INNOVATIVE STRATEGIES FOR FOREIGN FIRMS TO MANAGE CULTURAL RISK IN MAINLAND CHINA

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AGENDA

1. Background
2. Objectives
3. Research method
4. Profile of interviewees
5. Findings – cultural differences
6. Framework for cross cultural management
7. Conclusion
1. BACKGROUND- MAINLAND CHINA

- Fast **growing** construction industry
- Many **foreign** consultants and contracts expected to **flock** there
- Doing **business** in China is **not easy**
- Not every **foreign** AEC firm succeeds
- In this study, Chinese = mainland Chinese.
- One reasons: vast cultural differences between Chinese and foreigners.
2. OBJECTIVES

- Aim: investigate how foreign (non mainland Chinese) architectural, engineering or construction (A/E/C) professionals manage cross cultural encounters with mainland Chinese in the construction industry.

- Specific objectives:
  1. Identify cultural differences between Chinese and foreigners when executing construction projects.
  2. Recommend a framework to manage cross cultural encounters between foreigners and Chinese.
3. Research method

- Research design: survey
- Sampling: foreign A/E/C practitioners who have worked in mainland China approached.
- 19 face-to-face Semi structured interviews with:
  - 3 Americans (interviewed in Shanghai)
  - 3 Japanese (interviewed in Shanghai)
  - 4 Singaporeans (interviewed in Shanghai)
  - 9 Singaporeans (interviewed in Singapore)
4. Profile of interviewees

- Designation:
  - 53% top management
  - 37% mid-management
  - 10% professionals.

- Profession/type of work when interacting with mainland Chinese:
  - project/construction managers (47%)
  - consultant quantity surveyors (37%)
  - consultant architects (16%)

- Location of projects: Majority in Shanghai.

- Experience:
  - 5 to 27 years (average = 15.8 years)
  - 79% had worked in the industry for at least 10 years.
5. Cultural differences

5.1 Cooperation and loyalty

- **Difficult** to develop team spirit
- Calculative; uncooperative
- Reluctant to implement team decision
- **Solution**: Expatriate staff to monitor locals to implement decision
- **Solution**: Show me the money
  - Low basic pay
  - Monthly or quarterly bonus
  - Share project profit with staff
  - Large annual increment
  - Overtime work? $$$
5. Cultural differences
5.2 Rules, procedures and initiative

- Feel insecure without **rules**
- No **initiative**, even at middle management
- Cannot implement “Management by Objective” or just give **performance indicator**
- “You have to watch them closely if not they won’t do their job. This kind of behavior has not changed in all the 18 years that I have been in China.”
- **Solutions:**
  - daily meetings and monitoring
  - Micro-manage. Auto pilot not allowed.
5. Cultural differences
5.3 Communication problem

• Chinese are not proficient in English. Foreigners not proficient in Mandarin.

• Solution:
  – Japanese firm:
    • Engage Chinese who speak Japanese
    • Engage Chinese who have studied/worked in Japan
    • Engage Chinese who have worked with other Japanese in the past
  – US firm:
    • Expatriates learn Mandarin
    • Engage Chinese who have studied in USA
5. Cultural differences

5.4 Distrust and bureaucracy

- **Low** level of trust for staff/PM; among client-consultant-contractor
- **HQ controls budget** and quality of project
- **Supervisory brigade**
  - independent quality control firms; paid by clients
  - Report to government
- **Bureaucratic culture**
  - Government intervention
  - Zest in protecting local construction industry
- **Solution**: networking (budget for entertainment)
5. Cultural differences

5.5 Fulfilling contractual obligations

• Low attention to legal responsibilities
• Bid low (did not read); claim later; not professional in claiming; dispute

• **Solution:**
  – Page by page explanation; read and stamp
  – Educate and **train** Chinese contractors
  – Careful scrutiny of **offer price**
  – Settle dispute over dinner
5. Cultural differences
5.6 Safety and quality culture

• Poor attitude towards safe work procedure.
• Low consciousness for quality.
• Solution:
  – Constant safety reminders to workmen
  – Training: quality, detect mistakes
  – Tour high quality finished facilities
  – Demonstration of how work is done
  – More inspectors
6. Cross Cultural Management
6.1 Cultural intelligence: Head

• ‘Head’ component of CQ:
  – Cognition or strategic thinking relating to cross cultural encounters which is stored in an individual’s memory.

• Comprises:
  – 6.1.1 cross cultural knowledge;
  – 6.1.2 cross cultural experience;
  – 6.1.3 adaptation.
6.1 Cultural intelligence: Head

6.1.1 Cross cultural **knowledge**

- Cross cultural **knowledge**: gained under a variety of circumstances.
- **Managing** cultural risk:
  - Learnt other culture and China’s culture from young age
  - **Overseas** education – acquired knowledge of other culture
  - Knowledge of Mandarin; can speak **Mandarin**.
6.1 Cultural intelligence: Head

6.1.2 Cross cultural experience

- Cross cultural experience: what and how to incorporate relevant experiences as a general guide for future interactions.

