



# MultiLingual

## GOING TO CHINA GETTING STARTED: *Guide*

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### **BUSINESS AND MANAGEMENT PRACTICES IN CHINA**

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When, in 1793, Earl Macartney, first envoy of Britain to China appointed by George III, set sail from China back to England after his spectacularly unsuccessful attempt to strike diplomatic and business relations between the two countries, the letter he was carrying to the king from the Chinese Emperor, Qianlong (乾隆), seemed to summarize well the attitude of the Middle Kingdom to the outside world at the time: “The virtue and prestige of the Celestial Dynasty having spread far and wide, the kings of the myriad nations come by land and sea with all sorts of precious things. Consequently there is nothing we lack, as your principal envoy and others have themselves observed. We have never set much store on strange and ingenious objects, nor do we need any more of your country’s manufactures.” (Bamber Gascoigne, *A Brief History of the Dynasties of China*, 2003)

Now, more than two centuries later, the situation is certainly different. While the tendency for national self-sufficiency and pride remains strong in China, as it has always been, the international exchange of goods and services — and with it also concepts and ideas — is accelerating. As foreign companies continue to establish their presence in China, native Chinese enterprises become stronger at home and look increasingly toward international — and hence multilingual and multicultural — markets.

This is either through international partnerships, establishing offices abroad, or increasingly also by way of acquisitions. We don’t need to go as far back in history as the Celestial Dynasty to recall Lenovo’s May 2005 acquisition of the PC division of IBM for US\$1.25 billion or the acquisition of the British car-maker MG Rover by Nanjing Automobile a few months later. All this creates an interesting background against which to compare the different approaches to management and management styles in China with those in the West. History and culture continue to have a



Chinese Emperor, Qianlong (乾隆).

profound effect on how business is conducted and managed in China. And now, as so often in the past, the Chinese are adding a new dimension and perspective to the international scene, one which ultimately enriches us all.

Here are some observations from the Western perspective, collected as our company has established offices worldwide over the past 15 years, including a production center in Nanjing, China. This led us to spend considerable time abroad and has enabled us to compare the differing management approaches and cultures in North and South America, in European countries, and in Japan and China.

Let’s start first with some quick impressions from different parts of the world. For a European or a Latin American for that matter, New York may seem at times aggressive, but this aggressiveness and the air of sophistication that is New York are seen as self-confidence. The atmosphere in Tokyo promotes harmony, but at the same time encourages a sense of indifference, coupled with the strong urge and

pressure to belong. Mexico, like many Latin American countries, will often invoke a sense of danger and uncertainty — about the future, yourselves, families and the prevailing lack of stability. What in our eyes makes China unique is that people are extremely curious and very friendly. It is as if there were a sense of awakening in the air and a strong drive to work hard and accomplish. At the same time, China today may seem very materialistic to the outsider. The traditional values of a sense of authority, discipline, respect for the elderly, caring for the group and the ethical framework are now being challenged by the fast penetration of products, new lifestyles and role models from abroad.

The new generation of young Chinese is also increasingly facing a new set of challenges. The one-child policy means that families set great hopes and expectations on their children. It is amazing to walk around Chinese cities on a weekend and see the attention and care children today receive from their parents and grandparents. This may result in future generations with even greater ambitions, but may also challenge further the sense of authority.

## Motivation to succeed

Wealth means more in China than possibly anywhere else; it has almost become a symbol of happiness. Who is not wealthy or is not going to be wealthy is at a disadvantage. The Chinese want to enter business and do so in a great style and on a large scale. There is a strong tendency to make comparisons — among themselves and with the world abroad. In many Chinese companies that we have seen, people frequently compare salaries and overall conditions at work. Even graduates, years after graduating, may keep track of what their former classmates are now earning and compare with their own situations.

Changes in China have enabled entrepreneurial activities to be developed, and in today’s young generation, Western lifestyles

and businesspeople are seen as icons of success. Fueling this trend is the fact that the Chinese are very proud of their achievements — from their long and rich past as well as more recent ones such as China's first human space flight, wealthy modern cities such as Shanghai and the 2008 Olympic Games.

