must be examined in its context (Guercini, et al. 2017; Yin 1990). As mentioned by Guercini, et al. (2017), when the object of the study revolves around a complex process, as is the case in the present research project, this methodology is the preferred strategy. Also, our research questions are interested in "how" the risks associated with cultural differences influence the objectives of outsourcing strategies and "how" the managers control these risks. The appropriate way to answer this kind of questions is to adopt a qualitative study as a research methodology and to discuss these issues directly with managers.

Our sample was composed of seven (8) manufacturing companies (A, B, C, D, E, F, G and H) shown in Table 2. To select the companies, we used the following criteria: companies had to 1) be manufacturing companies, 2) have outsourced part of their production to China, 3) have already received outsourced products and delivered them to clients or used them in their local production, and finally 4) be located in Canada and of Canadian ownership. The purpose of these criteria was to ensure that each company selected had completed at least one production cycle and be apt to identify the risks related to all outsourcing actions.

Table 1: Information on the studied companies

Company (Year Founded)	# Employees	Industry	Main Products	Main Foreign Markets
A (1993)	50	Manufacturing and distribution of sealants	Foam and spongy rubber and pieces moulded in rubber or plastic	United States
B (1978)	600	Manufacturing of ventilation systems	Central air exchanger, range hoods, and roof ventilators	United States
C (1981)	90	Manufacturing of electronic products	Printed circuit boards and complete electronic circuits	//
D (1991)	4	Manufacturing of leather products	Handbags in leather or synthetic material	United States and Europe
E (2001)	50	Manufacturing of moulds	Simple and multi-cavity moulds, multi-layer moulds, etc.	United States
F (1948)	65	Manufacturing of camping products and garden furniture	Straight and long folding chairs and high-end chairs	United States and South American countries
G (1968)	200	Design and manufacturing of pieces moulded in rubber	Anti-vibration products and shoe soles	United States and Europe
H (1978)	900	Manufacturing of Construction products	PVC membranes for roofs and tunnels	United States, Asian and South American countries

The diversity of sectors enhanced our data collection and their cases enabled us to gain a certain level of variety in our sample, as recommended by Hlady-Rispal (2002). This variety made it possible to explore different situations and ways of doing. With respect to the size of the companies, as is shown in Table 2, except for companies B and C that employed over 200 employees and belonged to groups, the five others employed at most 100 people. For the purposes of comparison, we decided to keep company B and H, which was not an SME according to the criteria set out by Industry Canada.³

The data collection was finished at the end of 2018. This data was collected through two (2) semi-directed interviews with two (2) managers from each company (see Appendix 1), in order to examine each case in more depth by studying two points

³ A small and medium enterprise (SME) is a company employing between 1 and 499 employees and that has a business revenue of less than 50 million dollars.

of view. The two managers were involved in the management of the outsourcing project. In the case of the company H, we realised only one interview with one manager in charge of the production activities in China, as we couldn't realise an interview with another executive. The interview guide was developed from our literature review and contained questions on the respondents' profile, as well as on the companies' characteristics, their international experience, and the various aspects inherent to their strategy of outsourcing in China. In addition, based on the guide we asked questions about the risks caused by cultural differences and the practices that companies used or could use to manage risks. The questions were open-ended in order to gather the most information possible and to understand the influence of the risks discussed on the company objectives and when some practices should be adopted as well as the importance of using them.

Since the data collected were of qualitative nature, they were analyzed according to Miles and Huberman's (2003) recommendation and the NVivo software. We began our analysis by codifying and categorizing data collected related to the risks identified by managers and the practices used to manage them. Next, we developed comments, reflections and conclusions from these data.

4. Presentation and Result Analysis

The interviews enabled us to identify and discuss different risks that can be caused by cultural differences and analyse their influence on the outsourcing strategies objectives, as well as several management practices that can be used to reduce their occurrence or their impact. First, we present the risks identified by the 14 people interviewed. Second, we present the actions used to mitigate and control these risks.

