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
  - SG firm: Overseas Chinese who speak Mandarin.

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.

6.1.1 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.

6.1.2 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?'

6.1.3 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: **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.

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