Closer to home, in the language services industry, we have seen waves of new translation and testing and engineering companies emerging from the pioneers in this industry in China through some of their former employees.

At the same time, many foreigners have established a business in China. Some have chosen to have their businesses led by local Chinese management, while some have opted for expatriate managers or Chinese managers who have worked or studied abroad. In essence, Chinese companies with a purely Chinese mentality have a very different approach, have an easier access to local resources, develop better local strategies, and understand local motivation better than companies that have come from abroad and who expect to establish Western standards.

One example is the concept of loyalty. Loyalty in most international business environments is the set of practices or unwritten rules that connect an individual to the company or his or her team. One way companies reward individuals for such loyalty and commitment is via means such as recognition or compensation. China, in contrast, has a different concept of loyalty. It is not to the company, but rather to an individual — the manager, the owner or the founder. There is a strong commitment to work hard for that person as opposed to the company.

This recognition of authority means that the scope of responsibilities and expectations from a manager are very different in China as compared with other parts of the world. Such a relationship also fosters the expectations of reciprocity. This can result in surprises for a Western manager, who may regard assigning a special task to a Chinese employee simply as fulfilling a business need. But in the mind of the Chinese employee this may create a sense of doing a personal favor to the manager and something he or she will expect back later. This is in line with the prevailing reliance in China on personal trust rather than formal rules and regulations in business.

### Engagement and disengagement

An interesting fact-based perspective of today's changing China has been provided by the Gallup Organization, which conducted a ten-year nationwide survey of the Chinese people beginning in 1994 and ending in 2004. This survey provided insights into both the world of Chinese consumers as well as employees. The 2004 set of data showed relatively low levels of engagement among urban Chinese employees — *engagement* defined here as the

*In more international environments, employees are more aware of their value and how rare and appreciated their skills are.*

strength of employees' relation to their employing organizations.

The data showed that Chinese workers feel their efforts are not rewarded and recognized adequately. In addition, a relatively small number of employees feel they have sufficient access to opportunities for their own development and learning. Overall, 68% of employees were found to be feeling not engaged, and a further 20% of employees came to dislike their jobs and were effectively actively disengaged. For comparison, according to Gallup's database, 55% of US workers were feeling not engaged and 16% actively disengaged. The Gallup survey also suggested that the larger the organization, the less employees felt personally connected to the workplace.

### The different management approaches

In China, one can commit many *faux pas* trying to make oneself clear or trying to get things done. The expectations of Chinese employees can be different from those of employees in the West and can vary based on the type of organization where the employees work. Typically, the more international the environment is, the higher the salaries and expectations will be. In

these more international environments, employees are more aware of their value and how rare and appreciated their skills are — not only language skills and other soft skills (the cluster of personality traits, social graces, facility with language, personal habits, friendliness, and optimism that mark people to varying degrees — from [www.wikipedia.com](http://www.wikipedia.com)), but also their cultural proximity. So for any organization, this creates a dilemma, whether to have an international or rather a local Chinese environment. The local Chinese model is good and works well in the local environment, but is based on a relationship to a group of individuals, whereas the international one may be a better fit with the overall organization.

Most localization companies today still have a combination of these approaches. None is truly international. Probably only a few large corporations have developed an international style in China.

This is a daily concern for practitioners of international human resource management (HRM), as they choose between designing HRM systems with varying degrees of global integration on one hand and national responsiveness on the other. The choices include designing a specific China HRM program, adopting the global program in China, or modifying the global program for Chinese conditions.

Many multinational companies with a major presence in China today also run a so-called "China Center" or "China HQ," which encompasses a local HR department. Its role is to help local units in implementing corporate HR policies. This in practice helps to adopt globally standardized HR practices while adapting them to the local Chinese environment.