4.1 Analysis of risks linked to cultural differences

We discussed eight (8) types of risks (see Table 3), of which three (3) were mentioned by at least half of the respondents. Misunderstanding and difficulty communicating is a risk all respondents agreed on (its importance). This confirmed discussions by Kavar (2012), Bartel-Radic (2011), Anantatmula (2010), Xian (2008), Crétien (2003), and Gurung and Prater (2006), and the effect of cultural factors on understanding messages on both sides of the partnership given that how people decode messages is influenced by elements from their culture (Kavar 2012; Gurung and Prater 2006). Misunderstandings can not only cause inappropriate interpretations linked to some elements of the outsourced project and to the characteristics of the outsourced products, but also have a negative impact on the relationships between Canadian and Chinese partners and influence the business partnership. The importance of human relationships for Asian companies was mentioned in our literature review (Li and Karakowsky 2001; Bowen 2005).

And yet, communication can also be difficult because of linguistic differences (Xu, et al. 2019; Xian 2008; Gurung and Prater 2006). In fact, although some Chinese and Canadian employees and managers speak English, the different accents, and the varying levels of fluency make communication difficult.

Difficulty communicating makes the possibility of misunderstanding the technical and design requirements more probable, according to A2, C1, D2, E2, F2, G1, G2 and H1. In some cases, even with an interpreter, it was difficult to explain technical concepts, as mentioned by C2 and D1, which could provoke misunderstanding between the initial need and requirements of the Canadian company and the resulting products manufactured by the Chinese subcontractor (confirmed by F1, E2 and G1).

According to C2 and H1, cultural differences could also cause gaps in work methods and managerial orientations. These gaps could lead to difficulties in applying some management and quality control practices. In this regard, C1 and C2 observed that their Chinese partners seemed much more concerned with controlling costs than by the quality of the products. E2 claimed that some outsourcers sometimes did not have quality control systems. G1 added that the perception of quality was different in China and in Canada, to the extent of being completely neglected in some factories visited or audited. This was confirmed by D1, E2, G2 and H1 regarding the different quality standards between Canadian and Chinese entrepreneurs. For C2, these gaps could be observed in the quality control carried out by some Chinese partners as their inspections lacked rigour. According to G1 and G2, the orientation of some Chinese outsourcers toward the short term and rapid gain may explain their negligence with respect to quality and their preference for “easy” solutions that are quickly implemented. Finally, for A2, B2, C1, C2 and E2, their outsourcers were not concerned with certain details, which led to products that did not meet requirements.

Furthermore, some Chinese outsourcers took few proactive actions and were satisfied with simply executing what was asked of them, taking no initiative to solve problems that occurred and suggesting no new ideas (mentioned by B2, F2 and G2). This is similar to what was reported by Lin, et al. (2018) concerning the lack of input from Chinese workers in meetings. This behaviour is contrary to Canadian outsourcers who, according to those interviewed, generally tend to try to find solutions for problems encountered and work in partnership with their contractors to innovate. In this sense, most respondents claimed that several Chinese manufacturers did not suggest innovations or ways of doing that would improve the quality of the products or components being outsourced. This can sometimes undermine better partnerships and cooperation between the Canadian contractors and the Chinese outsourcers, particularly when manufacturing complex products or components, such as the hood motors ordered by company B. B2 and H1 mentioned the possibility that Canadian managers may not know how to work or communicate with the Chinese. This is supported by F1 and G2 who claimed that Canadians did not adapt to Chinese ways of doing, which made partnerships difficult to manage. Finally, some Chinese partners did not ask any clarifications when requirements were not clear, sometimes saying “yes” without actually meaning it (according to B1, B2, D1, D2, G1, and G2). The respondents F1, G1, and G2 claimed that their Chinese partners were incapable of saying “no” in some situations, in order to avoid confrontation. This situation generated confusion between the partners and could

lead to serious manufacturing errors in the resulting outsourced products, which were not anticipated by most Canadian entrepreneurs.

