

# **CHINA IN MOTION**

**17 Secrets to Slashing the Time to**

- **Production**
- **Market**
- **Profits**

**in China, Japan and South Korea**

**MIA DOUCET**



Bankerman Press

# *Book Excerpts*

# **SECRET #1:**

## **Trust is Not What You Think It Is**

What do sixty green garbage bags full of cold hard cash have to do with trust?

Yuan was piling up faster than the developers could bag it. It was stage one, concept phase of a \$150 million gated community in Shanghai. Investors were selecting plots for their new homes from rough sketches pinned to the boardroom wall. A thousand plots for the taking, including private residences, condos and multi-housing units.

### **Trust Moves Mountains**

Kelvin Hutchinson, the Australian venture partner, had never seen anything like it: “The project had been approved just three weeks earlier. The elevator doors opened and I saw long lines of people, waiting to place their deposits. It was mind snapping. Truly awe-inspiring. There were already sixty bags of cash stacked against the wall. The line-up of investors disappeared around the corner and kept growing. It was pure blind faith that if they put their money down, they would get that piece of land. They *trusted* the developer.

“Two weeks later, bulldozers began clearing the land—a sign to the investors that their money was being put to work. The development was completed on time and within budget. Everyone was happy. We got paid every cent we negotiated. The time frame of the development from concept to completion was almost incomprehensible from a Western perspective, because powerful people can move mountains in China.”

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## **“Doing Business with the Enemy”**

Deals fall apart at an alarming rate in China, for lack of trust. Nowhere does the clash of cultures present itself more forcibly than in that sphere.

*Yet, Chinese expatriate and importer/exporter, Yen Chung explains: “It’s so hard for Chinese to trust even each other. Even if we come from the same country, it’s hard to trust one another. This is all since the Cultural Revolution. It’s the way they survived and now survive in the culture.”*

Trusting foreigners presents a challenge. Some people still refer to outsiders as *Japanese ghosts* and *Western ghosts*. Why ghosts? “Sucking Chinese business, culture, affection.”

*“We have different starting points. Different perspectives. That’s what we have to understand about each other.”*

~ JinSeung Lee, P.Eng., Applications Engineer, Motor Division, Siemens VDO Automotive Inc.

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## **SECRET #2: To the Chinese Mind, an Idea is Not Something You Can Own or Sell**

A comment by a Chinese expatriate caused me to rethink my point of view regarding the sensitive issue of intellectual property rights in China. We were in a seminar, discussing communication with Asians. I mentioned my global clients’ concerns over the lack of

patent protection in China. Without legal means to protect its ideas and technologies, a company could find itself out of profits, out of competition, and out of existence.

This educated, thoughtful, sophisticated expatriate engineer responded by saying, “How can a person own an idea? More important than ownership is that large numbers of people make a living from the idea.” Fascinating! Why would you refuse to share a document or design that could bring good fortune to many people? How could a Western company, claiming long-term commitment to China, put a price on technology that could benefit the entire country?

### **One Bowl of Rice, Five Eaters**

As my colleague explained, the overriding sentiment in her home country has always been: “You will not be hungry. You will have enough food.” This mindset evolved from centuries of widespread poverty. A survival strategy emerged of individuals linking their fates to an inner circle of friends and family. By sharing scarce resources, the group stood a better chance of survival. Within this circle, there was no question of hoarding. There was no question of individual claim over even the smallest bowl of rice.

That cultural pattern persists today. Now the group wants to share an idea as it once shared a bowl of rice. Technology is the new scarce resource. Those of us who have always had our own bowl of rice cannot comprehend that this way of thinking could so permeate everyday business life in China.

This mindset accounts for the behavior described by Roland Bauer, Vice President and General Manager, Siemens VDO Automotive Inc. (Germany): “In China, if the customer

asks for something, the local staff will deliver. We say, 'Let's look at this from three or four sides, work out the pros and cons.' But our Asian colleagues are more willing to give the customer anything they want: cost breakdowns, technical content, samples, company secrets."

It explains why no stigma attaches to software piracy and intellectual property infringement. In the words of a Chinese engineer: "If I have the ability to learn it, it belongs to me now. We don't think it's so serious to copy. Other people won't look down on you if you copy."

Of course, this attitude will change due to international pressures. In joining the World Trade Organization in 2001, China promised to do away with intellectual property theft. But until that time comes, you still have the challenge of protecting your intellectual assets.



