

Do you know China?

了解中国

# Culture is critical

**Culture isn't taken very seriously, usually relegated to topics like lucky numbers, the meaning of colors, and whether to bow or shake hands.**

Companies generally give little weight to cultural issues when working overseas. Frankly, if an American company is doing business in Germany or another advanced country, ignoring culture might not be a problem.

**But if an American company is working in a developing country like China, ignoring culture is an invitation to failure.**

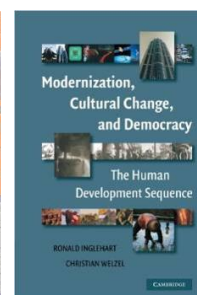
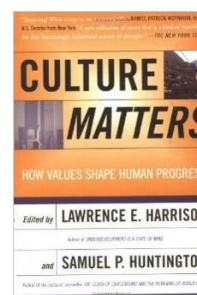
There is a school of thought gaining prominence in academia which asserts that culture is actually the primary factor that separates successful societies (stable, free, prosperous) from the rest. The cultural issues identified, including leadership, empowerment, initiative, creativity, the rule of law, and others, all clearly relate to business and management as well.

**The idea is that, as countries develop economically, the culture changes. People become more empowered.** Social mobility increases, hierarchy breaks down, leaders become more accountable and egalitarian, and the market promotes fairness and honesty which drives improvement in the rule of law. The data supporting this school of thought is actually quite compelling.

**China is still relatively early in the transition. Some individuals and organizations have made more progress than others.** From a management point of view, the first step is to understand the potential cultural differences and how to spot them. Next, one has to assess the cultural tendencies of specific people and organizations so as to be able to apply general principles to specific situations. Last is adapting accordingly, managing so as to account for cultural differences while also helping to facilitate the desired cultural changes.



Culture is more than just whether to bow or shake hands.



Scholarship from institutions like Harvard, Stanford, Michigan and the World Values Survey supports the notion that there is a huge cultural gap between developing and developed countries and that cultural change is critical to the development of prosperity and democracy.

## How culture can impact business

How you manage cultural issues will determine whether your China operation...

### Leadership

*Has leaders that promote teamwork and inspire achievement or leaders who hoard responsibility and protect their position*

### Initiative

*Has a proactive workforce that takes the initiative and seeks improvement or a workforce that passively waits to be told what to do and does little beyond that*

### Performance driven

*Is committed to meeting specific goals relative to efficiency, quality, cost, safety, and other necessary metrics or a team for which accountability and excellence are not motivating factors.*

### Compliance

*Readily meets requirements or creates problems by falling short*

## The risks of cultural negligence

**The risks from cultural shortcomings are serious:**

- High turnover
- Lack of visibility
- Difficulty transferring skills, processes, etc.
- Poor quality
- Low productivity
- Inability to meet global KPI's and standards
- Operational drift
- Drain on domestic resources
- Ineffective partnerships
- A silo-ed organization
- Over reliance on a few people
- Slow decision-making process
- Lack of initiative
- An inflexible, slow organization overall

## Adjusting your game

**A golfer takes the same clubs to each course. But if he's never played the course before, and can't adjust his game to the course, he doesn't stand a chance. The same is true of managing and culture. You use the same basic management tools and methods. But if you don't make adjustments to suit the local cultural environment, the chances of failure increase dramatically.**

## HOW DEVELOPMENT CHANGES CULTURE

Traditional societies are static, nothing ever changes, no improvement. Development makes society dynamic, change is possible. The result is a transformation of the culture.

TRADITIONAL SOCIETY	ATTRIBUTE	DEVELOPED SOCIETY
<u>Static</u> People don't believe in change because nothing has ever changed.	Fate and Future	<u>Dynamic</u> Man can change the world and shape his own future/destiny.
<u>Hierarchy</u> Social position is fixed. Those on top stay on top, those on the bottom stay on the bottom.	Societal Structure	<u>Social mobility</u> Anyone can get rich or be president; movement up and down social ladder.
<u>Authoritarian</u> Leaders can't be challenged and as such aren't accountable so they tend to be harsh, heavy-handed, authoritarian.	Leadership	<u>Empowering</u> Leaders are accountable to those they lead. Balanced, participatory, more team-oriented approach.
<u>Weak (Might makes right)</u> No limits on leaders means no rules. Rule of law doesn't develop at any level of society.	Rule of Law	<u>Strong (Fair competition)</u> Leaders are bound by rules and so is everyone else.
<u>Weak and formal</u> Not very adept at working together w/out formal hierarchy, responsibilities, etc.	Cooperation	<u>Strong and informal</u> Accustomed to informal working relationships with loose and flexible responsibilities.
<u>Good enough is best</u> Not trying to change future and so don't develop the mindset (planning, foresight, analysis) necessary to do well or improve.	Quality & Efficiency	<u>Be the best</u> Search for improvement leads to methods for better quality and efficiency.
<u>Unimaginative</u> If you can't change the world you can't see a new way of doing things. No imagination hence no creativity.	Creativity	<u>Imaginative</u> Essence of shaping your destiny is finding a new way or idea, which leads to creativity.

## Best Practices

You don't need to change your entire approach to management to succeed in China. But you do need to adapt, to make adjustments, some slight, others more significant. It starts by applying some best practices and principles, including the ones below:

### Clarity:

Discuss everything in detail. Ensure plans, processes, procedures, expectations, etc. are crystal clear.

### Visibility

Know as much about what is happening as possible. Set and track KPI's. Meet regularly.

### Reinforcement:

Don't expect immediate change. You have to reinforce your ideas, develop new habits and attitudes.

### Back to Basics

Keep it simple. Staff is likely less experienced. Get the basics right to build a solid foundation.

### Own the system and culture

Actively work to develop the management system and culture you want. Don't leave it to chance.

### Use the system to build the culture

The right system will shape the culture.