Table 2: Risks resulting from cultural differences

Misunderstanding and difficulty communicating	15
Difficulty applying some quality management and control practices	13
Possibility that the outsourcer has different business practices and different perceptions of quality and of some details	11
Possibility that the Chinese partner says “yes” without actually meaning it	6
Possibility that the Chinese partner does not take any initiatives to suggest innovations or improvements	4
Possibility that the Canadian managers do not adequately communicate or work with their Chinese partners	3
The outsourcer has a short-term instead of long-term orientation	2
The outsourcer is oriented toward controlling costs instead of quality	2

However, these risks, contrary to those associated with exogenous factors, such as economic or political aspects, can be mitigated by using different practices, such as training or recruiting a Chinese employee. This is the case for the risk of misunderstanding and difficulty communicating as well as difficulty applying some quality management and control practices which are part of the principal risks identified and mentioned by 14 and 12 respondents, respectively. These actions are identified in the section below.

4.2 Identification and analysis of management practices of risks inherent to cultural differences

In order to make it easier to reduce the risks caused by cultural differences, it is essential, as mentioned by A2, C1, C2, F1 and G2, to be aware of their existence and importance, to be sensitive to Chinese partners’ culture, and to have a positive attitude, as recommended by Dong and Liu (2010), Anantatmula (2010), as well as Calza et al. (2009). Anantatmula (2010) specifies that awareness and understanding of differences can, among others, facilitate the communication considerably. Most respondents (A2, B2, C1, C2, D1, F1, G1, G2 and H1) confirmed the need for a better understanding of Chinese culture in order to learn how to behave and communicate appropriately with their partners. Some respondents (C1 and C2) attended training to learn more about China, its traditions and customs, which was also recommended by G2. However, according to A2 and F1, this kind of training cannot replace direct interaction and experience that can be accumulated by doing business with the Chinese, hence the relevance of trips to China. Kawar (2012) and Raynal (2004) also highlight the crucial need for interaction to become more familiar with a foreign culture. According to A2, interaction made it possible to understand their way of thinking and working, as well as experimenting directly with invisible elements of the Chinese culture or the culture of the target country,

as suggested by Jones (2009) and Hofstede (2003). Interaction promotes learning hands on, through experience, which eases the development of capacities with respect to strategic communication and managerial behaviour with partners from other cultures (Vlad and Stan 2018; Kim 2015).

Furthermore, C1, D1 and H1 suggested developing human relations with their partners and not focus solely on elements of their contract. In this regard, F2 emphasized that this relationship must be based on honesty and respect, thus enabling mutual trust to grow (Sachsenmaier and Guo 2019), which is supported by Anantatmula (2010). Additionally, in order to develop good human relations with the Chinese partner, the Canadian contractor should avoid putting said partner in bad situations or in a position where they could lose face, as recommended by Chen, et al. (2020) and Li and Karakowsky (2001) concerning relationships with people from this culture. B2 suggested that its group's supply office, located in China, significantly helped them to facilitate the business relationship and to communicate adequately with its outsourcers. The same situation was reported for companies G and F, in which their agents helped translate documents and intervened directly to understand the Chinese culture. Some managers (A2, C1, G1, G2 and H1) recommended hiring Chinese employees for a smoother liaison. According to C1, these employees should preferably be people seeped in both cultures or, according to G1, Chinese people who are perfectly fluent in English.

On the other hand, misunderstanding between Canadians and Chinese can also be caused by the difference between their communication languages, which is tied to social aspects rather than to cultural ones. To reduce the effects of this difference, the services of interpreters (according to A1, B2, C1, C2 and G2) should be provided. However, for some technical discussions, the use of interpreters can be inefficient since they may not understand the field of work of the company concerned. This is why respondents A2, C1, C2 and G2 recommended using interpreters who had technical knowledge in the field of the Canadian company. In some cases, the Chinese partners spoke English, but were not fluent in the language or could hardly be understood because of their heavy accent. According to A2, E2 and F1, this required being patient, learning to discuss with the Chinese outsourcers, and making more efforts to pass on their messages and to understand those from their Chinese partners.

So that the Canadian company's requirements and technical specifications be well understood, companies should (according to A2, B2, E2, G1 and G2) confirm and repeat a message several times and provide many clear and specific details in their orders. A1, C2 and E2 recommended using photos and drawings if necessary. In addition, according to B2, it would be beneficial to spend two to three weeks with the outsourcer in China in order to explain requirements.