- Managing cultural risk:
  - worked with people from other culture in the past
  - worked with Chinese in the past.
6.1 Cultural intelligence: Head

6.1.2 Cross cultural experience

I learnt from an earlier exposure in Malaysia that a very wrong thing to say is ‘back home in Singapore, we do it this way’.

Now, in China, I start off with ‘how do you do things here?’
6.1 Cultural intelligence: Head

6.1.3 Adaptation

• Managers adapt by being able:
  – to constantly monitor the environment
  – to select, deploy and modify appropriate strategies in cross cultural encounters

• Managing cultural risk:
  – Adjust to change
  – Follow Chinese culture
  – Be open minded.
6.2 Cultural intelligence: Heart

Motivation factor

1. ‘Heart’ component of CQ: measures that motivate or energize an individual in cross cultural encounters.

2. Comprises:
   6.2.1 self efficacy
   6.2.2 value congruence
   6.2.3 goal focus
6.2 Cultural intelligence: Heart

6.2.1 Self efficacy

- A judgment of one’s capability to accomplish a certain level of performance
- People with high self efficacy believe that they are capable of understanding people from other cultures and will not give up when their efforts fail

- **Managing** cultural risk:
  - Have resilience and perseverance to overcome obstacles
6.2 Cultural intelligence: Heart

6.2.2 Value congruence

- Value congruence takes place when there is similarity between cultures of interacting parties.
- **Managing** cultural risk:
  - Speak Mandarin
  - Aware of ‘lost in translation’
  - Aware of regional culture (Eg. Shanghai vs. Chengdu)
6.2 Cultural intelligence: Heart

6.2.3 Goal focus

• Nature and type of goals that people set for themselves are critical for understanding and predicting the outcomes of cross cultural interactions.

• People with high self-efficacy will tend to set challenging goals for themselves to master the cultural quagmire they face.

• Managing cultural risk: Set long term goals to conduct business in China.
6.3 Cultural intelligence: Body

Action/behaviour factor

- ‘Body’ component of CQ: element through which intentions and desires are translated into action.

- Comprises:
  6.3.1 Aptitude
  6.3.2 Self-presentation
  6.3.3 Mimicry.
6.3 Cultural intelligence: Body

6.3.1 Aptitude

• A person with high CQ will have the **aptitude to determine**
  – where new behaviours are needed and
  – how to execute them effectively, through persistency

• **Managing** cultural risk:
  – Spend **time** communicating with Chinese
  – Know what behaviour needed
  – Acquire new behavioural **skills**
  – Execute actions **effectively**.
6.3 Cultural intelligence: Body

6.3.2 Self-presentation

- Self-presentation in social interactions is motivated primarily by the need for impression management.
- **Managing** cultural risk
  - Create a good impression
  - Behaviour that puts Chinese at ease
6.3 Cultural intelligence: Body

6.3.3 Mimicry

• A person with high CQ mimics some of the mannerisms and posturing, verbal and nonverbal cues of the other person so as to create a comfort zone.

• **Managing** cultural risk
  – Behave like Chinese
  – Some foreigners in China may expect Chinese to adjust to them rather than they adjust to Chinese. It is not possible to expect the majority to follow the minority.
  – “When I see Chinese behaving differently from Japanese, I accept that this is their way of doing things. Since I’m in China, I need to follow Chinese style. *When in Rome, do as the Romans do.*”
6 Framework for cross cultural management

6.4 Mindfulness

• Being watchful and attentive
• **Paying attention to others**
• Paying attention in reflective and creative ways to **cues** in cross cultural situations
• Aware of own assumptions, ideas and emotions
• Aware of **selective perceptions**, attributions and categorization that self and others adopt.
• Taking notice of what is apparent about other parties
• **Tuning in to their assumptions, words and behaviour.**
6.4 Mindfulness

**Managing** cross cultural risk:

1. Pay attention to **Chinese**
   - Be watchful, attentive and observant
   - **Study Chinese**’s assumptions, words and behaviours
   - Monitor the environment
   - Be **sensitive** to Chinese

2. Be aware of **self**
   - Check own assumptions, ideas and emotions about Chinese
6.5 Occupational Factor

- Focus on similar occupational cultures when interacting with Chinese instead of brooding on cultural differences.

- Occupational cultures act as catalysts facilitating cross cultural communication such as providing content for exchange and a common language.

- Managing cross cultural risks:
  - Technical matters: Focus on technical matters and not brood on cultural differences.
  - Technical knowledge: Possess superior technical knowledge.

- It is not necessary for a foreign architect to speak Chinese or understand Chinese culture. His sound technical knowledge may be sufficient for project success.
7 CONCLUSION

• Many cultural differences between foreigners and Chinese

• Manage your expectations: \textbf{X} “but back HOME, we would do it THIS way…”

• Manage cultural risk: Develop CQ; Practice Mindfulness; Focus on common occupational culture.

• Have a deep pocket: Pay staff; Networking; Settle disputes over dinner.
References