## **SECRET #6: Understand the Concepts of "Face" and Surface Harmony**

You were graciously received at the airport and treated to a sumptuous banquet, with bows and smiles and toasts. You have every reason to believe your technical presentation went well. People were polite, nodding. No objections were raised. When you asked for a response, the leader said, "It is certainly worth thinking about." You left, and everyone was gracious and polite. Now, weeks later, you are in the boardroom having to explain the lack of progress on your project. What went wrong? Why the continued delay? You have been wasting your time. You have no hope of completing on time. You feel deceived.

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## **SURFACE HARMONY**

Surface harmony is all about maintaining appearances so that things will run smoothly and not cause offense or loss of face. Lack of awareness of these time-honored traditions silently costs millions of dollars each year in delays and lost contracts.

### **Passive Sabotage**

The preferred Asian method of suppressing conflict and hostility is passive resistance. Think of it as smiling while dragging your feet. It is a form of quiet sabotage, an artful means of avoiding conflict and confrontation: not openly refusing to do something, but showing resistance through inactivity. Not returning messages. Failing to meet a deadline or to submit a report or to show up for an important meeting. Pretending headway is being made on a project when in fact the project is stalled. Giving lip service to a suggestion, then taking no action. Making excuses that sound plausible. Saying, “The matter is under consideration.” These are all socially acceptable behaviors that satisfy the requirements of surface harmony.

As Westerners, we can do our part to keep this pattern to a minimum. We have to realize the role we play in delays. When we get the relationship right, when we drop the sense of urgency and stop insisting on having things done our way, we get far greater cooperation.

## THE MANY FACETS OF FACE

Face has to do with dignity and self-respect. We all want to live with dignity. We all want to be seen in a positive light. We all want others to respect us. Different cultures, however, define the conditions and terms of respect differently.



### SECRET #8: Pray to the Right Buddha

Power, power, who has the power? That depends. In China, the decision-making process hinges on the magnitude of the decision.

#### Big Decisions

In major decisions, the process is top-down and the one who has the power is fondly known as the Buddha. At a government level, power resides with a senior bureaucrat who is responsible for overseeing foreign investment and business ventures. On the company level, the real “boss” (CEO, GM or President) has absolute power for everything. In many companies, he is “the King.” Nobody can easily change his decision without causing loss of face. In smaller enterprises, it is the patriarch or matriarch.

You can’t just go by titles, however. As a Chinese friend told me, “Somebody may have a big title in the company [like VP or Chairman of the Board] and yet be nobody in the process of decision-making. It is just a title to keep them happy and quiet.”

So, in companies, the Buddha is largely unknown. And that is your challenge. The actual power of department managers often depends on their relationship with the real “boss.”

*“Pray to the right Buddha’ means you need to talk to the one who has real power in this matter. If you go to the wrong people, the right Buddha may block your case just because he has lost his face.”*

~ Calvin Wang, Product Engineer, Siemens VDO Automotive Inc.

## **Little Decisions: Think Collaboration, Build Group Consensus**

A slow, structured, and layered decision-making process applies to most everyday business dealings (as it does in Japan; see below). However, Calvin Wang, a Chinese born and educated engineer, gives another perspective: “If for some reason the boss shows great interest to go in a certain direction, everything goes very fast. So if you want everybody in the company to agree with and sign off your case, the best way is to let them know the boss is eager to see a positive answer. People are always easy to those who ‘have a link to the sky.’”



## **SECRET #10: Treat Asian Business as Serious, Very Serious**

In the more relaxed business atmosphere of the West, good-natured teasing, bantering, and camaraderie are a sign of colleagues working well together. Humor, sometimes expressed as sarcasm, is an effective tool to ease the stress and defuse tense situations.

But that same laughter *creates* stress and tension in the East. Asians do not use humor to lighten things up at work. It causes insult and can result in loss of face. Business is no laughing matter.

*“They were talking in English and they were laughing. That seemed unreasonable. We felt they were laughing at us. They had the best proposal. We did not give them the contract.”*

~ Asian Executive (name withheld on request)

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## **The Perils of Brainstorming**

Brainstorming is the first sacred cow to be sacrificed in Asia. It may produce cultural clashes rather than valuable new ideas. Furthermore, many of the factors that make brainstorming successful will be missing from your meeting. Brainstorming requires that everyone around the table be fluent in the spoken language. Both language and communication style present barriers. Most Asians are more comfortable with the written word, which is more formal and precise than speaking off the cuff. In addition, Asians' interpersonal style favors frequent, long, serious face-to-face meetings. Brainstorming session run counter to these expectations.

Brainstorming encourages the use of humor and show of emotion to stimulate creativity. It encourages people to interrupt one another and speak without stopping to think or judge their thoughts. But these factors are the exact opposite of what's required when working in Asia. Face and surface harmony depend upon the ability to suppress and control one's emotions, even those that would seem positive.