In order to deal with the risk of misunderstanding the importance of production details, it was necessary, according to D1, to train Chinese partners in the Canadian quality standards and convince them, according to A1, to respect technical specifications. Furthermore, concerning the lack of appropriate management and quality control methods among Chinese outsourcers, in some situations (according

to B2, C1, F1, G1 and H1), managers will have to send the equipment needed for quality inspection, train outsourcer employees on these inspections and on how to carry them out, or make many trips themselves to execute said inspections and on-site monitoring in the Chinese factory. To deal with the risk of difficulty applying the right work methods, E1 mentioned the importance of being selective when choosing outsourcers by checking their technical and control capacities as well as their aptitude to apply these methods because in a country such as China, international and cross-cultural experience with outsourcers varies considerably.

In order to face a lack of initiative from Chinese partners when difficulties appear, respondents C2, B2, G2 and H1 suggested encouraging them to get involved in the outsourcing partnership and not just carry out orders, notably by sharing new ideas. As mentioned above, partners preferred not to answer “no” even when felt otherwise to avoid creating conflicts or seeming incompetent. According to most respondents, this requires that Canadian managers and employees ensure they have received the correct message from the outsourcers and that the answer they provided is aligned with their intentions.

Table 4 summarizes the management practices that can be used, according to respondents, to manage the risks associated with cultural differences. These practices are organized in three categories depending on the nature of the risk management strategy, i.e., mitigation, contingency or avoidance. Strategies for accepting and transferring these risks are not included because they are not based on any specific management practice. The practices used for risk mitigation, which are more numerous, are organized according to when they were adopted, either before starting the outsourcing project and when prospecting and selecting outsourcers, or throughout the outsourcing process. Let us remember that the risks identified can lead to a subpar product according to the Canadian contractor’s requirements, delays in product manufacturing, and additional unexpected manufacturing costs.

Table 3: Management practices of risks caused by cultural differences

Mitigation strategy <u>before</u> launching the project and during the prospecting <u>and</u> <u>outsourcer selection phase</u>	
I.	Recognizing the importance of cultural differences and developing a positive attitude toward the Chinese culture
II.	Convincing employees to develop a positive attitude toward the Chinese culture and to recognize the strategic importance of outsourcing in China
III.	Trying to better understand the Chinese culture and their business practices and learning to behave and communicate with the Chinese people (trips can make this easier)
IV.	Planning training sessions for managers and employees
V.	Visiting several outsourcers in China and checking their experience working with foreign partners in order to select an internationally experimented outsourcer and the one that has a positive attitude toward cultural differences
VI.	Carrying out trials among outsourcers by ordering samples from them and asking them to fill small orders
VII.	Working with a consultant, an agent, a facilitator or an interpreter to facilitate the first contact with outsourcers and the selection of the right one
Mitigation strategy to carry out <u>throughout the project</u>	
VIII.	Gradually applying the strategy of outsourcing in China to gain experience working with Chinese partners
IX.	Recruiting an employee who has international experience, more specifically with China or working with a consultant or an agent to facilitate the communication with the Chinese outsourcing partners
X.	Ensuring that messages are well understood on both sides by communicating clearly with Chinese partners and adapting the documents and communication methods to the characteristics of the Chinese outsourcing partners
XI.	Making long-term agreements with the same outsourcers to strengthen the human relationship with them, as this kind of relationship increase the understanding between the partners and make the communication easier between them
XII.	Establishing good partnership relationships with Chinese outsourcers based on trust and collaboration by visiting them, at least once a year and communicating with them often
XIII.	If needed, helping Chinese partners implement a quality control system in their factory, sending the equipment necessary for inspections and transmitting the right management and control practices through on-site training in China
XIV.	Organizing trips for some managers and employees in order to establish direct contact with the Chinese
XV.	Verbally confirming agreements and order details with Chinese partners (new, some outsourcers give more importance to verbal agreements than to contracts)
XVI.	Encouraging outsourcers to be more involved in the outsourcing partnership, not only at the execution level of the production contract, but also at the level of innovation and advancing new ideas

Contingency strategies	
XVII.	Planning sufficient time before the final delivery to Canadian Clients or before starting some production processes in the Canadian factory
XVIII.	Having a local (Canadian) producer as an alternative
XIX.	Developing solutions to difficulties and conflicts with the outsourcing partners based on collaboration with them
XX.	Changing outsourcer if necessary, in the case of big misunderstanding and serious conflicts
Risk-avoidance strategy	
XXI.	Avoiding regions that are less international
XXII.	Avoiding outsourcing partners that seem less international or less open-minded or having a negative attitude toward cultural differences