In the West, we may wrongly believe that we are more advanced because of our history of recent business preeminence and technological achievements. But not so long ago, the United States and the West in general used to view Japan as less advanced, only to have Japan soon after rise up and become a recognized leading player in worldwide business. We in the West certainly need to learn a lot and review our values in general. Let's not forget the recent cases such as Enron and WorldCom. And in an industry not so far from ours, we have seen the example of Lernout & Hauspie and its demise — an example of ambitions led astray. Even in our own translation and localization community, some might wrongly see the Chinese as learners. We usually hear

many times how the Chinese wouldn't hesitate in copying our Western-based or Western-designed technologies and products. However, we in the West have also shown a level of protectionism in industrialized countries, which is effectively a more subtle type of unfair practice.

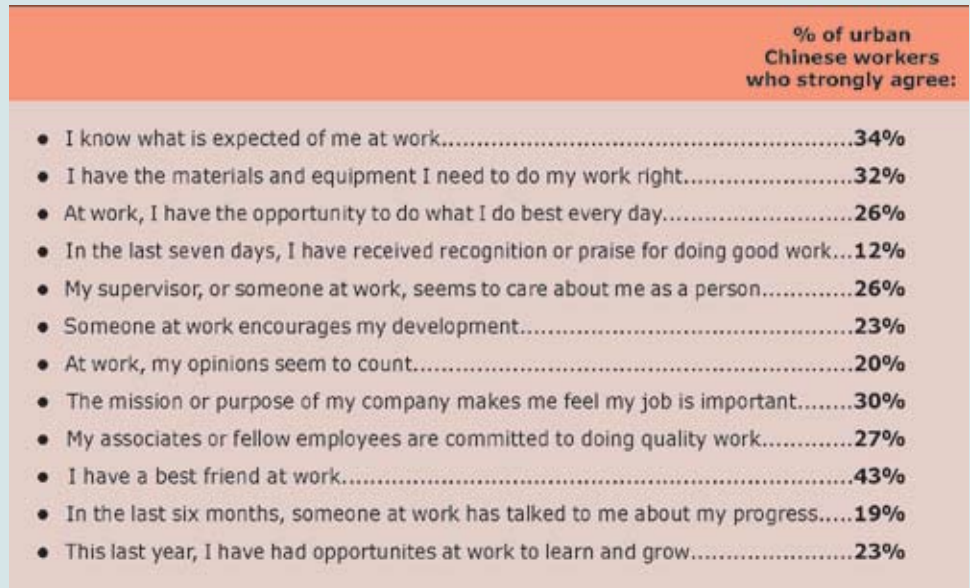
### Recognition

Arguably, in China it is compensation which has the biggest value to employees, compared to most other nations. When asked what they want to achieve — new skills acquisition, training, travel or promotion — nowhere more than in China can one hear from employees about salary. They want to have the certainty that whatever they do in the company, this will lead to a higher income. It does not mean they work only for money, but it is a more striking and more visible form of recognition than elsewhere. This was confirmed for instance in the 2005 Local Compensation and Benefits Study conducted by the global HR services company Hewitt Associates. It showed that employees in China considered pay to be the number one engagement factor, followed by working processes and career opportunities.

Much of the Western business world has a bonus scheme for rewarding additional efforts or achievements, such as MBOs, bonuses and so on — essentially a reward system based on a “plus” element. In China, especially in larger organizations, an opposite system is often used, which may seem to Westerners as a punishment-based approach. Salaries are set high, but to get the salary one needs to score a number of achievements or points. Typically, this is so difficult that not achieving them is seen as normal. Such a system has the potential to create a permanent antagonistic employer-employee relationship, but it also pushes employees to performance. This system will be highly unlikely to succeed in most of the West.

Recognition of an individual must be displayed in a different way. In the West, we are accustomed to praise an individual and make various recognitions public. It's not so in China, and we have to be careful that giving public recognition to an individual could have a negative impact on the team. Individual recognition is usually done face to face, privately.