Finally, brainstorming requires equality around the table. Everyone's ideas are treated equally and without hierarchy: they are all valuable and potentially laughable. But in a status-conscious culture, where acknowledging rank is critical to maintaining face, this presents an impossible situation. In meetings, Asians observe a strict hierarchical code. According to business practice, they will generally meet to discuss

business with senior officials of the same or parallel rank. (It is a serious breach of this protocol to send someone of an inferior rank to represent you.) Brainstorming simply breaks with too many protocols required for making headway with your Asian customers. It is best to avoid it.



## **SECRET #17: Strategic Negotiation Protects Tiger Lured from Mountains**

Westerners tend to underestimate two Chinese truths: the ferocity of price competition and the ferocity of negotiation tactics used against foreigners. The two are connected. Chinese know how to negotiate. They are tough, shrewd and strategic. It's part of their cultural legacy.

### **Ancient Wisdom**

That legacy includes *The Thirty-Six Stratagems* – a compilation of ancient military maxims, written thousands of years ago. No one knows the author or origin. Originally designed to achieve military objectives, many of these very precise gambits and ploys have been adapted by Western negotiators. Their effectiveness lies in the predictability of human weaknesses, which provide leverage points for achieving an advantage. Think of them as forms of psychological warfare used to undermine an enemy. Some are quite ruthless. Even if you never feel comfortable using these tactics yourself, you should recognize them to defend against them. (See Appendix VII)

How can you win at a game when you don't even know the rules? And how do you gain respect as a player? Begin with awareness. Knowing the stratagems will neutralize their power. Guard against human foibles (your own) and tactics (the other party's) that are designed to prey on them. Plan your own negotiation strategies according to what you already know about both Western and Asian mindsets. And control what you can control.

## **Lone Tigers Beware**

Your first concern is Stratagem #15: "Lure the tiger down from the mountains." It means to bring the enemy out of his lair and into a position of vulnerability. To use another metaphor, the home team always has the advantage. When you are negotiating on Asian turf, you are already in a vulnerable position. You are in unfamiliar surroundings, isolated by language and cultural barriers, perhaps suffering from jet lag.

Away from your sources of strength, you are an easy target if you take the strong individualist, lone tiger role. As in so many situations, Asians draw strength from and negotiate in teams. They are masters at working together to wear their opponents down.

**Strategy:** Don't go it alone. Bring your own interpreter, or you may get only the perspective that the other side wants you to hear. Make sure he or she understands what is necessary to achieve your objective. Let your interpreter both introduce the business topic and make the final comments at the end of the day. They will be invaluable at picking up subtle communication cues. They will protect you from many a negotiation tactic, including the attitude that you are in China now, things are done differently here and you had better adapt.

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## **APPENDIX VI**

### **THE WORKING PAPERS**

### **WAY TO TRUST**

Working Papers form a critical part of an evolving business plan or model. They allow you to document your vision and provide a framework for building buy-in through a shared vision. Each paper revolves around a specific idea or topic that provides the critical information the middle person or intermediary needs to engage in behind-the-scenes preparations for discussion with the main decision-maker or Buddha.

This method protects face, because it ensures detailed understanding of your concepts and business plan. Sound logic and reasoning will guarantee a smooth negotiation. There will be no reason to question the content or your intentions, as you will have provided the blueprint in stages.

#### **How to Develop Working Papers**

Prepare each document as a stand-alone file, with background, rationale, analysis and logic built into the text. Write clearly, using plain English text. Use visuals at every opportunity, including sketches, charts, diagrams, and artist impressions to appeal to the visual bias of many Asians. Create a visual brochure of the concept. For some projects, consider presenting the paper in a brochure format.

Keep the subject documents short and sweet. Depending on the topic, the length may vary from one paragraph to five pages. Your goal is to gain trust through

removing all ambiguity from the communication. Comprehension is critical. Transparency builds trust.

## How to Present Working Papers

*“What I learned to do when I went to Asia, was to take things step by step. I flew in regularly, to give them a week to think about the document I had left with them. I spoke about the document I had left behind at the end of the last meeting. ‘What did you think of . . . ?’ ‘What are the questions from the Working Papers that I delivered at the last meeting?’ I would embrace most of their ideas because that was their buy-in and their ownership of each facet of the rollout of the project. Then, with some ceremony, I would deliver the next range of Working Papers and would then expect them to translate, discuss, process and form questions around them for the next week.*

*“Whether the project was a property development, theatre restaurant or information technology concept, this is the process I used.”*

~ Kelvin Hutchinson, CEO, Vision in Action Pty Ltd. (Australia)

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