4.3 Summary of results and general comparison between cases

After presenting (and analysing) the risks related to cultural differences (Table 3) and the risk management practices that can be used to manage them (Table 4), Table 5 shows the risks that these practices can help control. We note that some practices are essential and contribute to managing and mitigating a large number of risks, such as trying to better understand the Chinese culture and how business works in this country, which is necessary for reducing the occurrence of all risks. Other practices are used to control a single risk or several risks. This is the case for encouraging outsourcers to get more involved in the partnership so they can take initiatives in suggesting innovations and improvements.

Table 4: Risk management practices and correspondence with the main risks they manage

Risk* Practice	1	2	3	4	5	6	7	8
I	x	x	x	x	X	X	x	x
II	x					X		
III	x	x	x	x	x	X	x	x
IV	x	x	x	x	x	X	x	x
V	x	x	x	x			x	x
VI	x	x	x	x			x	x
VII	x	x	x	x				
VIII	x	x	x	x	x	X	x	x
IX	x	x	x	x				
X	x	x	x	x	x	X		
XI	x	x	x	x	x	X	x	x
XII	x	x	x	x	x	X	x	x
XIII		x	x					
XIV	x	x	x			X		
XV	x	x	x	x		X		
XVI					x			
XVII	x	x	x	x	x	X	x	x
XVIII	x	x	x	x	x	X	x	x
XIX	x	x	x	x	x	X	x	x
XX	x	x	x	x	x	X	x	x
XXI	x	x	x	x	x	X	x	x
XXII	x	x	x	x	x	X	x	x
*Risks are identified in Table 3 and practices in Table 4.								

After our discussion with respondents, we noted that most of them, except those in company E, were aware of the negative effect that cultural differences can have on attaining their outsourcing project objectives in China. Managers in charge of company E did not seem to give enough importance to these differences, which may be one of the causes of their outsourcing project failure, especially since their product (moulds) was complex and required a tightly knit work relationship with their outsourcer. They did not move beyond the level of understanding in Raynal's (2004) cross-culturalism pyramid. The other companies learned more about the Chinese culture and became more familiar with the Chinese partners with whom they developed good relationships, which, according to managers, had a positive influence on their outsourcing project and on the quality of work and of the products manufactured. These companies reached the third level of cross-culturalism (Raynal 2004), which is appropriation, and the third stage put forth by Higgs (1996) for developing skills that enable a person to adapt to the characteristics of the cultures in question in a cross-cultural business context. This is a crucial factor in a

successful outsourcing project. Note that smaller companies (A, C, D and G) seemed to become closer to and develop tighter bonds with their outsourcers. Their managers claimed to be closer to their Chinese partners, which enabled them to better understand their expectations and anticipate their behaviours, thus promoting a more efficient management of the risks inherent to cultural differences. In this regard, the leaders of A and D, given their extensive and long experience with Chinese outsourcers, considered that their collaboration with the latter was no longer any different than with Canadian outsourcers, demonstrating a high level of appropriation of the Chinese culture. According to all the executives interviewed, international experience and experience accumulated managing outsourcing projects in China or in other countries with a culture different from the one in Canada contributed to the development of cross-cultural skills, which increased the level of success in doing business abroad.

5. Conclusion

Cultural differences are part of the most determining exogenous factors that can hinder the achievement of business objectives in a cross-cultural context and of production internationalization projects (Vlad and Stan 2018; Ghandi, et al. 2012; Angue and Mayrhofer 2011; Anantatmula 2010; Gallego and Saoudi 2010; Willcocks 2010; Fredriksson and Jonsson 2009; Li and Barnes 2008; Meshi 1997). For Jones (2009), cultural factors can represent major obstacles to the success of these projects because some cultural aspects deemed invisible influence attitudes and ways of communicating. In this study, we focused on international outsourcing projects adopted by Canadian managers in China. We carried out a multiple-case study with eight (8) Canadian manufacturing companies who outsourced work to this country. To this end, we used an approach that views unfavourable situations caused by cultural differences as risks that can have negative consequences on the objectives of this project (Mohiuddin and Su 2013; Beulen, et al. 2011).