In the Western world, there is certainly a strong sense of privacy and separation between work and private life. In China, on



2004 Gallup survey of engagement among Chinese employees.

the other hand, such a separation is much fuzzier. Your colleagues are almost the same as your family; with them, you will become a community. This also prompts the creation of social networks and social group activities on the company level. These go deeper and are in a way more efficient and certainly more spontaneous than the Western management concepts such as team-building. On the negative side, though, in-group cultures develop in companies and may be a barrier to a closer cooperation between individual groups (teams, units), as well as prevent an easy exchange of new ideas.

### The role of the leader

As a leader in China, one is expected to look after the feelings and well-being of the employees. It is not just aspects such as motivation and recognition, but also personal feelings and relations. For example, an unrequited love between two team members may become a workplace problem — one employee is fond of another, who may, however, be enamored with yet another colleague, and so the first disappointed employee may be thinking of leaving the company. In such a case, the leader is expected to step in and resolve the situation. We are accustomed, in the West, to regard this as disruptive, but in China it is seen as one of the major roles of the leader to look after the overall well-being of the team.

In general, Chinese people will always expect their leader to lead them to success. Chinese television dramas portraying ancient Chinese emperors' foresight and enlightened rule are popular among Chinese audiences. You don't need to understand Chinese to be able to sense this while watching these theatrical shows. What the Chinese people expect is a powerful man instead of an “ordinary human being.” A similar approach is projected to the business environment, and there are high expectations of leaders to do just that — to lead. To stretch the analogy a bit further, Bruce Willis and Harrison Ford are unlikely to build a following in the Chinese cinema in their usual roles as plain-old-ordinary guys who always just happen to be nearby to save the world.

Confrontation and dealing with difficult issues at the workplace are other areas where differences prevail. While the North American or European approach favors direct one-on-one resolution with the individual, in China conflict calls for a frequent use of go-betweens to resolve disputes. That is certainly a characteristic shared with other Asian cultures, not least with the Japanese custom.

Another interesting difference exists as regards job specialization. In most Western organizations, job descriptions are relatively clear-cut and provide a defined scope of responsibilities and authorities. In China,

specialization is highly recognized, but employees are expected to have an overall understanding of their colleagues' jobs so that one can step in for another when needed.

**Challenges at hand**

Local companies are typically better positioned to find the best local resources — the home-ground advantage is a general rule. This is even more striking in China, where the overall business and institutional infrastructure is still developing. In the case of business support services such as recruitment or accounting, for instance, the employees in these service industries either speak only Chinese and have the Chinese mindset, or have an international approach and are very expensive and essentially dedicated to serving large companies. So, local Chinese companies are better able to look for resources locally and to develop them. But, of course, what is for them an advantage locally also makes it harder for local Chinese companies when they want to expand overseas.

Most Chinese-owned enterprises, when they become larger, face two challenges. One is related to the need for senior or middle management functions to develop and be more autonomous, mature and accountable. This is due to the still-low availability of management skills and leadership talents, which is not only about language and expertise, but also about cultural skills and leadership qualities. This shift from autocracy to empowerment will become all the more important as Chinese businesses move away from being subcontractors and mass manufacturers to developing their own brands and marketing them globally. The innovation this builds on requires higher levels of creativity and knowledge-sharing, as well as devolving elements of decision-making to lower levels of organizations.

The second challenge is that to motivate their own people, Chinese companies need to grow very fast. Many Chinese employees expect that their leader will ensure high growth, and if it doesn't happen, they will question the leader's capabilities. One of the main headaches for leaders of large Chinese companies is that they need to demonstrate to their staff a continuous growth path. Keeping the pace of growth

works to keep overall motivation high, but at a certain point it becomes a problem to maintain. Growing from 20 to 40 or from 40 to 80 employees is certainly different than expanding from 200 to 400 employees.

**Conclusion**

For us, China has been a source of inspiration and learning. It has certainly also challenged our perspectives. However, as we see every day, all around us, the Chinese have returned once again to the international community and are here to make a strong presence. Working with our Chinese colleagues and partners and learning from them are important. As much as they may choose to use some of our management methods, we will also need to learn from them. International business is never a one-way street. **G**

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