Let us recall our research questions:

1. How can the risks associated with cultural differences influence the objectives of outsourcing strategies in the case of business relationships between Canadian manufacturing companies and their Chinese subcontractors?
2. How do the Canadian managers reduce the effect of these risks and control them?

We were able to answer these questions by analysing eight (8) types of risks associated with cultural differences and their influence on the company objectives as well as by identifying and discussing twenty-two (22) practices to manage the analysed risks. These practices were classified depending on their objectives (mitigation, contingency or avoidance) and we identified what risks may be managed by each practice. Knowledge of the identified (analysed) risks and the practices to use by Canadian executives would increase the chances of success of

outsourcing partnerships with Chinese subcontractors. This is a contribution that could be of interest for Canadian companies, managers and their consultants, as it would help them efficiently manage cultural differences associated with outsourcing strategies in China. In addition, our results can benefit generally Western firms hoping to outsource or relocate to China or another culturally distant country, especially in the Asian region.

This study presents a contribution to knowledge on international outsourcing and on cross-cultural management in the context of significant cultural differences between the partners in a subcontracting business relationship or a joint venture, especially in the case of business relationship between Canadian managers and their Chinese subcontractors or partners. In fact, we realized an in-depth analysis of different risks inherent to cultural differences in this case. This analysis can be used as a research basis in studies of international outsourcing and of other internationalization strategies adopted by western companies and involving firms from China and other Asian countries, which present a significant cultural distance with other regions of the world, North America and Europe in particular. We would think that in the case of manufacturing outsourcing project, risk related to cultural differences won't have much influence on these project objectives comparing to manufacturing joint ventures or the project of operating a factory in the foreign country, where there is more interaction with foreign employees and managers. We proved the contrary and that the analysed risks can have a significant influence on the objectives of the companies outsourcing project, since they can be the source of an important divergence between the requirements of the Canadian company and the resulting products manufactured in the Chinese factory as well as the cause of additional unexpected manufacturing costs and delays in final product manufacturing in Canada.

Two risks, which influenced considerably the Canadian companies' objectives, are prevalent for almost all respondents and concern misunderstanding and difficulty communicating as well as difficulty applying some quality management and control practices. The first can be the cause of poor interpretation of messages or behaviours from both the Chinese and Canadians, whereas the second can have a determining impact on the quality of production in the Chinese factory.

Another noteworthy contribution concerns the identification and the analysis of some relevant risks that are not discussed in the literature or are discussed in other contexts than the one considered in this research. Firstly, there is a possibility that the outsourcer has a short-term instead of long-term orientation. This contradicts the scores given by Hofstede (2018) to China relative to the dimension of long-term orientation (Canada: 36 and China: 87). This orientation is higher for the Chinese compared to Canadians. This means that the managers should not rely blindly on the general dimension score proposed by some authors (Hofstede 1996; House et al. 2004), as put forth by Harris and Russell-Bennett (2015). The occurrence of the mentioned risk can diminish the level of involvement of the Chinese outsourcer in the partnership, which can have a negative impact on the success of the latter. Secondly, there is the risk that the Chinese partner does not propose innovations

and solutions when problems arise. This was mainly analyzed in other contexts than the one considered here (Vlad and Stan 2018). This risk is especially critical for companies outsourcing technologically sophisticated products or components, such as electronics. These companies need more input from their outsourcers to enhance the outsourced component quality and to respond to customer demands. Thirdly, misinterpreted or unacceptable behaviours in Chinese culture can undermine human relationships between partners; which is counterproductive since the Chinese hold human relations, alongside the contractual aspects of a business partnership, in the highest regard (Lin, et al. 2018).

Our study shows, however, that these risks can be overcome and controlled by using appropriate management practices. Interviews confirmed the importance for the executives of Canadian manufacturing companies to be aware of cultural differences, to have a positive attitude toward these differences, to better understand the Chinese culture and their way of working, as well as to communicate and interact with them often, ideally by planning regular trips and social activities to better immerse themselves in the culture (Vlad and Stan 2018, Kim 2015; Dong and Liu 2010; Anantatmula 2010; Calza et al. 2009; Anantatmula 2010; Kavar 2012; Raynal 2004). They also confirmed the importance of establishing a good trust-based relationship with Chinese manufacturers and of adapting to their cultural specificities (Sachsenmaier and Guo 2019). This requires more effort, patience and resources, which represents a necessary investment according to the respondents, but one that can become very profitable in the long run (Jones 2009; Raynal 2004; Hofstede 2003). It is important to apply the outsourcing strategy gradually in China in order to gain hands-on cross-cultural management experience and progressively become more familiar with the cultural specificities of this country (Jones 2009; Raynal 2004; Hofstede 2003). Training cannot replace direct interaction and experience that can be accumulated by doing business with the Chinese and understanding thoroughly a culture can take several months of interaction with foreign partners, not just weeks. Some interviewed managers demonstrated a high level of appropriation of the Chinese culture, since after their long interaction and experience with Chinese outsourcers, considered that their collaboration with the latter was no longer any different than with Canadian outsourcers.

In addition to convincing the Chinese partners of the key role played by quality control practices, Canadian managers must try to find ways of encouraging Chinese manufacturers to get more involved in the partnership and to suggest solutions and innovations. On the other hand, the Canadian contractor should avoid putting said partner in bad situations or in a position where they could lose face, as recommended by Chen, Zhang and Li (2020).

5.1 Avenues for future research

In order to confirm the importance of the risks identified by our respondents and the relevance of the solutions that emerged from our interviews, it would be useful to carry out a survey with a significant sample of companies from Canada or other

similar countries who adopted outsourcing in China or other emergent countries. This would make it possible to validate our results statistically in the hopes of generalizing them. Also, we did not control the location of outsourcing companies, and yet Hofstede (1996) shows that this can influence culture. It is possible that the behaviours observed among Chinese outsourcers were particular to their region in the country and thus difficult to transpose to others. This could be considered in a survey. In addition, it would be pertinent to carry out a longitudinal study that aims to explore the managers' actions and the influence of time on these actions. How fast do they respond to a critical situation with their partner? Are they proactive or reactive and what kinds of solutions are more appropriate to reduce the overall risk of outsourcing in China? Another interesting study would focus this time on the perception of Chinese subcontractors on the difficulties and risks related to cultural differences.

5.2 Limitations

While the results of this study shed light on the risks associated with cultural differences in the case of outsourcing in China, we must mention some limitations to the scope of our conclusions. First, as for any multiple-case study, the results obtained from seven (8) Canadian manufacturing companies cannot be generalized. Second, since the experience varied from one respondent to the next and some risks were experienced only by a few, we were not able to discuss all the possible risks thoroughly. This could have influenced the depth of the discussions on some unfavourable situations.

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Appendix

Table 5: Respondents' Information

Respondent	Age	Gender	Position Within Company	International Experience	Highest Degree Obtained	Opinion on Success or Failure
A1	46–55	Female	President	7 years	Master in business administration	Great success
A2	36–45	Female	Director, R&D	5 years	Bachelor in industrial engineering	Success
B1	46–55	Male	Senior VP, Operations	10 years	Bachelor in engineering	Failure
B2	36–45	Male	Director, Quality and Continued Improvement	14 years	Bachelor in engineering	Success
C1	46–55	Male	President	6 years	Bachelor in engineering	Success
C2	36–45	Male	Director, Finances and HR	9 years	Bachelor in accounting	Success
D1	46–55	Female	President	15 years	Degree in design	Great success
D2	46–55	Male	VP	0 years	Master in music	Great success
E1	46–55	Male	President	4 years	Bachelor in industrial engineering	Failure
E2	36–45	Male	VP	6 years	Attestation of collegial studies	Failure
F1	46–55	Male	CEO	10 years	Pre-university	Great success
F2	46–55	Male	Operations manager	1.5 year	Bachelor in business administration	Success
G1	36–45	Male	CEO	15 years	Bachelor in mechanical engineering	Success
G2	36–45	Male	Director, Strategies and Quality	22 years	Executive MBA	Success
H1	36–45	Male	Operations manager	5 years	Master in business administration	Success